

COVER SHEET

for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

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PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

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Form Type

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Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

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COMPANY INFORMATION

Company's Email Address

leovenezuela@solaireresort.com

Company's Telephone Number

888-8888

Mobile Number

No. of Stockholders

90

Annual Meeting (Month / Day)

Any Day in June

Fiscal Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Leo D. Venezuela

Email Address

leovenezuela@solaireresort.com

Telephone Number/s

883-8920

Mobile Number

CONTACT PERSON'S ADDRESS

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

NOTE 1 : In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

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

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 **31 March 2016**
2. SEC Identification Number **A1999-04864** 3. BIR Tax Identification No. **204-636-102-000**
4. Exact name of issuer as specified in its charter **BLOOMBERRY RESORTS CORPORATION**
5. **Philippines** 6. (SEC Use Only)
Province, Country or other jurisdiction of Industry Classification Code:
incorporation or organization
7. **The Executive Offices, Solaire Resort & Casino, 1 Asean Avenue,**
Entertainment City, Tambo Parañaque City **1701**
Address of principal office Postal Code
8. **(02) 883-8920**
Issuer's telephone number, including area code
9. **Unit 601 6th Floor Ecoplaza Bldg. Chino Roces Avenue Ext. Makati City**
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 Outstanding |
|---|------------------------------|
| Unclassified Shares, P1.00 par value | 11,001,717,025 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
Unclassified Shares

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 condensed consolidated financial statements as of March 31, 2016 and for the three months ended March 31, 2016 and 2015 and the audited consolidated statement of financial position as of December 31, 2015 and the related notes to unaudited condensed 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 61.

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

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

Condensed Consolidated Financial Statements
March 31, 2016 (Unaudited) and December 31, 2015 (Audited)
and For The Three Months Ended March 30, 2016 and 2015
(Unaudited)

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2016 AND DECEMBER 31, 2015

	March 31, 2016 <i>(Unaudited)</i>	December 31, 2015 <i>(Audited)</i>
ASSETS		
Current Assets		
Cash and cash equivalents	P15,114,906,671	P14,495,520,964
Receivables	2,453,577,573	2,813,510,475
Inventories	220,063,155	223,622,432
Prepayments and other current assets	792,181,533	699,713,027
Prepaid income tax	—	6,669,634
Total Current Assets	18,580,728,932	18,239,036,532
Noncurrent Assets		
Restricted cash	2,250,012,583	2,252,097,095
Property and equipment	46,447,039,511	47,611,754,764
Advances to contractors	74,301,385	55,339,946
Deferred tax asset - net	138,279,963	138,279,963
Intangible and other noncurrent assets	2,334,002,238	2,437,622,678
Total Noncurrent Assets	51,243,635,680	52,495,094,446
	P69,824,364,612	P70,734,130,978
LIABILITIES AND EQUITY		
Current Liabilities		
Payables and other current liabilities	P11,657,752,474	P11,323,651,879
Current portion of long-term debt	3,502,498,277	2,946,533,685
Income tax payable	330,155,983	703,827
Total Current Liabilities	15,490,406,734	14,270,889,391
Noncurrent Liabilities		
Long-term debt - net of current portion	32,759,925,276	33,857,960,061
Deferred tax liabilities – net	130,731,322	130,731,322
Retirement liability	247,568,538	226,935,194
Other noncurrent liability	493,400,026	450,696,775
Total Noncurrent Liabilities	33,631,625,162	34,666,323,352
Total Liabilities	49,122,031,896	48,937,212,743
Equity Attributable to Equity Holders of the Parent Company		
Capital stock	11,032,998,225	11,032,998,225
Additional paid-in capital	13,161,582,250	13,161,582,250
Equity reserve	(27,138,558)	(27,138,558)
Treasury shares	(264,363,350)	(216,422,356)
Share-based payment plan	70,986,941	48,287,785
Translation adjustments	66,176,998	(20,045,237)
Deficit	(3,400,431,985)	(2,252,737,223)
Total Equity Attributable to Equity Holders of the Parent Company	20,639,810,521	21,726,524,886
Equity Attributable to Non-controlling Interests	62,522,195	70,393,349
Total Equity	20,702,332,716	21,796,918,235
	P69,824,364,612	P70,734,130,978

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2016 AND 2015

	2016	2015
REVENUES		
Gaming	₱5,176,324,857	₱5,970,722,651
Hotel, food and beverage	474,132,604	322,933,710
Retail and others	55,160,374	32,521,346
	5,705,617,835	6,326,177,707
OPERATING COSTS AND EXPENSES	5,831,565,003	5,752,873,876
INCOME (LOSS) BEFORE OTHER INCOME (EXPENSE) AND INCOME TAX	(125,947,168)	573,303,831
OTHER INCOME (EXPENSES)		
Interest expense	(593,266,273)	(426,783,606)
Foreign exchange losses - net	(132,329,563)	(23,475,887)
Interest income	28,087,338	16,950,998
Mark-to-market gain (loss)	(4,705,068)	(3,480,614)
	(702,213,566)	(436,789,109)
INCOME (LOSS) BEFORE INCOME TAX	(828,160,734)	136,514,722
PROVISION FOR INCOME TAX	327,405,184	669,569,167
NET LOSS	(1,155,565,918)	(533,054,445)
OTHER COMPREHENSIVE LOSS		
Item that will be reclassified to profit or loss in subsequent period - Exchange difference on translation of foreign operations	86,222,236	—
TOTAL OTHER COMPREHENSIVE LOSS	86,222,236	—
TOTAL COMPREHENSIVE LOSS	(1,241,788,154)	(₱533,054,445)
Net Loss Attributable To		
Equity holders of the Parent Company	(₱1,147,694,762)	(₱533,054,445)
Non-controlling interests	(7,871,156)	—
	(₱1,155,565,918)	(₱533,054,445)
Total Comprehensive Loss Attributable To		
Equity holders of the Parent Company	(₱1,233,916,998)	(₱533,054,445)
Non-controlling interests	(7,871,156)	—
	(₱1,241,788,154)	(₱533,054,445)
Earnings (Loss) Per Share on Net Loss Attributable to Equity Holders of the Parent Company		
Basic	(₱0.105)	(₱0.048)
Diluted	(₱0.104)	(₱0.048)

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2016 AND 2015

	Equity Attributable to								Non-	
	Capital Stock	Additional Paid-in Capital	Equity Reserve	Treasury Shares	Share-based Payment Plan	Translation Adjustment	Retained Earnings (Deficit)	Total	controlling Interests	Total Equity
Balances at January 1, 2016 (Audited)	₱11,032,998,225	₱13,161,582,250	(₱27,138,558)	(₱216,422,356)	₱48,287,785	(₱20,045,237)	(₱2,252,737,223)	₱21,726,524,886	₱70,393,349	₱21,796,918,235
Net loss	-	-	-	-	-	-	(1,147,694,762)	(1,147,694,762)	(7,871,156)	(1,155,565,918)
Other comprehensive loss	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	(1,147,694,762)	(1,147,694,762)	(7,871,156)	(1,155,565,918)
Share-based payments	-	-	-	-	22,699,156	-	-	22,699,156	-	22,699,156
Purchase of treasury shares	-	-	-	(47,940,994)	-	-	-	(47,940,994)	-	(47,940,994)
Translation adjustment	-	-	-	-	-	86,222,236	-	86,222,236	-	86,222,236
Balances at March 31, 2016 (Unaudited)	₱11,032,998,225	₱13,161,582,250	(₱27,138,558)	(₱264,363,350)	₱70,986,941	₱66,176,998	(₱3,400,431,985)	₱20,639,810,521	₱62,522,195	₱20,702,332,716
Balances at January 1, 2015 (Audited)	₱11,032,998,225	₱13,162,080,045	(₱27,138,558)	(₱77,448,659)	₱38,021,393	₱-	₱1,550,048,630	₱25,678,561,076	₱656,003	₱25,679,217,079
Net income	-	-	-	-	-	-	(533,054,445)	(533,054,445)	-	(533,054,445)
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	(533,054,445)	(533,054,445)	-	(533,054,445)
Subscription of capital stock	-	-	-	-	-	-	-	-	-	-
Dividend declaration	-	-	-	-	-	-	(551,649,911)	(551,649,911)	-	(551,649,911)
Share-based payments	-	-	-	-	22,779,728	-	-	22,779,728	-	22,779,728
Balances at March 31, 2015 (Unaudited)	₱11,032,998,225	₱13,162,080,045	(₱27,138,558)	(₱77,448,659)	₱60,801,121	₱-	₱465,344,274	₱24,616,636,44	₱656,003	₱24,617,292,451

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	(P828,160,734)	P136,514,722
Adjustments for:		
Unrealized foreign exchange losses - net	132,329,563	23,475,887
Interest income	(28,087,339)	(32,521,346)
Retirement expense	20,633,344	12,006,425
Interest expense	593,266,273	426,783,606
Share-based payment expense	9,365,872	22,779,728
Mark-to-market losses	4,705,067	3,480,614
Depreciation and amortization	1,307,542,347	1,157,876,070
Operating income before working capital changes	1,211,594,393	1,750,395,706
Decrease (increase) in:		
Receivables	632,808,259	999,580,100
Inventories	3,559,277	(20,149,738)
Prepayments and other current assets	(85,798,872)	26,745,836
Increase (decrease) in payables and other current liabilities	533,127,036	(96,608,739)
Net cash generated from operations	2,295,290,094	2,659,963,164
Income tax paid	(2,046,972)	—
Interest received	28,087,339	31,988,754
Net cash provided by operating activities	2,321,330,460	2,691,951,918
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(334,090,567)	(1,784,733,667)
Decrease (increase) in:		
Other noncurrent assets	103,620,440	(2,640,619,565)
Restricted cash - net of current portion	2,084,512	(5,791,407)
Advance to contractors	18,961,439	27,645,415
Net cash used in investing activities	(209,424,176)	(4,403,499,224)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from availment of loans	—	2,777,313,015
Payment of principal	(570,200,000)	(656,835,826)
Payment of interest	(742,050,020)	(379,700,000)
Purchase of treasury shares	(47,940,994)	—
Net cash provided (used) by financing activities	(1,360,191,014)	1,740,777,189
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(132,329,563)	(23,475,887)
NET INCREASE IN CASH AND CASH EQUIVALENTS	619,385,707	5,753,997
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		
Cash and cash equivalents	14,495,520,964	14,747,804,181
Current portion of restricted cash	—	4,423,620,413
	14,495,520,964	19,171,424,594
CASH AND CASH EQUIVALENTS AT END OF PERIOD		
Cash and cash equivalents	15,114,906,671	18,145,028,072
Current portion of restricted cash	—	1,032,150,519
	P15,114,906,671	P19,177,178,591

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

BLOOMBERRY RESORTS CORPORATION AND SUBSIDIARIES

(A Subsidiary of Prime Metroline Holdings, Inc.)

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Business

a. Corporate Information

Bloomberry Resorts Corporation (referred to as “Bloomberry” or “Parent Company”), was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on May 3, 1999 under the corporate name “Active Alliance Incorporated”. Until 2003, Bloomberry was mainly engaged in the manufacture and distribution of consumer communication and electronic equipment and operated within the Subic Bay Freeport Zone (SBFZ) under Subic Bay Metropolitan Authority (SBMA) rules and regulations under Republic Act (R.A) No. 7227, otherwise known as the “Bases Conversion and Development Act of 1992”. Effective December 14, 2009, the lease agreement between Bloomberry and SBMA was mutually rescinded. Bloomberry primary purpose is to subscribe, acquire, hold, sell, assign or dispose of shares of stock and other securities of any corporation, including those engaged in hotel and/or gaming and entertainment business, without engaging in dealership in securities or in the stock brokerage business or in the business of an investment company, to the extent permitted by law, and to be involved in the management and operations of such investee companies; and to guarantee the obligations of its subsidiaries or affiliates or any entity in which the Parent Company has lawful interest.

Bloomberry’s shares of stock are publicly traded in the Philippine Stock Exchange (PSE).

The Parent Company’s registered office address is at The Executive Offices, Solaire Resort & Casino, 1 Asean Avenue, Entertainment City, Tambo, Parañaque City.

b. Change in Ownership of Bloomberry

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

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

In November and December 2014, PMHI subscribed to 435.0 million shares and 8,197,669 shares, respectively, to replace the same number of shares that it sold in a

private placement to various investors in a placing and subscription transaction to raise funds for Bloomberry and the shares that the Parent Company borrowed for share-based payments.

As of March 31, 2016, PMHI (the ultimate parent company) owns 58.17% of Bloomberry.

c. Subsidiaries of Bloomberry

Sureste Properties, Inc. ("Sureste") and Bloomberry Resorts and Hotels Inc. ("BRHI")
On February 6, 2012, Prime Metroline Holdings, Inc. ("PMHI", the ultimate parent company) sold 100% of its ownership interest in Sureste to Bloomberry for ₱5.9 billion. Sureste owns 100% of BRHI.

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

Solaire Korea Co., Ltd. ("Solair Korea") and Golden & Luxury Co., Ltd. ("G&L")
In December 2014, Solair Korea was established by Bloomberry to hold the Parent Company's investment in the leisure and entertainment business in Republic of Korea. On April 24, 2015, Solair Korea acquired 77.26% of the outstanding shares of G&L. Subsequently on May 22, 2015, Solair Korea acquired additional 18.98% of G&L, bringing its ownership in G&L to 96.23%. On August 20, 2015, Bloomberry acquired 10.00% of the outstanding shares of G&L from Solair Korea.

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

d. Status of Operations

Sureste and BRHI

The Philippine Amusement and Gaming Corporation ("PAGCOR") has granted BRHI the Provisional License on April 8, 2009 to develop an integrated casino, hotel and entertainment complex within Entertainment City (the "Project"). BRHI is one of four licensees for Entertainment City. 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 when PAGCOR's franchise is renewed by law. On May 7, 2015, BRHI's Provisional License was replaced with a regular casino Gaming License upon full completion of the Project, referred to as "Solair". The Gaming License has the same terms and conditions as the Provisional License.

Solair is one of the Philippines' first premium/luxury hotel and gaming resort. The 16 hectare gaming and integrated resort complex along Asean Avenue in Parañaque

City is the first casino to operate within Entertainment City. BRHI, as the license holder, operates the casino while Sureste operates the hotel business.

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

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

G&L

G&L operated a hotel and casino property in Jeju, Korea under the brand name "T.H.E Hotel" and "LVegas Casino". Upon takeover of operation by Bloomberry, the property was rebranded as "Jeju Sun Hotel & Casino" ("Jeju Sun"). The property consists of 202-room hotel with 5 Hibiscus rating, 2,000 square meters of gaming operation with 36 tables and 20 electronic gaming machines. The property has four food and beverage outlets to service its hotel guest and casino players. The casino operation of Jeju Sun was temporarily closed in May 2015 for the renovation and expansion of the gaming area of the property. The casino operation resumed on September 15, 2015. However, the gaming regulator Casino Regulation Division ("CRD") imposed a one-month suspension which started on November 16, 2015 due to the result of the CRD's investigation of the gaming tax (tourism tax) payment practices of the casino under its old management and owners. On December 15, 2015, Jeju Sun opened its upgraded and expanded facilities.

2. Summary of Significant Accounting Policies and Disclosures

Basis of Preparation

The unaudited condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standards (PAS) 34, Interim Financial Reporting. Accordingly, the unaudited condensed consolidated financial statements do not include all of the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as of and for the year ended December 31, 2015.

The unaudited condensed consolidated financial statements have been prepared under the historical cost basis, except for the derivative assets that have been measured at fair value. The unaudited condensed consolidated financial statements are presented in Philippine Peso, the functional and presentation currency of the Parent Company and its subsidiaries, and all values are rounded to the nearest peso, except when otherwise indicated.

Basis of Consolidation

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

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

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

As of March 31, 2016 and December 31, 2015, subsidiaries of Bloomberry include:

	Effective Percentage of Ownership	
	March 31, 2016 <i>(Unaudited)</i>	December 31, 2015 <i>(Audited)</i>
Sureste	100.0	100.0
BRHI	100.0	100.0
Bloom Capital B.V.*	100.0	100.0
Solaire Korea	100.0	100.0
G&L (through Solaire Korea)	96.2	96.2
Solaire de Argentina S.A. (through Bloom Capital B.V.)*	94.0	94.0

**has not started commercial operations*

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

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

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

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

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. The financial statements of subsidiaries are prepared for the same reporting period as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances. Intercompany balances and transactions are eliminated in full.

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

Changes in Accounting Policies and Disclosures

The Group's accounting policies are consistent with those of the previous financial year, except for adoption of the following new and revised standards, interpretations and amendments to existing PFRS effective January 1, 2015.

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

PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after July 1, 2014. This amendment is not relevant to the Group since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

- Annual Improvements to PFRSs (2010–2012 cycle). These improvements are effective from July 1, 2014 and the Group has applied these amendments for the first time in these consolidated financial statements. Unless otherwise stated, these amendments have no impact on the Group's consolidated financial statements. They include:

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

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

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

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

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

this amendment for future business combinations.

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

The amendments are applied retrospectively and clarify that:

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

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

The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset. The adoption of this amendment did not have any impact in the Group's consolidated financial statements as the Group's property and equipment is not carried at revalued amounts.

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

The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

- Annual Improvements to PFRSs (2011-2013 cycle). These improvements are effective from July 1, 2014 and the Group has applied these amendments for the first time in these consolidated financial statements. Unless otherwise stated, these amendments have no impact on the Group's consolidated financial statements. They include:

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

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

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

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

The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39.

– PAS 40, *Investment Property*

The description of ancillary services in PAS 40 differentiates between the investment property and owner-occupied property (i.e., property and equipment). The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Standards Issued But Not Yet Effective

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

Deferred Effectivity

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*. This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (“IASB”) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the consolidated financial statements of the Group.

Effective January 1, 2016

- PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception (Amendments)*.

These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value and that only a

subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture), when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments are effective for annual periods beginning on or after January 1, 2016. These amendments are not applicable to the Group since none of the entities within the Group is an investment entity nor does the Group have investment entity associates or joint venture.

- *PAS 27, Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments). The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements.
- *PFRS 11, Joint Arrangements - Accounting for Acquisitions of Interests* (Amendments). The amendments to PFRS 11 require a joint operator that is accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business (as defined by PFRS 3), to apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group.
- *PAS 1, Presentation of Financial Statements - Disclosure Initiative* (Amendments). The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRS. They clarify the following:
 - a. That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions
 - b. That specific line items in the statement of income and OCI and the statement of financial position may be disaggregated
 - c. That entities have flexibility as to the order in which they present the notes to financial statements
 - d. That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

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

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

- **PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants*.** The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.

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

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

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

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

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

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

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

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

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

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

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

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

Effective January 1, 2018

- **PFRS 9, *Financial Instruments*.** In July 2014, the IASB issued the final version of International Financial Reporting Standard (“IFRS”) 9, *Financial Instruments*. The new standard (renamed as PFRS 9) reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Early application of previous versions of PFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015. The Group did not early adopt PFRS 9. The adoption of PFRS 9 is not expected to have any significant impact on the Group’s consolidated financial statements.
- **IFRS 15, *Revenue from Contracts with Customers*.** IFRS 15 was issued in May 2014 by the IASB and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.
- **IFRS 16, *Leases*.** On January 13, 2016, the IASB issued its new standard, IFRS 16, *Leases*, which replaces International Accounting Standards (“IAS”) 17, the current leases standard, and the related Interpretations.

Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with IAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements. The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under IAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value. The new standard is effective for annual periods beginning on or after January 1, 2019. Entities may early adopt IFRS 16 but only if they have also adopted IFRS 15. When adopting IFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Group is currently assessing the impact of PFRS 16 and plans to adopt the new standard on the required effective date once adopted locally.

Significant Accounting Policies

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are recognized as expense and included in administrative expenses.

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

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with PAS 39 either in profit or loss or as a change to OCI. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity. Subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss. If the initial accounting for business combination can be determined only provisionally by the end of the period by which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the Group accounts the combination using provisional values. Adjustments to these provisional values as a result of completing the initial accounting shall be made within 12 months from the acquisition date. The carrying amount of an identifiable asset, liability or contingent liability that is recognized as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date and goodwill or any gain recognized shall be adjusted from the acquisition date by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

The seller in a business combination may contractually indemnify the acquirer for the outcome of a contingency or uncertainty related to all or part of a specific asset or liability. As a result, the acquirer obtains an indemnification asset. The acquirer shall recognize an indemnification asset at the same time that it recognizes the indemnified item measured on the same basis as the indemnified item, subject to the need for a valuation allowance for uncollectible amounts. Therefore, if the indemnification relates to an asset or a liability that is recognized at the acquisition date and measured at its acquisition-date fair value, the acquirer shall recognize the indemnification asset at the acquisition date measured at its acquisition-date fair value.

In some circumstances, the indemnification may relate to an asset or a liability that is an exception to the recognition or measurement principles. In those circumstances, the indemnification asset shall be recognized and measured using assumptions consistent with those used to measure the indemnified item, subject to management's assessment of the collectibility of the indemnification asset and any contractual limitations on the indemnified amount.

At the end of each subsequent reporting period, the acquirer shall measure an indemnification asset that was recognized at the acquisition date on the same basis as the indemnified liability or asset, subject to any contractual limitations on its amount and, for an indemnification asset that is not subsequently measured at its fair value, management's assessment of the collectibility of the indemnification asset. The acquirer shall derecognize the indemnification asset only when it collects the asset, sells it or otherwise loses the right to it.

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

Financial Instruments

Date of recognition

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

Initial recognition of financial instruments

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

Determination of fair value

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

“Day 1” difference

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a “Day 1” difference) in the consolidated statement of comprehensive income, unless it qualifies for recognition as some other type of asset or liability. In cases where data which is not observable are used, the difference between the transaction price and model value is only recognized in the consolidated statement of comprehensive income when the inputs

become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the “Day 1” difference amount.

Financial assets and liabilities at FVPL

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

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

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

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

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

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

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

The Group's derivative asset arising from the loan prepayment option is classified as financial assets at FVPL as of March 31, 2016 and December 31, 2015. The Group has no financial liability at FVPL as of March 31, 2016 and December 31, 2015.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified or designated as AFS financial assets or financial assets at FVPL. Loans and receivables

are classified as current assets if maturity is within 12 months from financial reporting date. Otherwise, these are classified as noncurrent assets.

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

The Group's cash and cash equivalents, receivables (excluding advances to officers and employees), restricted cash and security deposit are classified as loans and receivables.

HTM investments

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

The Group has no HTM investments as of March 31, 2016 and December 31, 2015.

AFS financial assets

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

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

The Group has no AFS financial assets as of March 31, 2016 and December 31, 2015.

Other financial liabilities

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

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

Other financial liabilities include payables and other current liabilities and long-term debt as of March 31, 2016 and December 31, 2015.

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

Financial assets carried at amortized cost

For financial assets at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The estimated future cash flows are discounted at the financial asset's original EIR. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset,

whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

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

Derecognition of Financial Assets and Liabilities

Financial assets

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

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

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

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

Financial liabilities

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

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

Cash and Cash Equivalents

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

Restricted Cash

Restricted cash represents cash in escrow account as required by a lending bank of Sureste. In prior years, it represents restricted cash as required in the Provisional License issued by PAGCOR (as also required by a lending bank of Sureste) and restricted cash and cash equivalents that are allocated for the construction of the Project.

Inventories

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

Prepayments

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

Advances to Suppliers

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

Creditable Withholding Taxes (CWT)

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

Advances to Contractors

Advances to contractors represent advance payments for the Group's gaming equipment, hotel furniture and fixtures, operating equipment and other gaming and hotel equipment. These are charged to expense or capitalized to property and equipment in

the consolidated statement of financial position, upon actual receipt of services or gaming/hotel equipment. These are considered as nonfinancial instruments as these will be applied against future billings from contractors.

Property and Equipment

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

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

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

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

Land improvements	10 years
Building and improvements	40 years or lease term, whichever is shorter
Machineries	10 years
Gaming equipment	5 years
Office furniture and fixtures	5 years
Transportation equipment	5 - 20 years
Leasehold improvements	3 years or lease term, whichever is shorter
Office and communication equipment	5 years

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

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

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

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

Operating Equipment

Operating equipment (shown as part of "Other noncurrent assets" account) includes linen, china, glassware, silver, and other kitchen wares, which are carried at cost. Items of operating equipment with expected period of consumption of one year or less are classified as current. Bulk purchases of items of operating equipment with expected usage period of beyond one year are classified as noncurrent assets and are amortized over two to three years.

Impairment of Nonfinancial Assets

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

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

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

Equity

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

Equity reserve pertains to costs incurred in 2012, in connection with the issuance of capital stock such as taxes and legal fees. The account also includes the effect of the reverse acquisition.

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

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

Share-based Payment Plan

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

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

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

The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The consolidated statement of income expense or credit for a period represents the movement in cumulative expense recognized at the beginning and end of that period and is recognized as share-based payment expense as part of "Salaries and benefits" under operating costs and expenses.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transaction for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

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 and Balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates prevailing at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized in profit or loss in the consolidated statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

Group Companies

On consolidation, the assets and liabilities of foreign operations are translated into Philippine peso at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at the average exchange rates for the year. The exchange differences arising on translation for consolidation are recognized in OCI and taken directly to a separate component of equity as translation adjustments. On disposal of these subsidiaries, the amount of deferred cumulative translation adjustments recognized in equity relating to subsidiaries shall be recognized in profit or loss in the consolidated statements of comprehensive income.

Revenue Recognition

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

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

Gaming revenue

Gaming revenue is measured by the aggregate net difference between gaming wins and losses, with liabilities recognized for funds deposited by customers before gaming play occurs and for chips in customers' possession. Revenues are recognized net of certain sales incentives. Accordingly, the Group's gaming revenues are reduced by discounts, rebates paid through the gaming promoters, progressive jackpot liabilities and points earned in customer loyalty programs totaling to ₱2,474.5 million and ₱2,119.5 million for the three months ended March 31, 2016 and 2015, respectively.

Hotel, food and beverage, retail and other operating revenues

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

The retail value of accommodation, food and beverage, and other services furnished to guests without charge is excluded from total operating revenues in the accompanying consolidated statement of comprehensive income. The amounts of such promotional allowances excluded from total operating revenues for the three months and nine months ended March 31, 2016 and 2015 are as follows:

	March 31, 2016	March 31, 2015
Hotel, food and beverage	P365,412,582	P423,157,691
Retail and others	51,850,867	37,509,526
	P417,263,449	P460,667,217

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

Interest income

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

Cost and Expenses

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

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

Retirement expense

The Group has an unfunded, non-contributory defined benefit plan covering all of its regular employees. Retirement costs are determined based on the provisions of Republic Act No. 7641, "Retirement Pay Law". These benefits are unfunded. The cost of employee benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements, comprising of actuarial gains and losses, excluding amounts included in interest on the defined benefit liability are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not classified to profit or loss in subsequent periods.

Interest is calculated by applying the discount rate to the defined benefit liability. The Group recognized the change in defined benefit obligation such as service cost and interest costs as part of "Salaries and benefits" account under "Operating costs and expenses" 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 arrangement is, or contains a lease is based on the substance of the arrangement at the inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease only if one of the following applies: (a) there is a change in contractual terms, other than a renewal or extension of the agreement; (b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term; (c) there is a change in the determination of whether the fulfillment is dependent on a specified asset; or (d) there is a substantial change to the asset.

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

As a lessee

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

Taxes

Current income tax

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

Current income tax relating to items recognized directly in equity is recognized in equity and not in the profit or loss.

Deferred income tax

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

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

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carry-over (NOLCO) to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward benefit of unused tax credits and unused tax losses can be utilized except: (1) when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and (2) with respect to deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

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

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

Value-Added Tax (VAT)

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

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

The net amount of VAT recoverable from/payable to the taxation authority is included as part of the “Prepayments and other current assets” and “Payables and other current liabilities” accounts in the consolidated statement of financial position.

Gaming Taxes

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

Contingencies

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

Events After the Reporting Date

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

Earnings (Loss) Per Share

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

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

Diluted earnings (loss) per share is computed in the same manner, adjusted for the effect of the shares issuable to qualified officers and employees under the Parent Company’s stock incentive plan which are assumed to be exercised at the date of grant. Where the effect of the vesting of stock under the stock incentive plan is anti-dilutive, basic and diluted earnings per share are stated at the same amount.

Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services within a particular economic environment subject to risks and rewards that are different from those of other segments, which operating results are regularly reviewed by the chief operating decision maker to make decisions about how

resources are to be allocated to each of the segments and to assess their performances, and for which discrete financial information is available. Management views the hotel and casino business as one integrated business segment, i.e., an integrated resort facility. A single management team for each geographical area reports to the chief operating decision-maker. The Group operates in two geographical areas in 2016 and 2015 and one geographical area in 2014 where it derives its revenue.

Management's Use of Judgments, Estimates and Assumptions

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

Judgments

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

Determination of Functional Currency. The functional currencies of the Parent Company and its subsidiaries are the currency of the primary economic environment in which each entity operates. It is the currency that mainly influences the revenue from and cost of rendering services.

Based on the economic substance of the underlying circumstance relevant to the Parent Company, the functional and presentation currency of the Parent Company is the Philippine peso. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at reporting date. For income tax purposes, exchange gains or losses are treated as taxable income or deductible expenses in the year such are realized.

The functional currency of the Parent Company's foreign subsidiaries, i.e., Solaire Korea and G&L, is the Korean won.

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

Group as a Lessee

The Group has entered into various operating lease agreements as a lessee. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that the lessor retains all the significant risks and rewards of ownership of these properties because the lease agreements do not transfer to the Group the ownership over the assets at the end of the lease term and do not provide the Group with a bargain purchase option over the leased assets and so accounts for the contracts as operating leases.

Estimates and assumptions

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

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

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 the credit was originally granted.

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

Provision for doubtful accounts for the three months ended March 31, 2016 and 2015 amounted to ₱157.1 million and ₱785.8 million, respectively. The net carrying amount of receivables amounted to ₱2,453.6 million and ₱2,813.5 million as of March 31, 2016 and December 31, 2015, respectively.

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

There were no provision for inventory obsolescence for the three months and nine months ended March 31, 2016 and 2015. Inventories at cost amounted to ₱220.1 million and ₱223.6 million as of March 31, 2016 and December 31, 2015, respectively.

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

The aggregate net book value of the Group's property and equipment (excluding construction in progress) amounted to ₱45,721.7 million and ₱46,695.2 million as of March 31, 2016 and December 31, 2015, respectively.

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

Amortization for the three months ended March 31, 2016 and 2015 amounted to ₱65.5 million and ₱43.2 million, respectively. The carrying value of the Group's operating equipment amounted to ₱189.7 million and ₱250.3 million as of March 31, 2016 and December 31, 2015, respectively.

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

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

There was no impairment loss recognized for the three months ended March 31, 2016, and 2015.

The carrying values of nonfinancial assets subject to impairment review are as follows:

	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)
Property and equipment	₱46,447,039,511	₱47,611,754,764
Advances to contractors	74,301,385	55,339,946
Casino license*	1,559,412,000	1,559,412,000
Goodwill*	371,844,023	371,844,023
Operating equipment*	189,657,118	250,275,665
	₱48,642,254,037	₱49,848,626,398

*Presented as part of "Intangible and other noncurrent assets" account.

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

Gaming promoters' expense which was netted against revenue and the amount presented as part of operating costs and expenses amounted to ₱1,655.5 million and ₱413.9 million, respectively, for the three months ended March 31, 2016 and ₱1,256.9 million and ₱314.2 million, respectively, for the three months ended March 31, 2015.

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

Retirement benefits obligation amounted to ₱247.6 million and ₱226.9 million as of March 31, 2016 and December 31, 2015, respectively.

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

Despite Revenue Memorandum Circular (RMC) No. 33-2013 issued by the Bureau of Internal Revenue (BIR), clarifying that PAGCOR and its contractees and licensees are subject to 30% RCIT on their gaming and non-gaming revenues, management still believes that the tax benefits granted to PAGCOR under its charter inure to the benefit of,

and extend to BRHI in accordance with section 13 (2) (b) of Presidential Decree No. 1869.

The Group recognized deferred tax assets amounting to ₱660.3 million as of March 31, 2016 and December 31, 2015. The Group's temporary differences, for which no deferred tax assets/liabilities have been recognized amounted to ₱10,321.3 million as of March 31, 2016 and December 31, 2015, resulting from (a) Sureste's position that it will not have any taxable profits in the future in which it could utilize its deferred tax assets and (b) BRHI's position that it is exempt from income tax.

3. Cash and Cash Equivalents

This account consists of:

	March 31, 2016	December 31, 2015
	<i>(Unaudited)</i>	<i>(Audited)</i>
Cash on hand	₱1,643,399,924	₱1,749,591,403
Cash in banks	10,276,035,942	9,910,742,937
Temporary cash investments	2,015,153,190	1,662,976,095
Debt collateral accounts	1,180,317,615	1,172,210,529
	₱15,114,906,671	₱14,495,520,964

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

Prior to the issuance of the Gaming License on May 7, 2015, restricted cash includes the escrow account required in the Provisional License issued by PAGCOR and restricted funds allocated for the construction of the Project.

Under the Provisional License granted by PAGCOR, the Group is required to set up and maintain an escrow account amounting to US\$100.0 million with a universal bank mutually agreed by PAGCOR and BRHI. All funds for the construction of the Project (see Note 1) shall pass through the escrow account and all drawdowns of funds from the said escrow account must be applied to the Project. The escrow account should have a maintaining balance of US\$50.0 million. PAGCOR released BRHI from the requirement to maintain the escrow account upon completion of the Project and grant of a regular license to BRHI on May 7, 2015.

The Group still maintains the escrow account as security to Sureste's loan (to be fully settled in 2018). As of March 31, 2016 and December 31, 2015, the escrow account

amounting to ₱2,250.0 million and ₱2,252.1 million is presented under the noncurrent assets section in the consolidated statements of financial position.

5. Receivables

This account consists of:

	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)
Casino	₱4,831,082,372	₱5,434,147,267
Hotel	66,409,873	109,945,170
Advances to officers and employees	292,763,781	152,605,330
Others	229,638,465	21,802,334
	5,419,894,491	5,718,500,101
Less allowance for doubtful accounts	2,966,316,918	2,904,989,626
	₱2,453,577,573	₱2,813,510,475

Casino receivables primarily consist of casino markers issued to fixed room junket operators and VIP premium casino players. Casino markers are issued for gaming instruments (chips and credits) to approved casino players. These markers are noninterest bearing and are normally collected within 90 days.

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

Advances to officers and employees are normally settled within one month through salary deduction or liquidation.

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

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

6. Property and Equipment and Advances to Contractors

Construction in progress represents costs incurred related to the ongoing development. Costs incurred mainly include raw materials procurement, general construction works, architectural design services, engineering consultancy and construction supervision services and interior design services. As of March 31, 2016 and December 31, 2015, property and equipment includes construction in progress pertaining to the costs related to the small constructions.

Borrowing costs on specific borrowings capitalized as part of "Property and equipment". Lease on the land of PAGCOR are capitalized as part of "Property and equipment" during the construction period.

Previously, under BRHI's Provisional License with PAGCOR, BRHI had committed to invest at least US\$1.0 billion in the Project. The investment commitment includes the lease for the use of the land of PAGCOR, cost related to securing development rights, construction, equipment, development costs, financing costs, working capital costs, and all other expenses directly related to the completion and operation of the casino. The Provisional License also requires BRHI to fully invest and utilize US\$400.0 million within two years from April 8, 2009, the date of issuance of the Provisional License, to comply with the aforementioned 40% utilization requirement. On November 16, 2009, PAGCOR approved BRHI's request for an additional three years extension of the original two years compliance period with respect to the 40% of the total investment commitment. BRHI has complied with this US\$400.0 million initial investment requirement, as well as the US\$1.0 billion total investment requirement for the project and was granted its regular license on May 7, 2015.

Bloomerry through Solaire Korea has purchased 12.2 hectares property in Muui Island and the entire 20.96 hectares Silmi Island in the Republic of Korea. Muui Island and Silmi Island are within the coverage of the Incheon Free Economic Zone. They are intended to be developed into a leisure and tourism complex with entertainment facilities and mixed uses developments.

On October 9, 2015, Sureste received the Notice of Award from National Housing Authority (NHA) for the purchased of a 15,676 square meter land in Vertis North, Quezon City Central Business District. As of March 31, 2016, the Company had already paid 60% of the purchased price of P1.97 billion.

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

There were no major disposals or write-downs of property and equipment for the three months ended March 31, 2016. Additions for the period amounted to ₱334.1 million. As of March 31, 2016 and December 31, 2015, property and equipment amounted to ₱46,447.0 million and ₱47,611.8 million, respectively.

7. Intangible and other Noncurrent Assets

This account consists of:

	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)
Casino license	₱1,559,412,000	₱1,559,412,000
Goodwill	371,844,023	371,844,023
Operating equipment	189,657,118	250,275,665
Security deposits classified as noncurrent	204,040,438	206,786,760
Others	9,048,659	49,304,230
	₱2,334,002,238	₱2,437,622,678

Casino license pertains to G&L's license to operate a casino business in Jeju, South Korea.

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.

Security deposits classified as noncurrent primarily pertain to deposits to utility companies which are refundable upon service termination.

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

Others mainly represent noncurrent portion of rental deposit and advance rent that will be applied to the last two/three months of the lease term.

8. Payables and Other Current Liabilities

This account consists of trade payables, accrued project costs, current portion of accrued rent, accrued taxes and interest, withholding tax payable, accrued pre-opening expenses, income tax payable, dividends payable and others. Accrued project costs and other accruals are expected to be settled within one year.

Accrued rent arises from the recognition of lease on a straight-line basis..

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

As of March 31, 2016 and December 31, 2015, payables and other current liabilities amounted to ₱11,657.8 million and ₱11,323.7 million, respectively.

9. Long-term Debt

This account consists of:

	March 31, 2016 <i>(Unaudited)</i>	December 31, 2015 <i>(Audited)</i>
Principal:		
Original facility	₱10,912,900,000	₱11,483,100,000
Expansion facility	14,300,000,000	14,300,000,000
Corporate notes	11,425,000,000	11,425,000,000
	36,637,900,000	37,208,100,000
Less unamortized debt discount	375,476,447	403,606,254
	36,262,423,553	36,804,493,746
Less current portion of long-term debt	3,502,498,277	2,946,533,685
	₱32,759,925,276	₱33,857,960,061

Future repayment of the principal follows:

	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)
Within one year	₱3,547,035,000	₱3,047,730,000
After one year but not more than five years	33,090,865,000	23,192,370,000
Beyond five years	-	10,968,000,000
	₱36,637,900,000	₱37,208,100,000

a. Original Facility

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

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

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

As at March 31, 2016 and December 31, 2015, this facility has been fully drawn. Loan principal amounting to ₱570.2 million was paid as of the first quarter in 2016. Outstanding long-term debt, net of unamortized debt discount, as of March 31, 2016 and December 31, 2015 amounted to ₱10,865.0 million and ₱11,427.1 million, respectively.

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

The prepayment option was assessed as not clearly and closely related to the loan. As at inception date, the value of the prepayment option is not material. Upon additional drawdowns in 2012 and 2013, the option was bifurcated at each drawdown date of the loan, resulting to a value of the bifurcated prepayment option of ₱37.9 million and ₱83.5 million which were offset against additions to capitalized debt issue costs in 2013 and 2012, respectively.

b. Expansion Facility

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

The Expansion Facility of ₱14.3 billion is payable over seven years in 16 consecutive quarterly installments on each repayment date commencing on the 39th month from the initial drawdown date while the interest on the unpaid principal amount shall be paid in quarterly payments from the initial drawdown date. The loan bears an interest rate based on a spread of 2% over the 30-day BSP reverse purchase agreement rate, unless a substitute benchmark rate has been requested 20 banking days prior to an interest payment date.

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

As at March 31, 2016 and December 31, 2015, the amount drawn under these facilities amounted to ₱14.3 billion. Outstanding long-term debt, net of unamortized debt discount, as of March 31, 2016 and December 31, 2014, amounted to ₱14,036.0 million and ₱14,018.7 million, respectively.

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

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

c. Corporate Notes

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

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

The outstanding balance of the Corporate Notes, net of unamortized debt discount, as of March 31, 2016 and December 31, 2015 amounted to ₱11,361.4 million and ₱11,358.7 million, respectively.

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

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

All legal and professional fees, including commitment fee, incurred in relation to the loans were capitalized. Debt issue costs were amortized using EIR method.

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

Debt Covenant

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

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

As of March 31, 2016 and December 31, 2015, Sureste and BRHI are in compliance with these debt covenants.

Collateral

Under the original and expansion facilities, collateral includes the following:

(i) **Assignment of Accounts and Receivables**

To ensure the payment by Sureste/BRHI of the Loan, Sureste/BRHI shall assign, convey, set over and transfer unto the Security Trustee absolutely and unconditionally all of its respective right, title and interest in all monies standing in its Debt Service Payment Account (DSPA) and Debt Service Reserve Account (DSRA) required to be maintained by the Group to service interest and principal payments, all monies standing in the Escrow Account (see Note 4), project receivables, as well as the proceeds, products and fruits of the said accounts.

The level of funds standing in the DSRA on any date commencing on the initial drawdown date shall be at least equal to the amount of principal due on an

immediately succeeding repayment date and two times the interest payable on an immediately succeeding interest payment date.

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

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

As of March 31, 2016 and December 31, 2015, the Group's debt collateral accounts balances are as follows:

	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)
Debt service reserve account	₱1,008,103,608	₱1,035,333,651
Debt service payment account	172,214,006	136,876,878
	₱1,180,317,614	₱1,172,210,529

(ii) Assignment of Project Agreements

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

(iii) Mortgage

As a security for timely payment, discharge, observance and performance of the loan, Sureste/BRHI (a) establishes in favor of the Security Trustee for the benefit of the Lender, a first ranking real estate mortgage on the Present Real Assets, i.e. leasehold rights over the phase 1 PAGCOR Land covered by the PAGCOR Lease (see Note 13), and Future Real Assets, i.e. the hotel and gaming facilities; and (b) establish in favor of the Security Trustee for the benefit of the Lender, a first ranking Chattel Mortgage on the Present and Future Chattels.

(iv) Continuing Suretyship

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

(v) Pledge

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

10. Related Party Transactions

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

The Group has a contractual arrangement with a related party for the use of aircrafts. Other related party transactions include, contribution to Bloomberry Cultural Foundation, advances to officers and employees and short-term and long-term employee benefits to key management officers.

11. Equity

Capital Stock

Capital stock consists of:

	March 31, 2016 (Unaudited)		December 31, 2015 (Audited)	
	Shares	Amount	Shares	Amount
Capital Stock - ₱1 par value				
Authorized	15,000,000,000	₱15,000,000,000	15,000,000,000	₱15,000,000,000
Issued	11,032,998,225	11,032,998,225	11,032,998,225	11,032,998,225
Issued and outstanding	11,001,717,025	10,768,634,667	11,008,552,213	10,816,575,869

The movement in issued capital stock follows:

	March 31, 2016 (Unaudited)		December 31, 2015 (Audited)	
	Shares	Amount	Shares	Amount
Balance at beginning of year	11,032,998,225	₱11,032,998,225	11,032,998,225	₱11,032,998,225
Subscription and issuance	—	—	—	—
Balance at end of year	11,032,998,225	₱11,032,998,225	11,032,998,225	₱11,032,998,225

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

Stock Incentive Plan

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

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

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

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

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

Grant Date	Number of Shares Granted	Fair Value per Share at Grant Date
October 1, 2013	5,792,700	₱10.02
July 1, 2014	4,318,589	10.84
October 27, 2014*	4,486,000	14.98
April 28, 2015	922,645	11.36
August 13, 2015	1,157,403	8.95
October 23, 2015	1,105,842	6.59
February 16, 2016	17,935,061	4.49

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

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

Movements in the stock awards granted (number of shares) in March 31, 2016 and December 31, 2015 follow:

	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)
Balance at beginning of period	7,962,017	10,855,539
Stock awards granted	17,935,061	3,185,890
Stock awards vested	–	(3,981,907)
Stock awards of resigned/terminated employees	(689,496)	(2,097,505)
Balance at end of period	25,207,582	7,962,017

Total compensation expense on the stock awards recognized in 2016 and 2015 as part of “Operating costs and expenses” in the unaudited consolidated statements of comprehensive income amounted to ₱22.7 million and ₱22.8 million, respectively. The stock incentive obligation recognized as “Share-based payment plan” in the unaudited consolidated statements of financial position amounted to ₱71.0 million and ₱48.3 million as of March 31, 2016 and December 31, 2015, respectively.

Treasury Shares

The movement in treasury shares in 2016 follows:

	Shares	Amount
Balance at beginning of period	24,446,013	₱216,422,356
Purchase of treasury shares	39,482,000	47,940,994
Balance at end of period	63,928,013	₱264,363,350

At various dates in June, July and August 2015, Bloomberg acquired a total of 22,281,200 of its own shares to cover the number of shares granted to certain officers and employees under the SIP that will vest in the future. The shares were acquired by Bloomberg at market price on the dates of buy-back amounted to ₱189.1 million.

On October 1, 2015, July 1, 2015 and October 27, 2015, a total of 3,981,907 treasury shares were reissued for vested stock awards.

On October 1, 2014, 2,050,950 shares in the Parent Company vested in favor of several participants under the SIP, as previously discussed. On December 18, 2014, the board of directors of the Parent Company and PMHI approved the borrowing of 8,197,669 shares from PMHI to be transferred to the participants whose SIP shares have vested, and to AB Capital and Investment Corp. Trust & Investment Department with respect to the SIP shares that will vest in 2015, and the subscription by PMHI to new shares to replace the borrowed shares. The transfer by PMHI of shares equivalent to the SIP Shares to said participants was at a sale price of ₱12.60 per share (which was the market price of the shares when the SIP shares were crossed) and the issuance by the Parent Company of shares equivalent to the SIP Shares at a subscription price of ₱12.60 per share to PMHI in replacement of the shares transferred by PMHI to the said participants. APIC arising from this transaction amounted to ₱95.1 million.

The shareholders of the Parent Company as of March 31, 2016 and December 31, 2015 are as follows:

	Percentage of Ownership
PMHI (see Note 1)	58.08%
Quasar Holdings, Inc.	8.35%
Falcon Investco Holdings, Inc.	2.04%
Directors and officers	0.52%
Public	31.01%
Total	100.00%

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

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

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

**SEC approval of the increase in the authorized capital stock; Offer Shares sold at ₱7.50 on May 2, 2012

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

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

As of March 31, 2016 and December 31, 2015, Bloomberg has total shareholders of 85 on record. For this purpose, public shares held under PCD Nominee are counted as two (one for PCD Nominee - Filipino and another for PCD Nominee - Foreign). As of March 31, 2016 and December 31, 2015, 1,364,381,725 shares are not yet listed in the stock exchange.

12. Costs and Expenses

This account consists of:

	Three Months Ended March 31	
	2016 (Unaudited)	2015 (Unaudited)
Operating costs and expenses	₱5,831,565,003	₱5,752,873,876
Interest expense	593,266,273	426,783,606
Foreign exchange losses- net	132,329,563	23,475,887
Mark-to-market loss	4,705,069	3,480,614
	₱6,561,865,908	₱6,206,613,983

13. Lease Agreements

As a Lessee

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

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

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

In December 2012, BRHI and Sureste agreed to amend the above deed of assignment. Pursuant to the amended deed of assignment and with the consent of PAGCOR, BRHI assigned 89% of its leasehold rights over the leased land to Sureste and retained the 11% of such rights. In 2013, an addendum to the contract of lease covering an additional 3,733 square meters of PAGCOR land, was executed. In December 2014, a second addendum to the contract of lease covering an additional 73,542 square meters of PAGCOR land was also executed.

Rent expense related to this lease, capitalized as part of "Property and equipment" amounted to ₱582.5 million as of March 31, 2016 and December 31, 2015, respectively. Rent expense amounting to ₱114.8 million and ₱162.3 million was recognized as part of "Rent expense" account under operating costs and expenses in the three months ended March 31, 2016 and 2015 consolidated statement of comprehensive income.

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

	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)
Within one year	₱519,524,811	₱519,524,811
Beyond one year but not later than five years	1,955,233,562	1,955,233,562
Beyond five years	5,283,475,265	5,283,475,265
	₱7,758,233,638	₱7,758,233,638

In 2012, BRHI entered into a lease contract for suites in the SM Arena for three years commencing May 21, 2012 until May 21, 2015 renewable upon the joint written agreement of the parties under terms and conditions mutually agreed by the parties. BRHI renewed the contract until May 22, 2016. Rent expense related to this lease, which was primarily used to provide additional incentive to casino players, amounting to ₱5.3 million and ₱20.9 million, was recognized as part of “Advertising and promotions” account under operating costs and expenses in the 2016 and 2015 statements of comprehensive income, respectively.

Rental charges related to these leases, presented as part of “Rent expense” account under operating costs and expenses in the consolidated statements of comprehensive income for the three months ended March 31, 2016 and 2015 amounted to ₱13.4 million and ₱132.9 million, respectively.

Security deposits related to the leases discussed above amounted to ₱15.9 million and ₱19.3 million as of March 31, 2016 and December 31, 2015, respectively.

14. Commitments and Contingencies

- a. Under the license agreement with PAGCOR, BRHI has the following commitments, among others:
 - Seven days prior to commencement of operation of the Casino, to secure a surety bond in favor of PAGCOR in the amount of ₱100.0 million to ensure prompt and punctual remittance/payment of all license fees.
 - License fees must be remitted on a monthly basis, in lieu of all taxes with reference to the income component of the Gross Gaming Revenues: (a) 15% of the gross gaming revenues generated by high roller tables; (b) 25% of the gross gaming revenues generated by non-high roller tables; (c) 25% of the gross gaming revenues generated by slot machines and electronic gaming machines; and (d) 15% of the gross gaming revenues generated by junket operation. PAGCOR agreed to the temporary reduction of these license fees effective April 1, 2014 to 5% (from 15%) and 15% (from 25%) on application by BRHI and other licensees during the pendency of the resolution of the issue on the validity of BIR’s imposition of income tax on PAGCOR’s licensees under RMC 13-2013. This issue is now pending in the Supreme Court following BRHI’s petition against the BIR. The parties agree to revert to the original license fee structure under the Provisional License in the event the BIR action to collect income tax from PAGCOR licensees is permanently restrained, corrected or withdrawn by order of

the BIR or the courts or under a new law. The license fees are inclusive of the 5% franchise tax under the PAGCOR Charter.

- In addition to the above license fees, BRHI is also required to remit 2% of casino revenues generated from non-junket operation tables to a foundation devoted to the restoration of Philippine cultural heritage, as selected by the BRHI and approved by PAGCOR. BRHI has established Bloomberry Cultural Foundation Inc. (BCF) for this purpose. Amount due to BCF, recognized as part of "Operating cost and expenses" for the three months ended March 31, 2016 and 2015, amounted to ₱75.1 million and ₱59.7 million, respectively. Outstanding amount payable to BCF as of March 31, 2016 and December 31, 2015, presented as part of "Payable and other current liabilities", amounted to ₱28.7 million and ₱30.6 million, respectively. Furthermore, the Group has made advances to BCF amounting to ₱0.5 million and ₱0.6 million as of March 31, 2016 and December 31, 2015, respectively, presented as part of "Prepayments and other current assets" account in the consolidated statements of financial position.
- PAGCOR collects a 5% fee of non-gaming revenue received from food and beverage, retail and entertainment outlets. All revenues of hotel operations should not be subject to the 5% except rental income received from retail concessionaires.
- Grounds for revocation of the license, among others, are as follows: (a) failure to comply with material provision of this license; (b) failure to remit license fees within 30 days from receipt of notice of default; (c) has become bankrupt, insolvent; (d) delay in construction of more than 50% of the schedule; and (e) if debt-to-equity ratio is more than 70:30. As of March 31, 2016 and December 31, 2014, BRHI has complied with the required debt-to-equity ratio.

Total PAGCOR license fee recognized, shown as part of "Taxes and licenses" account, amounted to ₱1,325.3 million and ₱1,006.4 million for the three months ended March 31, 2016 and 2015, respectively. Outstanding amount payable to PAGCOR and BCF, presented as part of "Gaming taxes payable", amounted to ₱1,941.8 million and ₱1,498.6 million as of March 31, 2016 and December 31, 2015, respectively.

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

TPM

The Group entered into a project management consultancy contract with TPM, one of Asia's leading construction project management consultancies focused on gaming anchored hospitality development projects, for a fixed fee of US\$2.4 million and staff cost reimbursement of US\$9.3 million.

- c. BRHI and G&L 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 gaming win/loss or amount wagered (rolling chips). Gaming promoters expense for the three months ended March 31, 2016 and 2015 amounted to ₱1,831.7 million and ₱1,571.2 million, respectively. Receivable from junket operators as of March 31, 2016 and December 31, 2015 amounted to ₱2,936.3 million and ₱3,901.1 million, respectively.

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

Sureste and BRHI terminated the MSA effective September 12, 2013 because of material breach of the MSA by GGAM after prior notice and failure of discussions to settle their dispute. Accordingly, Sureste and BRHI accrued annual fees due to GGAM up to September 12, 2013 only. GGAM 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. The parties have submitted their dispute to arbitration before a 3-member arbitral tribunal in Singapore under the arbitration rules of the United Nations Commission on International Trade Law (UNCITRAL) using Philippine law as the governing law.

Under the MSA, GGAM was granted the option, from the date of execution of the MSA, to purchase up to 921.2 million shares, equivalent to 9.91% of 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. On February 25, 2014, the Makati Regional Trial Court (MRTC) granted the Group's application for measures of protection in the form of writs of preliminary attachment and preliminary injunction to restrain GGAM from disposing the Bloomberg shares, and so the judgment that the arbitral tribunal may award in favor of the Group can be enforced against the Bloomberg shares. GGAM has filed a petition for review on certiorari with the Court of Appeals against the decision of the MRTC.

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

Following the order of the arbitral tribunal, GGAM filed a Manifestation with the MRTC informing the order of the arbitral tribunal and seeking assistance in the enforcement thereof. BRHI, Sureste and PMHI filed a Counter-Manifestation stating among others, the impropriety of the Manifestation given its non-compliance with requirements of the Special Rules of Court and Alternative Dispute Resolution (Special ADR Rules) for enforcement of judgement/interim measures of protection. GGAM also filed a Manifestation and Motion with the Court of Appeals seeking the same relief as that filed with the MRTC. BRHI, Sureste and PMHI filed a Comment/Opposition arguing against the grant of the Motion with the Court of Appeals for non-compliance with the Special ADR Rules as well as for forum-shopping. In a resolution dated May 29, 2015 and affirmed on November 27, 2015, the Court of Appeals remanded back the case to the MRTC for further proceedings.

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

- e. Section 13(2)(a) of PD No. 1869 (the PAGCOR Charter) grants PAGCOR an exemption for tax, income or otherwise, as well as exemption from any form of charges, fees, levies, except a 5% franchise tax on the gross revenue or earnings derived by PAGCOR on its operations.

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

Despite this RMC, however, management still believes that the tax benefits granted under the PAGCOR charter inure to the benefit of, and extend to corporations, associations and agencies, individuals with whom PAGCOR has any contractual agreement in accordance with Section 13(2)(b) of the PAGCOR Charter which provides that the exemptions granted for earnings derived from the operations conducted under the franchise specifically from the payment of any tax, income or otherwise, as well as any form of charges, fees or levies, shall inure to the benefit of and extend to the corporations, associations, agencies or individuals with whom PAGCOR, or operator has any contractual relationship in connection with the operations of the casino authorized to be conducted under this franchise and to those receiving compensation of other remuneration from PAGCOR or operator as a result of essential facilities furnished and/or technical services rendered to PAGCOR or operator.

BRHI, together with other Entertainment City licensees, have filed a request for common administrative relief with PAGCOR from the adverse effect of RMC No. 33-2013. PAGCOR granted BRHI administrative relief and temporarily reduced the license fees by 10 percentage points effective April 1, 2014. To comply with this PAGCOR directive, BRHI started accruing corporate income tax payable to the BIR. The parties agreed to revert to the original license fee structure under the Provisional License in the event the BIR action to collect income tax from PAGCOR is permanently restrained, corrected or withdrawn by order of the BIR or the courts or under a new law.

On June 4, 2014, BRHI filed with the Supreme Court a Petition for Certiorari and Prohibition under Rule 65 of the Rules of Court. The petition seeks to annul the

issuance of the Bureau of Internal Revenue of an unlawful governmental regulation, specifically the provision in RMC 33-2013 dated April 17, 2013 subjecting the contractees and licensees of PAGCOR to income tax under the NIRC, as it violates the tax exemption granted to contractees of PAGCOR under Section 13(2)(b) of P.D. 1869. On January 5, 2015, BRHI received the Comment of the BIR dated December 17, 2014. In its Comment, the BIR raised the following defenses: 1) that the issuance of RMC 33-2013 is not tainted with grave abuse of discretion; 2) the remedy of prohibition will not lie to undo an act that is already fait accompli; and 3) tax exemptions are strictly construed against the party seeking exemption. As of March 16, 2016, BRHI is still waiting for the resolution by the Supreme Court of its petition.

However the Supreme Court en banc decision dated December 10, 2014 in PAGCOR v. BIR (G.R. No. 215427), has effectively reversed the legal basis for BIR's issuance of RMC 33-2013. The Supreme Court declared that PAGCOR's tax privilege of paying only the 5% franchise tax in lieu of all other taxes under its charter has not been repealed by RA 9337 (which deleted PAGCOR from the list of tax exempt GOCC's in the National Internal Revenue Code). The Supreme Court ordered the BIR, among others, to cease and desist the implementation of RMC No. 33-2013 imposing corporate income tax on PAGCOR's income derived from its gaming operation. This Supreme Court decision supports BRHI's position in its own petition against the BIR pending before the Supreme Court concerning its tax exemption as a licensee under the PAGCOR Charter.

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

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

	Three Months Ended March 31	
	2016	2015
(a) Net income (loss) attributable to equity holders of the Parent Company	(P1,147,694,763)	(P533,054,445)
(b) Weighted Ave. of issued shares	11,032,998,225	11,032,998,225
(c) Weighted Ave. number of treasury shares	(57,347,679)	(6,146,719)
(d) Weighted Ave. number of shares, net of treasury shares	10,975,650,546	11,026,851,506
Weighted average of stock awards granted:		
Unvested on October 1, 2013	—	2,050,950
4,318,589 on July 1, 2014	1,469,798	4,318,589
4,486,000 on October 27, 2014	2,616,833	4,486,000
922,645 on April 28, 2015	922,645	—
1,157,403 on August 13, 2015	1,157,403	—
1,105,842 on October 23, 2015	1,105,842	—
17,935,061 on February 16, 2016	5,978,354	—
(e) Weighted Ave. stock awards granted	13,250,875	10,855,539
(f) Weighted Ave. number of shares, net of treasury shares adjusted for dilution	10,988,901,421	11,037,707,045
Earnings (Loss) Per Share		
Basic (a)/(d)	(P0.105)	(P0.048)
Diluted (a)/(f)	(P0.104)	(P0.048)

16. Segment Information

The results of the Group's reportable business segment for the three months ended March 31, 2016 and 2015 are as follows:

	Philippines	Korea	Eliminations	2016	2015
Consolidated EBITDA	₱1,420,476,101	(₱197,720,449)	(₱13,073,134)	₱1,209,682,518	₱1,748,130,899
Depreciation and amortization	(1,233,144,619)	(62,199,453)	(12,198,275)	(1,307,542,347)	(1,157,876,070)
Interest expense	(570,303,036)	(36,036,369)	13,073,132	(593,266,273)	(426,783,606)
Foreign exchange gains (losses) – net	(219,241,495)	86,911,932	–	(132,329,563)	(23,475,887)
Mark-to-market gain (loss)	(4,705,069)	–	–	(4,705,069)	(3,480,614)
Benefit from (provision for) income tax	(330,155,983)	–	2,750,799	(327,405,184)	(669,569,167)
Consolidated net income (loss)	(₱937,074,101)	(₱209,044,339)	(₱9,447,478)	(₱1,155,565,918)	(₱533,054,445)

The assets and liabilities of the Group's reportable business segment as of March 31, 2016 and December 31, 2015 are as follows:

	Philippines	Korea	Total	Eliminations	2016	2015
Assets:						
Segment assets	₱69,432,098,281	₱7,596,265,965	₱77,028,364,246	(₱7,342,279,597)	₱69,686,084,649	₱70,595,851,015
Deferred tax assets - net	–	515,657,667	515,657,667	(377,377,704)	138,279,963	138,279,963
Total assets	₱69,432,098,281	₱8,111,923,632	₱77,544,021,913	(₱7,719,657,301)	₱69,824,364,612	₱70,734,130,978
Liabilities:						
Segment liabilities	₱47,748,946,283	₱7,259,130,042	₱55,008,076,325	(₱6,016,775,752)	₱48,991,300,573	₱48,806,481,421
Deferred tax liabilities - net	130,731,322	–	130,731,322	–	130,731,322	130,731,322
Total liabilities	₱47,879,677,605	₱7,259,130,042	₱55,138,807,647	(₱6,016,775,752)	₱49,122,031,895	₱48,937,212,743

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 condensed consolidated financial statements and related notes as of March 31, 2016 and for the three months ended March 31, 2016 and 2015 and as of and for the year ended December 31, 2015.

OVERVIEW

The Company was engaged in the manufacture of printed circuit board up to 2003. It ceased commercial operations in December 2003 up to 2011. On February 27, 2012, the SEC approved the change in its primary purpose to that of a holding company. The Company now has Sureste, BRHI, Bloom Capital B.V., Solaire de Argentina S.A., Solaire Korea Co., Ltd. and G&L, Ltd. as its subsidiaries.

Sureste Properties, Inc.

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

Bloomberry Resorts and Hotels Inc.

On February 27, 2008, BRHI was incorporated as Bloombury Investments Holdings Inc. ("BIHI") for the purpose of developing and operating tourist facilities, including casino-entertainment complexes with casino, hotel, retail and amusement areas and themed development components. On April 8, 2009, BRHI was granted a Provisional License by PAGCOR to establish and operate integrated casino, hotel and entertainment complex at the Entertainment City in Paranaque City. On September 21, 2010, the SEC approved the change of BIHI's name to BRHI. On May 7, 2015, BRHI's Provisional License was replaced with a regular casino Gaming License upon full completion of the Project, referred to as "Solaire". The Gaming License has the same terms and conditions as the Provisional License.

Bloom Capital B.V.

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

Solaire Korea Co., Ltd.

On December 28, 2014 Bloomberry established through a nominee a new company Solaire Korea Co., Ltd. (Solaire Korea) to hold the Group's investment interest in the Republic of Korea. After a series of stock subscriptions, Bloomberry now owns 100% of Solaire Korea.

G&L Co., Ltd.

On April 24, 2015, Solaire Korea acquired 77.26% of the outstanding shares of G&L Co., Ltd.(G&L). Subsequently on May 22, 2015, it acquired additional 18.98% of G&L, bringing Solaire Korea's ownership in G&L to 96.23%. On August 20, 2015, Bloomberg acquired 10.00% of the outstanding shares of G&L from Solaire Korea. G&L is a hotel and casino operator in Jeju Island in the Republic of Korea.

Solaire Resort & Casino

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

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

Phase 1 of Solairé consists of a casino with an aggregate gaming floor area of approximately 18,500 square meters (including approximately 6,000 square meters of exclusive VIP gaming areas), with approximately 1,400 slot machines, 295 gaming tables and 88 electronic table games. Phase 1 has 488 hotel rooms, suites and bayside villas, and 15 specialty restaurants and F&B outlets including (the number of seats are approximations): 240-seat Chinese restaurant, 150-seat Korean restaurant (operated by a third party), 150-seat Japanese restaurant, 120-seat Italian restaurant, 250-seat international buffet/coffee shop, 176-seat noodle shop, 150-seat live entertainment lounge and 220-seat food court and 20 seat lobby bar, and a 50-seat lounge area. Sky Tower also features Sky Range Shooting Club with 5 rifle shooting bays and 15 pistol bays. It has a multilevel parking building with approximately 1,500 parking slots, a grand ballroom with approximately 1,000 seats, spa and fitness center, and bayview promenade.

On November 22, 2014, Bloomberg opened the Sky Tower, which was previously referred to as Phase 1A development of Solairé. Contiguous to the existing Solairé Resort and Casino, the Sky Tower consist of a 312 all-suite hotel, additional ten VIP gaming salons with 66 gaming tables and 223 slot machines, an exclusive House of Zhou Chinese restaurant and The Macallan Whisky and Cigar Bar for VIP gamers, state-of-the art meeting rooms (The Forum) and a lyrical theater (The Theatre). The Sky Tower also features two restaurants, the Waterside Restobar and Oasis Garden Café. The Theatre is a certified 1,760-seat lyric theatre designed to provide a superior audio-visual experience for wide range of theatre plays and musicals, dance performances, concerts, and amplified music and speech events. It is also accessible to a new multi-level parking garage that can accommodate and secure over 3,000 vehicles. The Forum is a 2,000 square meters of meeting facility with eight meeting rooms, two boardrooms and a column-free grand ballroom and a flexible pre-function area. Further additions to electronic gaming machines and tables were made since opening. As of March 31, 2016, total number of electronic gaming machines and tables were at 1,841 and 399, respectively.

Jeju Sun Hotel & Casino

On April 24, 2015 and subsequently on May 22, 2015, Bloomberg, through its wholly-owned subsidiary, Solaire Korea, acquired majority ownership of G&L. G&L operated a hotel and casino property in Jeju, Korea under the brand names "T.H.E Hotel" and "LVegas Casino".

Upon takeover of operation by Bloomberry, the property was rebranded as “Jeju Sun Hotel & Casino”. The property consists of 202-room hotel with 5 Hibiscus rating, 2,000 square meters of gaming operation with 36 tables and 20 electronic gaming machines. The property has four F&B outlets to service its hotel guests and casino players. The casino operation of Jeju Sun was suspended last May 10, 2015 pending the completion of the renovation of the expanded gaming area of the property. On September 15, 2015, Jeju Sun resumed its casino operations after substantially completed the renovation of the gaming facilities. The casino operation was suspended on November 16, 2015 as administrative penalty for the acts of its previous casino management imposed by the Jeju Island gaming regulator CRD. This was the result of CRD’s investigation of the gaming tax (tourism tax) payment practices of the casino then known as “LVegas Casino” under its old management and owners. On December 15, 2015, the casino resumed its operation.

OPERATING RESULTS

The following are the key performance indicators of the Group for the first quarter of 2016 with comparison for 2015:

Table 2.0 Key Performance Indicators

	For The Three Months Ended March 31	
<i>In thousands pesos except for ratios</i>	2016	2015
EBITDA	₱1,209,683	₱1,748,131
Net Debt to Equity Ratio (D/E)	1.53	0.97
Current Ratio	1.20	2.11
Total Assets	69,824,365	69,920,348
Return on Equity (ROE)	(5.58%)	(2.12%)

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

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

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

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

The following table shows a summary of the operating results of the Group for the three months ended March 31, 2016 and 2015 as derived from the accompanying unaudited condensed consolidated financial statements.

Table 2.1 Unaudited Consolidated Statements of Income

<i>In thousands, except % change data</i>	For The Three Month Ended March 31				% Change 2016 vs. 2015
	2016			2015	
	Philippines	Korea	Consolidated	Consolidated	
Gross gaming revenues	₱7,627,551	₱23,261	₱7,650,812	₱8,090,240	(5.4)
Promotional allowances/contra accounts	(2,426,846)	(47,641)	(2,474,487)	(2,119,517)	16.7
Net gaming revenues	5,200,705	(24,380)	5,176,325	5,970,723	(13.3)
Non-gaming & other revenues*	496,041	61,339	557,380	372,406	49.7
Net revenues	5,696,746	36,959	5,733,705	6,343,129	(9.6)
Cash operating expenses	(4,132,208)	(234,679)	(4,366,887)	(3,809,228)	14.6
Provisions for doubtful accounts	(157,135)	–	(157,135)	(785,770)	(80.0)
EBITDA	1,407,403	(197,720)	1,209,683	1,748,131	(30.8)
Depreciation and amortization	(1,245,343)	(62,199)	(1,307,542)	(1,157,876)	12.9
Interest, foreign exchange loss & others	(781,177)	50,875	(730,302)	(453,740)	61.0
Provision for income tax	(327,405)	–	(327,405)	(669,569)	(51.1)
Net profit (Loss)	(₱946,522)	(₱209,044)	(₱1,155,566)	(₱533,054)	(116.8)
Basic Earnings (Loss) Per Share			(₱0.105)	(₱0.048)	n/a
Diluted Earnings (Loss) Per Share			(₱0.104)	(₱0.048)	n/a

*includes Interest Income

OPERATING RESULTS FOR THE THREE MONTHS ENDED MARCH 31, 2016 COMPARED WITH 2015

The following table shows the geographical segments of the operating results of the Group for the three months ended March 31, 2016 and 2015. For 2015, the Group's operations consisted solely of Philippines (Solaire).

REVENUES

Revenues consist of: (1) Gaming; (2) Hotel, food and beverage; (3) Retail and others; and (4) Interest income. The table below illustrates the consolidated revenues for the three months ended March 31, 2016 and 2015:

Table 2.2 Revenues

	For The Three Months Ended March 31				% Change
In thousands, except % change data	2016			2015	2016 vs.
	Philippines	Korea	Consolidated	Consolidated	2015
Gaming	₱7,627,551	₱23,261	₱ 7,650,812	₱8,090,240	(5.4%)
Hotel, food and beverage	434,875	39,258	474,133	322,934	46.8%
Retail and others	49,887	5,273	55,160	32,521	69.6%
Interest income	11,279	16,808	28,087	16,951	65.7%
Gross revenues	8,123,592	84,600	8,208,192	8,462,646	(3.0%)
Less contra revenue accounts	2,426,846	47,641	2,474,487	2,119,517	16.7%
Net revenues	₱5,696,746	₱36,959	₱5,733,705	₱6,343,129	(9.6 %)

In the first quarter of 2016, gross gaming revenue accounted for 93.5 percent and non-gaming (including hotel, food and beverage, retail and other) contributed 6.2 percent of gross revenues while the balance of 0.3 percent represented interest income. For the same period last year, gross gaming revenue was 95.6 percent of total revenue; hotel, food and beverage accounted 4.2 percent; and interest income for 0.2 percent. Contra revenue increased to ₱2,474.5 million, an increase of 16.7 percent, based principally on rebates for junket operators which had correspondingly higher volumes, rebates for VIP guests as well as other promotional incentives provided to guests in the highly competitive gaming market of Manila.

Gaming

Philippines

Solaire registered robust volume growth of 22.4 percent in the VIP segment. Mass table drop was essentially flat while slots coin-in showed solid growth of 8.7 percent year-on-year.

Gross gaming revenue (GGR) in the first quarter of 2016 decreased by 5.7 percent or ₱462.7 million as compared to the same period last year. The decrease in gaming revenue was the result of an ₱846.4 million or 20.9 percent decrease in the VIP segment. While VIP rolling volume grew, the hold percentage decreased by 106 basis points to 1.94 percent from 3.0 percent in the same period last year resulting in a significant decrease in VIP revenue. Furthermore, the strong growth in VIP volume resulted in higher program rebates. The rebates increased to 71.7 percent of VIP GGR compared to 45.5 percent for the same period last year.

The current quarter showed strong results in mass gaming as reflected by an increase in mass table revenue of ₱233.9 million or 12.0 percent resulting from an increase in win percentage of 332 basis points year-on-year. Slot revenue increased by ₱149.9 million or 7.1 percent in the current quarter. As of March 31, 2016, Solaire had signed-up with 103 junket

operators, of which 45 were active within the last six months compared to 84 and 35, respectively, for the prior year's quarter. The mass gaming player reward program had 533,600 members as of March 31, 2016 which was 22.9 percent more than as of March 31, 2015.

Korea

Jeju Sun registered ₱23.3 million gross gaming revenues for the first quarter of 2016. The property is still in the process of ramping up its gaming business after refurbishing and expanding the gaming area in 2015.

Hotel, Food and Beverage

Philippines

Hotel and food and beverage revenue increased by ₱111.9 million or 34.7 percent for the first quarter of 2016 versus last year. Solaire managed to increase its REVPAR by 26.0 percent with no adverse impact on occupancy. In fact, hotel occupancy for the first quarter of 2016 had increased by 8.9 percentage points from 76.0 percent in the first quarter of 2015 to 84.9 percent in the current quarter resulting from approximately 7,000 additional room nights sold.

Hotel cash revenues accounted for approximately 50.3 percent of total hotel revenues as compared to 42.7 percent last year. F&B cash revenues accounted for 57.9 percent of total F&B revenues compared to just 43.7 percent for the same quarter in 2015. Solaire's F&B outlets served approximately 455,000 covers for first quarter of 2016, a decrease of 8.9 percent from the same quarter in 2015 which was slightly offset by a 2.8 percent increase in the average check. The non-gaming events and promotions have been instrumental in the increase in Solaire's hotel and F&B revenues.

Korea

The hotel and F&B operation of Jeju Sun generated ₱39.3 million of revenue for this quarter.

Retail and Others

Philippines

Retail and other revenues increased by 53.4 percent to ₱49.9 million compared to the same quarter in the prior year primarily as a result of additional rental revenue as tenants in The Shoppes became operational.

Korea

The retail and other revenues of Jeju Sun generated ₱5.3 million for this quarter.

Interest Income

Consolidated interest income increased by 65.7 percent, from ₱16.9 million to ₱28.1 million, because of higher average consolidated cash balances during the quarter.

COST AND EXPENSES

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

The table below shows the breakdown of total expenses for 2016 and 2015.

Table 2.3 Expenses

In thousands, except % change data	For The Year Ended March 31				% Change 2016 vs. 2015
	2016			2015 Consolidated	
	Philippines	Korea	Consolidated		
Operating costs and expenses	₱5,534,686	₱296,879	₱5,831,565	₱5,752,874	1.4
Interest expense	557,230	36,036	593,266	426,784	39.0
Foreign exchange losses (gains) – net	219,241	(86,912)	132,329	23,475	463.7
Mark-to-market loss (gains)	4,705	-	4,705	3,481	35.2
Total Expenses	₱6,315,862	₱246,003	₱6,561,865	₱6,206,614	5.7

Total expenses of the Group for the three months ended March 31, 2016 increased by 5.7 percent to ₱6.6 billion. This minimal increase was mainly due to higher interest expense, foreign exchange losses, the consolidation of the results of operation of Jeju Sun as well as the overhead expenses of Solaire Korea.

Philippines

Solaire operating costs and expenses decreased by 3.8 percent from ₱5.75 billion to ₱5.53 billion. The provision for doubtful accounts decreased by 80 percent to ₱157.1 million in the first quarter of 2016 compared to the same quarter in prior year as a result of favorable casino receivable collections and the enhanced credit policies implemented in 2015 that have improved the quality of gaming credit issuance. Salaries and wages also decreased by 18.9 percent or ₱171.7 million emanating from a stringent control of labor cost by reducing head count. The lower provision for doubtful accounts and salaries and wages accounted for the majority of the decrease in expenses. However, these were almost entirely offset by an increase of ₱318.4 million or 30.8 percent for taxes and licenses, ₱219.7 million or 32.0 percent for advertising and promotions and an incremental ₱89.7 million or 7.8 percent for depreciation and amortization.

The higher advertising and promotions were a reflection of the increased competitive environment. The increase in depreciation resulted from the transfer of the majority of construction in progress to depreciable assets in the latter part of 2015.

The Philippine peso appreciated against the US dollar and other foreign currencies resulting in net foreign exchange loss of ₱219.2 million in the first quarter of 2015 as compared to the net foreign exchange loss of ₱23.5 million for the same period last year. The Company maintains foreign currency deposits mainly denominated in US and Hong Kong dollars.

Korea

Solaire Korea's overhead expenses consist mainly of salaries and benefits, outside services and office expenses. Solaire Korea and Jeju Sun registered ₱296.9 million in combined operating costs and expenses. In addition, both incurred ₱36.0 million of interest expenses and recognized ₱86.9 million in foreign exchange gain mainly due to the restatement of Solaire Korea and Jeju's US dollar denominated liabilities to the Parent Company.

Cash Operating Expenses

Consolidated cash operating expenses for the quarter increased by 14.6 percent from ₱3,809.2 million in 2015 to ₱4,366.9 million in 2016. Excluding the cash operating expenses of Jeju Sun and Solaire Korea, cash operating expenses of the Philippine operation increased by 8.5 percent. This increase was mainly due to the ₱318 million increase in total gaming tax, of which ₱296 million emanated from the adjustment in incremental gaming tax.

EBITDA

Philippines

EBITDA for the first quarter of 2016 totaled ₱1,407.4 million which represented a 19.5 percent or ₱340.7 million reduction in the same quarter of 2015. Despite the savings realized from lower total operating expenses, EBITDA still decreased due to a significant decline in VIP revenue. Accordingly, EBITDA margin declined to 24.7 percent for the first quarter of 2016 compared to 27.6 percent in the same time period last year.

Korea

The consolidated EBITDA was reduced by the ₱197.7 million negative EBITDA registered by Solaire Korea and its subsidiary, Jeju Sun.

Provision for (Benefit From) Income Tax

In the first quarter of 2016, Solaire incurred ₱327.4 million of current provision for income tax, a 51.1 percent decrease from the prior year. In the first quarter of 2016 there was a decrease in taxable income which reduced the provision for taxes. This had a corresponding effect of increasing incremental gaming tax payable to PAGCOR.

Net Income (Loss)

Solaire registered a net loss of ₱946.5 million, which was ₱413.5 million or 77.6 percent more than the net loss for the same quarter in prior year. The net loss for the quarter was due to lower EBITDA, higher depreciation and financing costs. Furthermore, the Korean operation still contributed ₱209.0 million of net loss for the quarter despite its continuing ramp up.

The basic loss per share of ₱0.105 for first quarter 2016 was higher from last year's loss per share of ₱0.048. The diluted loss for share for 2016 was ₱0.104 while for 2015 the basic and diluted loss per shares were the same after considering the shares granted under the stock incentive plan.

TRENDS, EVENTS OR UNCERTAINTIES AFFECTING RECURRING REVENUES AND PROFITS

The Group is exposed to a number of trends, events and uncertainties, which affect its recurring revenues and profits of its casino and hotel operations. These include levels of general economic activity, as well as certain cost items, such as labor, fuel and power. The Group collects revenues in various currencies and the appreciation and depreciation of the

US or HK dollar and other major currencies against the Philippine peso, may have a negative impact on the Group's reported levels of revenues and profits.

FINANCIAL CONDITION

The table below shows the consolidated condensed balance sheets as of March 31, 2016 and December 31, 2015:

Table 2.6 Consolidated Condensed Balance Sheets

<i>In thousands, except % change data</i>	March 31, 2016	December 31, 2015	% Change 2016 vs. 2015
Current assets	18,580,729	18,239,037	1.9%
Total assets	69,824,365	70,734,131	(1.3%)
Current liabilities	15,490,407	14,270,889	8.5%
Total interest-bearing debt	36,262,424	36,804,494	(1.5%)
Total liabilities	49,122,032	48,937,213	0.4%
Equity	20,639,811	21,726,525	(5.0%)
Current assets/total assets	26.61%	25.79%	
Current ratio	1.20	1.28	
Debt-equity ratio ¹	2.38	2.25	
Net debt-equity ratio	1.54	1.48	

¹ Debt includes total liabilities. Equity includes total equity.

Current assets were slightly higher by 1.9 percent to ₱18.5 billion as of March 31, 2016 from ₱18.2 billion as of December 31, 2015. The increase was attributable to a ₱947.0 million increase in cash and cash equivalents, which was offset by a decrease of ₱600.8 million in gross receivables excluding the incremental provision for doubtful accounts.

Total assets decreased by 1.3 percent to ₱69.9 billion as of March 31, 2016 from ₱70.7 billion as of December 31, 2015. The decrease was principally the result of a reduction in property, plant and equipment totaling ₱1,164.7 million coming mainly from a ₱1,307.5 million in depreciation expense for the quarter. The decrease in noncurrent assets was offset by the increase in current assets.

Current liabilities by the end of March 31, 2016 were slightly higher than as of December 31, 2015 at ₱15.5 billion mainly because of the increased outstanding chips, gaming tax and income tax payables which were partially offset by decreases in trade accounts payable and construction accruals.

Total liabilities increased by 0.4 percent from ₱48.9 billion as of December 31, 2015 to ₱49.1 billion as of March 31, 2016 primarily because of higher level of current liabilities as mentioned above. This was offset by the decrease in long-term debt resulting from the scheduled principal repayments of the original facility.

Total equity as of March 31, 2016 amounted to ₱20.6 billion, 5.0 percent lower compared with ₱21.7 billion reported as of December 31, 2015. The decrease was due to the net loss reported for the first quarter of 2016 amounting to ₱1,155.6 million.

MATERIAL VARIANCES AFFECTING THE BALANCE SHEET

Balance sheet accounts as of March 31, 2016 with variances of plus or minus 5.0 percent against December 31, 2015 balances are discussed, as follows:

Current Assets

1. Cash and cash equivalents increased as of March 31, 2016 mainly due to higher collections from patrons.
2. Receivables were lower for the period by 12.8 percent mainly due to decrease in casino markers and lower provision for doubtful accounts for the quarter.
3. Prepaid expenses and other current assets decreased by 13.2 percent mainly due to amortization of these prepaid expenses.
4. The balance of prepaid income tax as of December 31, 2015 was applied against tax due for the 1st quarter of 2016.

Noncurrent Assets

5. Advances to contractors increased by 34.3 percent due to payments made in the anticipation of future billing for ongoing property construction.
6. The decrease in property and equipment of ₱1.16 billion mainly pertains to depreciation and amortization for the quarter.
7. Other noncurrent assets decreased as of March 31, 2016 mainly due to the amortization of uniforms and operating equipment.

Current Liabilities

8. Payables and other current liabilities were higher by 3.0 percent as of March 31, 2016 was mainly due to the accrual of gaming tax payable and other operating expenses.
9. Current portion of long-term debt increased because of the additional principal due within one year pertaining to the Original Facility.
10. The increase in income tax payable pertains to the provision for the 1st quarter of 2016.

Noncurrent Liabilities

11. Long-term debt net of unamortized debt discount decreased by 3.2 percent to ₱32.8 billion as of March 31, 2016 due to the ₱570.2 million principal repayment of the original loan facility and due to the additional current portion of long-term debt.
12. Retirement liability increased by 9.1 percent to ₱247.6 million due to the accrual of normal cost for the quarter.
13. The movement in other noncurrent liability mainly represents the effect foreign exchange translation.

Equity

14. Treasury shares increased by 22.2 percent because additional acquisition of Bloomberry shares to cover future maturing SIP shares.
15. Share-based payment plan increased by 47.0 percent this period because of the recognition of current period's expense .
16. Translation adjustment pertains to the net effect of the translation of the financial statements of Jeju Sun.
17. Deficit increased by 50.9 percent due to the net loss reported for the the first three months of 2016 amounting to ₱1,155.6 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 three months ended March 31, 2016 and 2015:

Table 2.7 Consolidated Cash Flows

	For The Three Months Ended March 31		% Change
<i>In thousands, except % change data</i>	2016	2015	2016 vs. 2015
Net cash provided by operating activities	₱2,321,330	₱2,691,952	(13.8%)
Net cash used in investing activities	(209,424)	(4,403,499)	(95.2%)
Net cash provided by financing activities	(1,360,191)	1,740,777	(178.1%)
Effect of exchange rate changes on cash	(132,330)	(23,476)	463.7%
Net increase in cash and cash equivalents	619,386	5,754	10,664.4%
Cash and cash equivalents, beginning	14,495,521	19,171,425	(24.4%)
Cash and cash equivalents, end	₱15,114,907	₱19,177,179	(21.2%)

Cash and cash equivalents slightly increased by 4.3 percent as of March 31, 2016 mainly due to ₱2.3 billion cash flows generated by the operations in Solaire which was offset by payment of income tax for 2015, additional acquisition of property and equipment and partial principal repayment of the Original Facility and interest.

In the first quarter of 2016, the Group managed to register positive cash flows from operating activities of ₱2.3 billion, 13.8 percent lower than last year. The slightly lower cash flow was due to lower net cash generated from operations during the year.

With the completion of Sky Tower, net cash used in investing activities in 2016 was significantly lower than in 2015. Investing activities for the first half in Solaire mainly represented additional acquisition of property and equipment and small construction projects.

In the first quarter of 2016 the Group's financing activities were mainly the partial repayment of principal of the Original Facility and interest totaling ₱1.3 billion.

Capital Resources

The table below shows the Group's capital sources as of March 31, 2016 and December 31, 2015:

Table 2.8 Capital Sources

	March 31, 2016	December 31, 2015	% Change
<i>In thousands, except % change data</i>			2016 vs. 2015
Long-term debt	₱36,262,424	₱36,804,494	(1.5%)
Equity	20,639,811	21,726,525	(5.0%)
	₱56,902,235	₱58,531,019	(2.8%)

Total debt and equity decreased by 2.8 percent to ₱56.9 billion as of March 31, 2016 from ₱58.5 billion as of December 31, 2015. The decrease was the result of the combined effect of the ₱570.2 million partial repayment of principal of the Original Facility, the ₱1,155.6 million net loss for the first quarter of 2016.

Please refer to Note 9 of the Notes to Unaudited Condensed 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 instrument will fluctuate due to changes in foreign exchange rates. The Group has recognized in the consolidated statements of comprehensive income net foreign exchange loss of ₱132.3 million in 2016 and ₱ 23.5 million last year on the revaluation of its foreign currency denominated cash and cash equivalents, restricted cash, receivables and accrued expenses for the three months ended March 31, 2016 and 2015, respectively.

Interest Rate Risk

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

Prior to the start of commercial operations of Solaire, changes in interest rates on long-term debt has no effect on income before income tax and equity as interests on long-term debt are capitalized as part of "Construction in Progress" under the "Property and Equipment" account in balance sheets.

Liquidity Risk

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

As part of its liquidity strategy, the Group will set aside cash to ensure that financial obligations will be met as they fall due. The Group has cash and cash equivalents and current portion of restricted cash totaling to ₱15.1 billion and ₱14.5 billion as of March 31, 2016 and December 31, 2015, respectively that are allocated to meet the Group's liquidity needs.

Credit Risk

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

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

Aging of Receivables

The following summarizes the aging of the Group's receivables as of March 31, 2016:

<i>In thousands</i>	
Current	₱2,250,870
90 Days	111,578
Over 90 Days	3,057,447
Total	₱5,419,894

PART II – OTHER INFORMATION

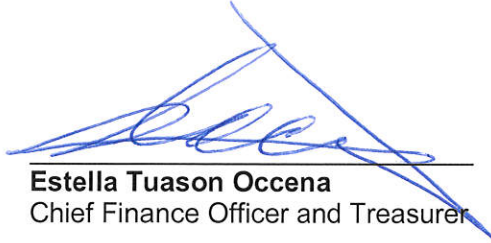
There is no other information not previously reported in SEC Form 17-C that need to be reported in this section.

SIGNATURES

Pursuant to the requirements of Securities and 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:



Estella Tuason Occena
Chief Finance Officer and Treasurer

May 13, 2016



Gerard Angelo Emilio J. Festin
Vice-President - Corporate Controller

May 13, 2016