

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarter ended 30 September 2014
2. SEC Identification Number A1999-04864 3. BIR Tax Identification No. 204-636-102-00
4. Exact name of issuer as specified in its charter BLOOMBERRY RESORTS CORPORATION
5. Philippines Province, Country or other jurisdiction of incorporation or organization
6. (SEC Use Only) Industry Classification Code:
7. The Executive Offices, Solaire Resort & Casino, Asean Avenue, Entertainment City, Tambo, Paranaque City Address of principal office 1701 Postal Code
8. (02) 888-8888 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 | 10,589,800,556 Shares |
11. Are any or all of these securities listed on a Stock Exchange.
Yes No
- If yes, state the name of such stock exchange and the classes of securities listed therein:
- Philippine Stock Exchange** **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

TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION	4
Item 1. Financial Statements	5
Unaudited Consolidated Statement of Financial Position as at September 30, 2014 and Audited Consolidated Statement of Financial Position as at December 31, 2013	6
Unaudited Consolidated Statements of Comprehensive Income for the Three Months Ended and Nine months ended September 30, 2014 and 2013	7
Unaudited Consolidated Statements of Changes in Equity for the Nine months ended September 30, 2014 and 2013	8
Unaudited Consolidated Statements of Cash Flows for the Nine months ended September 30, 2014 and 2013	9
Notes to Unaudited Condensed Consolidated Financial Statements	10
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	50
PART II - OTHER INFORMATION	63
SIGNATURES	64

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

The unaudited condensed consolidated financial statements as of September 30, 2014 and for the three months ended and nine months ended September 30, 2014 and 2013 and the audited consolidated statement of financial position as of December 31, 2013 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 49.

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
September 30, 2014 (Unaudited) and December 31, 2013 (Audited)
and For The Three Months Ended and Nine Months Ended September
30, 2014 and 2013 (Unaudited)

BLOOMBERRY RESORTS CORPORATION AND SUBSIDIARIES
(A Subsidiary of Prime Metroline Holdings, Inc.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	September 30, 2014 <i>(Unaudited)</i>	December 31, 2013 <i>(Audited)</i>
ASSETS		
Current Assets		
Cash and cash equivalents	P12,545,518,174	P6,092,239,439
Current portion of restricted cash	1,024,966,504	16,625,108
Receivables	4,437,827,636	2,514,835,718
Inventories	149,528,057	190,335,830
Prepayments and other current assets	478,697,401	245,082,069
Total Current Assets	18,636,537,772	9,059,118,164
Noncurrent Assets		
Restricted cash - net of current portion	2,266,687,464	2,254,801,647
Advances to contractors	1,590,305,841	1,122,604,556
Project development costs	14,173,640,553	4,107,769,095
Property and equipment	21,852,044,710	23,243,559,711
Other noncurrent assets	455,070,346	559,115,499
Total Noncurrent Assets	40,337,748,914	31,287,850,508
	P58,974,286,686	P40,346,968,672
LIABILITIES AND EQUITY		
Current Liabilities		
Payables and other current liabilities	P8,594,123,040	P6,565,866,184
Current portion of long-term debt	1,829,174,582	1,019,430,237
	10,423,297,622	7,585,296,421
Noncurrent Liabilities		
Long-term debt – net of current portion	29,034,111,740	16,613,159,586
Deferred tax liabilities - net	68,688,445	68,215,885
Retirement liability	74,098,525	47,384,500
Total Noncurrent Liabilities	29,176,898,710	16,728,759,971
Total Liabilities	39,600,196,332	24,314,056,392
Equity		
Capital stock	10,589,800,556	10,589,800,556
Additional paid-in capital	7,948,329,736	7,948,329,736
Equity reserve	(27,138,558)	(27,138,558)
Share-based payment plan	52,583,278	10,883,035
Retained earnings (deficit)	810,513,000	(2,488,964,831)
Total Equity Attributable to Equity Holders of the Parent Company	19,374,088,012	16,032,909,938
Equity Attributable to Non-controlling Interest	2,342	2,342
	19,374,090,354	16,032,912,280
	P58,974,286,686	P40,346,968,672

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 SEPTEMBER 30		FOR THE NINE MONTHS ENDED SEPTEMBER 30	
	2014	2013	2014	2013
REVENUES				
Gaming	₱5,583,238,283	₱3,885,526,988	₱16,409,406,530	₱7,698,083,189
Hotel, food and beverage	231,619,187	203,443,212	784,129,568	513,342,349
Retail and others	18,541,551	19,686,644	65,897,082	36,442,689
Interest income	25,071,260	10,198,548	62,129,394	48,189,840
	5,858,470,281	4,118,855,392	17,321,562,574	8,296,058,067
EXPENSES				
Operating cost and expenses	4,096,315,649	3,915,082,203	12,421,073,366	9,197,322,858
Interest expense	102,873,437	177,830,582	245,759,956	315,513,011
Foreign exchange losses (gains) - net	(70,515,480)	(163,860)	(67,004,660)	44,621,127
Mark-to-market losses (gains)	5,709,637	(6,512,101)	15,359,339	12,405,882
	4,134,383,243	4,086,236,824	12,615,188,001	9,569,862,878
INCOME (LOSS) BEFORE INCOME TAX	1,724,087,038	32,618,568	4,706,374,573	(1,273,804,811)
PROVISION FOR (BENEFIT FROM) INCOME TAX	732,420,321	(132,382,728)	1,406,896,742	(405,419,299)
NET INCOME (LOSS)	991,666,717	165,001,296	3,299,477,831	(868,385,512)
OTHER COMPREHENSIVE INCOME	-	-	-	-
TOTAL COMPREHENSIVE INCOME (LOSS)	991,666,717	165,001,296	3,299,477,831	(868,385,512)
Earnings (Loss) Per Share on Net Income (Loss) Attributable to Equity Holders of the Parent Company				
Basic	₱0.094	₱0.016	₱0.312	(₱0.082)
Diluted	0.094	0.016	0.311	(0.082)

See accompanying Notes to Unaudited Consolidated Financial Statements.

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

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013

	Equity Attributable to Equity Holders of the Parent Company					Total	Equity Attributable to Non-Controlling Interest	Total Equity
	Issued ¹	Additional Paid-in Capital	Equity Reserves	Share-based Payment Plan	Deficit			
Balances at January 1, 2014 (Audited)	₱10,589,800,556	₱7,948,329,736	(₱27,138,558)	₱10,883,035	(₱2,488,964,831)	₱16,032,909,938	₱2,342	₱16,032,912,280
Net income	-	-	-	-	3,299,477,831	3,299,477,831	-	3,299,477,831
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	3,299,477,831	3,299,477,831	-	3,299,477,831
Share-based payments	-	-	-	41,700,243	-	41,700,243	-	41,700,243
Balances at September 30, 2014 (Unaudited)	₱10,589,800,556	₱7,948,329,736	(₱27,138,558)	₱52,583,278	₱810,513,000	₱19,374,088,012	₱2,342	₱19,374,090,354
Balances at January 1, 2013 (Audited)	₱10,589,800,556	₱7,948,329,736	(₱27,138,558)	₱-	(₱1,174,355,687)	₱17,336,636,047	₱-	₱17,336,636,047
Net loss	-	-	-	-	(868,385,512)	(868,385,512)	-	(868,385,512)
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive loss	-	-	-	-	(868,385,512)	(868,385,512)	-	(868,385,512)
Movement of equity reserves	-	-	-	-	-	-	-	-
Balances at September 30, 2013 (Unaudited)	₱10,589,800,556	₱7,948,329,736	(₱27,138,558)	₱-	(₱2,042,741,199)	₱16,468,250,535	₱-	₱16,468,250,535

¹Issued and fully paid shares.

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 NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	₱4,706,374,573	(₱1,273,804,811)
Adjustments for:		
Unrealized foreign exchange losses (gains) - net	(67,004,660)	44,621,127
Interest income	(62,129,393)	(48,189,840)
Mark-to-market losses	15,359,339	12,405,882
Retirement expense	26,714,025	10,234,599
Interest expense	245,759,956	314,701,429
Share-based payment expense	41,700,243	-
Depreciation and amortization	2,045,052,816	1,280,300,481
Income before working capital changes	6,951,826,899	340,268,867
Decrease (increase) in:		
Receivables	(1,919,705,407)	(1,958,819,712)
Inventories	40,807,773	(169,651,790)
Prepayments and other current assets	(233,615,332)	(175,877,895)
Increase (decrease) in:		
Accrued expenses and other current liabilities	1,205,569,736	4,248,624,165
Net cash generated from operations	6,044,883,669	2,284,543,635
Income tax paid	(676,874,210)	-
Interest received	58,842,883	48,149,213
Net cash provided by operating activities	5,426,852,342	2,332,692,848
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to project development costs	(12,214,951,236)	(11,081,121,146)
Additions to property and equipment	(653,537,816)	(2,117,061,919)
Decrease (increase) in:		
Other noncurrent assets	104,045,153	(489,682,942)
Restricted cash - net of current portion	(11,885,817)	(101,494,805)
Advance to contractors	2,517,463,254	2,219,191,708
Net cash used in investing activities	(10,258,866,462)	(11,570,169,104)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from availment of loans	13,918,487,160	8,331,730,875
Payment of loans	(703,150,000)	-
Payment of interest	(988,707,569)	(291,161,973)
Net cash provided by financing activities	12,226,629,591	8,040,568,902
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	67,004,660	(44,621,127)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,461,620,131	(1,241,528,481)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		
Cash and cash equivalents	6,092,239,439	7,836,932,348
Current portion of restricted cash	16,625,108	42,832,595
	6,108,864,547	7,879,764,943
CASH AND CASH EQUIVALENTS AT END OF PERIOD		
Cash and cash equivalents	12,545,518,174	6,629,819,140
Current portion of restricted cash	1,024,966,504	8,417,322
	₱13,570,484,678	₱6,638,236,462

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. Formerly known as “Active Alliance Incorporated”, it was mainly engaged in the manufacture and distribution of consumer communication and electronic equipment and operated within the Subic Bay Freeport Zone (SBFZ) under Subic Bay Metropolitan Authority (SBMA) rules and regulations under Republic Act (R.A) No. 7227, otherwise known as the “Bases Conversion and Development Act of 1992”. Effective December 14, 2009, the lease agreement between Bloomberry and SBMA was mutually rescinded.

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

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

b. Change in Ownership of Bloomberry

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

On January 26, 2012, Prime Metroline Holdings, Inc. (PMHI, formerly Prime Metroline Transit Corporation) acquired 60,000,000 shares of Bloomberry, constituting 75% of its outstanding capital stock, from WHI 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 its corporate name to Bloomberry Resorts Corporation and change in its primary purpose to that of a holding company.

As of September 30, 2014 and December 31, 2013, PMHI (the ultimate parent company) owns 60.51% of Bloomberry.

c. Subsidiaries of Bloomberry

On February 6, 2012, PMHI sold 100% of its ownership interest in Sureste Properties, Inc. (Sureste) to Bloomberry for ₱5.9 billion. Consequently, Bloomberry’s subsidiaries

include Sureste and its wholly owned subsidiary, Bloomberry Resorts and Hotels Inc. (BRHI) (collectively referred to as “the Group”).

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.

In 2013, Bloomberry subscribed to 60% of the common 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.

d. Status of Operations

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

Solaire is one of the Philippines’ first premium/luxury hotel and gaming resort. The 8.3-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 and non-gaming business.

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

The Group is currently undertaking the construction of the next phase of Solaire, referred to as “Phase 1A”, which is expected to open in the fourth quarter of 2014. It will comprise additional tables and slot machines, an all-suite boutique hotel tower, additional food and beverage offerings, a retail promenade, a performance theatre, a nightclub and additional parking spaces.

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, 2013.

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 condensed consolidated financial statements include the financial statements of Bloomberry, Bloom Capital B.V. and Sureste and its subsidiary, BRHI.

As of September 30, 2014 and December 31, 2013, subsidiaries of Bloomberry include:

	Effective Percentage of Ownership	
	September 30, 2014 (Unaudited)	December 31, 2013 (Audited)
Sureste	100	100
BRHI	100	100
Bloom Capital B.V.	60	60

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.

Changes in Accounting Policies and Disclosures

The Group's accounting policies are consistent with those of the previous financial year, except for adoption of the following new and revised standards, interpretations and amendments to existing PFRS effective January 1, 2014.

- Amendments to PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities*. These amendments to PAS 32 clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. While the amendment is expected not to have any impact on the net assets of the Group, any changes in offsetting is expected to impact leverage ratios and regulatory capital requirements. The Group is currently assessing impact of the amendments to PAS 32. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.
- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendments)*. These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units

(CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- *PAS 39, Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments)*. These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014.
- *Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)*. These amendments are effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Group since none of the entities in the Group would qualify to be an investment entity under PFRS 10. The amendments have no impact on the Group's financial position or performance.
- *Philippine Interpretation IFRIC 21, Levies (IFRIC 21)*. IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The Group does not expect that IFRIC 21 will have material financial impact in future financial statements. The amendments have no impact on the Group's financial position or performance.

Standards Issued But Not Yet Effective

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

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

- Annual Improvements to PFRSs (2010-2012 cycle). The Annual Improvements to PFRSs (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards:

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

The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. The Group will assess the impact of this amendment.

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

The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. 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 PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. 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 require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance. The amendment has no impact on the Group's financial position or performance.

- PFRS 13, *Fair Value Measurement – Short-term Receivables and Payables*

The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment has no impact on the Group's financial position or performance.

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

The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

- a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
- b. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment has no impact on the Group's financial position or performance.

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

The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

– PAS 38, *Intangible Assets – Revaluation Method – Proportionate Restatement of Accumulated Amortization*

The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

- a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
- b. The accumulated amortization is eliminated against the gross carrying amount of the asset.

The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments have no impact on the Group's financial position or performance.

- Annual Improvements to PFRSs (2011-2013 cycle). The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards – Meaning of 'Effective PFRSs'*

The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Group as it is not a first-time adopter of PFRS.

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

The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively.

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

The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.

- PAS 40, *Investment Property*

The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.

Effective in 2017

PFRS 9, *Financial Instruments*. PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively.

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.

Significant Accounting Policies

Financial Instruments

Date of recognition

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

Initial recognition of financial instruments

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

Determination of fair value

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

“Day 1” difference

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

Financial assets and liabilities at FVPL

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

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

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

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

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

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

Derivatives embedded in host contracts are accounted for as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value. These embedded derivatives are measured at fair value with gains or losses arising from changes in fair value recognized in the consolidated statement of comprehensive income. Reassessment only occurs if

there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

The Group's derivative asset arising from the loan prepayment option is classified as financial assets at FVPL. The Group has no financial liability at FVPL as of September 30, 2014 and December 31, 2013.

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 September 30, 2014 and December 31, 2013

AFS financial assets

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

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

The Group has no AFS assets as of September 30, 2014 and December 31, 2013.

Other financial liabilities

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

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

Other financial liabilities include payables and other current liabilities and long-term debt as of September 30, 2014 and December 31, 2013.

Offsetting of financial instruments

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

Impairment of Financial Assets

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

Financial assets carried at amortized cost

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

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

Derecognition of Financial Assets and Liabilities

Financial assets

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

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

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

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

Financial liabilities

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

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

Cash and Cash Equivalents

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

Restricted Cash

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

Inventories

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

Prepaid Insurance

Prepaid insurance 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 Contractors

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

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

Project Development Costs

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

Property and Equipment

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

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

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

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

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

Operating Equipment

Operating equipment (shown as part of “Other noncurrent assets” account) includes linen, china, glassware, silver, and other kitchenwares, which are carried at cost. Items of operating equipment with expected period of consumption of one year or less are

classified as current. Bulk purchases of items of operating equipment with expected usage period of beyond one year are classified as noncurrent assets 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 2011, in connection with the issuance of capital stock such as taxes and legal fees. The account also includes the effect of the reverse acquisition.

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

Share-based Payment Plan

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

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

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

Foreign Currency Transactions and Translations

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

Revenue Recognition

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

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

Gaming revenue

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

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.

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.

Rental income

Rental income, shown as part of "Retail and others" in the consolidated statement of comprehensive income, is recognized on a straight-line basis.

Cost and Expenses

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

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

Pre-opening Expenses

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

Retirement expense

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

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

Defined benefit costs comprise the following:

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

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

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

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

Provisions

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

Borrowing Costs

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

All other borrowing costs are expensed as incurred.

Leases

The determination of whether an arrangements, or contains a lease is based on the substance of the arrangement at the inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease only if one of the following applies: (a) there is a change in contractual terms, other than a renewal or extension of the agreement; (b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term; (c) there is a change in the determination of whether the fulfillment is dependent on a specified asset; or (d) there is a substantial change to the asset.

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

As a lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognized

as expense in the consolidated statement of comprehensive income or 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.

As a lessor

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

Taxes

Current income tax

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

Deferred income tax

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

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

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

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

extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

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

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

Value-Added Tax (VAT)

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

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

The net amount of VAT recoverable from/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 ranging from 15% to 25% of its gross gaming revenues on a monthly basis, starting from the date the casino commences operations. These license fees may not be changed or adjusted unless agreed upon by the parties. On request of BRHI and the other Licensees, PAGCOR temporarily reduced the license fees to 5% and 15% effective April 1, 2014 pending settlement of the issue on whether PAGCOR licensees are subject to income tax, which issue is now pending in the Supreme Court in a petition filed by BRHI. 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 licensees is permanently restrained, corrected or withdrawn by order of the BIR or the courts or under a new law. Such license fees include franchise tax on actual gross gaming revenues generated by the casino. The Group is also required to remit on a monthly basis 5% of non-gaming revenue and 2% of casino revenues generated from non-junket operation tables. These expenses are reported as part of "Taxes and licenses" account under "Operating costs and expenses" in the consolidated statement of comprehensive income.

Contingencies

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

disclosed in the notes to unaudited condensed consolidated financial statements when an inflow of economic benefits is probable.

Events After the Reporting Date

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

Earnings (Loss) Per Share

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

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

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

Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services within a particular economic environment subject to risks and rewards that are different from those of other segments, which operating results are regularly reviewed by the chief operating decision maker to make decisions about how resources are to be allocated to each of the segments and to assess their performances, and for which discrete financial information is available. The Group operates in one geographical area where it derives its revenue.

Management's Use of Judgments, Estimates and Assumptions

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

Judgments

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

Contingencies. On April 13, 2013, the BIR issued RMC No. 33-2013, which may affect the tax exemption of BRHI. Also, the Group terminated the agreement with Global Gaming Philippines LLC (GGAM) because of a material breach by the latter. The Group's estimate

of the probable cost for the implication of these matters has been developed in consultation with its legal counsels and is based upon an analysis of potential results. Management and its legal counsels do not believe these will have a material adverse effect on its financial position or performance. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of strategies relating to this matter.

Evaluating Lease Commitments. The evaluation of whether an arrangement contains a lease is based on its substance. An arrangement is, or contains a lease when the fulfillment 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.

Group as a Lessor

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

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 unaudited condensed consolidated financial statements within the next financial year are discussed as follows:

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

Management evaluates provision for doubtful accounts based on a specific review of customer accounts as well as experience with collection trends in the casino industry and current economic and business conditions. As customer payment experience evolves, management will continue to refine the estimated provision for doubtful accounts. Accordingly, the associated doubtful accounts expense charge may fluctuate. Because individual customer account balances can be significant, the provision and the expense can

change significantly between periods, as information about a certain customer becomes known or as changes in a region's economy or legal systems occur.

Provision for doubtful accounts for the periods then ended September 30, 2014 and 2013 amounted to ₱258.6 million and ₱68.3 million, respectively. The carrying amount of receivables amounted to ₱4,437.8 million and ₱2,514.8 million as of September 30, 2014 and December 31, 2013, 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 periods ended September 30, 2014 and December 31, 2013. Inventories at cost amounted to ₱149.5 million and ₱190.3 million as of September 30, 2014 and December 31, 2013, 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 amounted to ₱21,852.0 million and ₱23,243.6 million as of September 30, 2014 and December 31, 2013, 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 period ended September 30, 2014 and 2013 amounted to ₱2,045.1 million and ₱1,280.3 million, respectively. The carrying value of the Group's operating equipment amounted to ₱285.0 million and ₱373.6 million as of September 30, 2014 and December 31, 2013, 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 unaudited condensed 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 periods ended September 30, 2014 and December 31, 2013.

As of September 30, 2014 and December 31, 2013, the carrying values of nonfinancial assets subject to impairment review are as follows:

	September 30, 2014	December 31, 2013
	<i>(Unaudited)</i>	<i>(Audited)</i>
Property and equipment	₱21,852,044,710	₱23,243,559,711
Project development costs	14,173,640,553	4,107,769,095
Advances to contractors	1,590,305,841	1,122,604,556
Operating equipment*	284,983,027	373,640,142
	₱37,900,974,131	₱28,847,573,504

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

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

Gaming promoters' expenses, which were netted against revenue and the amount presented as part of "Advertising and promotions" account under operating costs and expenses amounted to ₱3,064.4 million and ₱766.1 million, respectively, for the nine months ended September 30, 2014 and ₱1,198.2 million and ₱299.6 million, respectively, for the nine months ended September 30, 2013.

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 ₱74.1 million and ₱47.4 million as of September 30, 2014 and December 31, 2013, respectively.

Recognition of Deferred Tax Assets and Liabilities. The Group reviews the carrying amounts at the end of each reporting period and reduced these to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the

deferred tax assets to be utilized. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences is based on the level and timing of forecasted taxable income of the subsequent reporting periods. The forecast is based on past results and future expectations on revenues and expenses as well as future tax planning strategies. However, there is no assurance that the Group will generate sufficient taxable income to allow all or part of its deferred income tax assets to be utilized.

Despite the recent ruling Revenue Memorandum Circular (RMC) No. 33-2013 issued by the Bureau of Internal Revenue (BIR), clarifying that PAGCOR and its contractees and licensees are subject to 30% RCIT on their gaming and non-gaming revenues, management still believes that the tax benefits granted to PAGCOR under its charter inure to the benefit of, and extend to BRHI in accordance with section 13 (2) (b) of Presidential Decree No. 1869. BRHI has filed a petition with the Supreme Court against the BIR to nullify the provision of RMC 13-2013, which declares that the licensees of PAGCOR are subject to income tax.

The Group's temporary differences, for which no deferred tax assets/liabilities have been recognized since management believes that it is not probable that these will reverse in the near future resulting from (a) Bloomberry's and 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.

Determination of Fair Values of Financial Assets and Liabilities. PFRS requires that the Group disclose estimated fair value of financial assets and financial liabilities at fair value, which requires extensive use of accounting estimates and judgments. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, volatility rates), the amount of changes in fair value would differ if the Group utilized a different valuation methodology. Any changes in fair value of these financial assets and liabilities would affect the Group's disclosures.

3. Cash and Cash Equivalents

This account consists of:

	September 30, 2014	December 31, 2013
	<i>(Unaudited)</i>	<i>(Audited)</i>
Cash on hand	₱876,395,122	₱1,636,264,088
Cash in banks	4,288,926,269	4,045,614,592
Temporary cash investments	6,944,172,213	–
Debt collateral accounts	436,024,570	410,360,759
	₱12,545,518,174	₱6,092,239,439

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

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

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

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

4. Restricted Cash

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

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

5. Receivables

This account consists of:

	September 30, 2014	December 31, 2013
	<i>(Unaudited)</i>	<i>(Audited)</i>
Casino	₱4,727,938,006	₱2,969,463,340
Hotel	31,976,415	49,191,534
Advances to officers and employees	30,818,033	26,740,035
Others	27,128,886	2,146,251
	4,817,861,339	3,047,541,160
Less allowance for doubtful accounts	380,033,704	532,705,442
	₱4,437,827,636	₱2,514,835,718

Casino receivables mainly include casino markers issued to fixed room junket operators and VIP premium casino players. Casino markers pertain to credits granted to registered casino players. These markers are noninterest bearing and are normally collected within the following month.

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

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

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

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

6. Project Development Costs and Advances to Contractors

Project development costs represent costs incurred in the development of Solaire. Costs incurred mainly include raw materials procurement, general construction works, architectural design services, engineering consultancy and construction supervision services, interior design services, capitalized rent expense on lease contract with PAGCOR and interest charges on long-term debt. As of September 30, 2014, project development costs pertain to the costs related to Phase 1A of Solaire. Project development costs related to Phase 1 has been reclassified to property and equipment upon its completion in March 2013 while Phase 1A is expected to be completed by the fourth quarter of 2014.

Under BRHI's Provisional License with PAGCOR, BRHI has committed to invest at least US\$1.0 billion in the Project. In the event that the peso devaluates, the value of the dollar against the peso shall be limited to a maximum of 46:1. The investment commitment includes the lease for the use of the land of PAGCOR, 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.

Advances to contractors pertain to advance payments to various contractors for gaming equipment, hotel furniture and fixtures, operating equipment and other gaming and hotel equipment related to the development of hotel and gaming facility of Solaire. This is shown separately in the Group's statements of financial position. As of September 30, 2014, advances to contractors primarily pertain to advance payments for construction costs related to Phase 1A. Additions for the nine months ended September 30, 2014 amounted to ₱9,229.8 million.

7. Property and Equipment

There were no major disposals or write-downs of property and equipment for the three months ended September 30, 2014. Additions for the nine-month period amounted to ₱653.5 million.

8. Other Noncurrent Assets

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

Operating equipment are bulk purchases of linen, china, glassware, silver, and other kitchenwares, which are carried at cost with expected usage period of beyond one year.

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

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

9. Payables and Other Current Liabilities

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

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

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

10. Long-term Debt

This account consists of:

	September 30, 2014	December 31, 2013
	<i>(Unaudited)</i>	<i>(Audited)</i>
Principal:		
Original facility	₱13,896,850,000	₱14,600,000,000
Expansion facility	5,830,234,882	3,290,817,898
Corporate notes	11,425,000,000	–
	31,152,084,882	17,890,817,898
Less unamortized debt discount	288,798,560	258,228,075
	30,863,286,322	17,632,589,823
Less current portion of long-term debt	1,829,174,582	1,019,430,237
	₱29,034,111,740	₱16,613,159,586

Future repayment of the principal follows:

	September 30, 2014 <i>(Unaudited)</i>	December 31, 2013 <i>(Audited)</i>
Within one year	₱1,843,550,000	₱1,082,850,000
After one year but not more than five years	14,861,073,308	15,080,496,209
Beyond five years	14,447,461,574	1,727,471,689
	₱31,152,084,882	₱17,890,817,898

a. Original Facility

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

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, which were offset against additions to capitalized debt issue costs. Accretion of interest on the option was offset against amortization of debt issue costs. Fair value losses from the prepayment option are recognized as “Mark-to-market loss” and are separately presented in consolidated statements of comprehensive income.

b. Expansion Facility

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

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

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

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

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

c. Corporate Notes

On February 10, 2014, the Group issued ₱11.425 billion unsecured corporate notes 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 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.

All legal and professional fees, including commitment fee, incurred in relation to the loan 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 incurrence ratio of at least 1.2 times and debt-to-equity ratio of at least 2.33 times, on each testing date.

Collateral

Under the Original and Expansion Facilities, collateral includes the following:

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

To ensure the payment by Sureste/BRHI of the Loan, Sureste/BRHI shall assign, convey, set over and transfer unto the Security Trustee absolutely and unconditionally all of its respective right, title and interest in all monies standing in its Debt Service Payment Account (DSPA) and Debt Service Reserve Account (DSRA) required to be maintained by the Group to service interest and principal payments, all monies standing in the Escrow Account (see Note 8), project receivables, as well as the proceeds, products and fruits of the said accounts.

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

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

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

(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, 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.

11. 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.

12. Equity

a. Capital Stock

Capital stock consists of:

	September 30, 2014 (Unaudited)		December 31, 2013 (Audited)	
	Shares	Amount	Shares	Amount
Common Stock - ₱1 par value				
Authorized	15,000,000,000	₱15,000,000,000	15,000,000,000	₱15,000,000,000
Issued and fully paid	10,589,800,556	10,589,800,556	10,589,800,556	10,589,800,556

On February 6, 2012, the stockholders of the Parent Company approved the increase in its authorized capital stock from ₱120.0 million divided into 120.0 million shares to ₱15,000.0 million divided into 15,000.0 million shares both with a par value of ₱1 per share. The SEC approved the increase in authorized capital stock on February 27, 2012.

After the increase in authorized capital stock, PMHI subscribed to additional shares in Bloomberry. After the said subscription, PMHI owns 7,325,656,500 shares (including 60.0 million shares purchased in January 2012) (see Note 1) constituting 78.84% ownership in Bloomberry. Other investors subscribed to 1,946,184,056 Bloomberry shares out of the said increase.

On May 2, 2012, PMHI offered and sold (the "Offer") 1,179,963,700 of its existing Bloomberry common shares (the "Offer Shares") at ₱7.50 per Offer Share (the "Offer Price"). PMHI has agreed to subscribe for, and Bloomberry has agreed to issue new shares in an amount equal to the aggregate number of Offer Shares to be sold by PMHI in the Offer and in accordance with the Over-Allotment Option (as defined below) at a price equal to the Offer Price, net of expenses incurred relative to the Offer.

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

On May 7, 2012, PMHI subscribed to 1,179,963,700 new Bloomberry shares in replacement to the Offer Shares. Consequently, on May 31, 2012, the Stabilizing Agent exercised the Over-Allotment Option to purchase 117,996,300 shares ("Over-allotment Shares"), equivalent to 10% of the total number of Offer Shares. On May 31, 2012, PMHI subscribed to 117,996,300 new Bloomberry shares in replacement to the Over-allotment Shares. Additional paid-in capital arising from said transactions amounted to ₱8,024.8 million. Transaction costs incurred relative to issuance of shares in 2012, amounting to ₱76.4 million, were charged against the additional paid-in capital in the 2012 consolidated statement of financial position.

On December 18, 2012, PMHI purchased an additional 3,000,000 Bloomberry shares from the market. Subsequently, on December 28, 2012, GGAM exercised its option to acquire 921,184,056 shares of Bloomberry from PMHI.

The shareholders of the Parent Company as of September 30, 2014 are as follows:

Shareholders	Percentage of Ownership
PMHI	60.51%
Quasar Holdings, Inc.	8.70%
Falcon Investco Holdings, Inc.	2.12%
Public	28.67%
Total	100.00%

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

Date of Approval	Number of Shares		Issue/ Offer Price
	Authorized	Issued/ Subscribed	
May 3, 1999*	120,000,000	80,000,000	₱1.00

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

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

Date	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

Stock Incentive Plan

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

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

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

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

On October 1, 2013, the SIC granted the first stock awards of 5,792,700 shares with a fair value of ₱10.02 per share. The fair value per share is based on the market price of the stock on October 1, 2013. On July 1, 2014, the SIC granted the second stock awards of 4,318,589 shares with a fair value of ₱10.84 per share. The fair value per share is based on the market price of the stock on July 1, 2014. The stock incentive obligation amounting to ₱41.7 million is recognized as part of “Salaries and benefits” under “Operating costs and expenses” in the consolidated statement of comprehensive income for the nine months ended September 30, 2014 and as “Share-based payment plan” in the consolidated statement of financial position as of September 30, 2014.

b. Retained Earnings (Deficit)

As of December 31, 2013, deficit represents net accumulated losses of the Group. By the end of September 30, 2013, the Group has a retained earning balance of ₱ 810.5 million after registering a net income of ₱3,299.5 million for the period.

13. Costs and Expenses

This account consists of:

	For The Three Months Ended September 30		For The Nine Months Ended September 30	
	2014	2013	2014	2013
Operating cost and expenses	₱4,096,315,649	₱3,915,082,203	₱12,421,073,366	₱9,197,322,858
Interest expense	102,873,437	177,830,582	245,759,956	315,513,011
Foreign exchange losses (gains) - net	(70,515,480)	(163,860)	(67,004,660)	44,621,127
Mark-to-market losses (gains)	5,709,637	(6,512,101)	15,359,339	12,405,882
	₱4,134,383,243	₱4,086,236,824	₱12,615,188,001	₱9,569,862,878

14. 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.

Future minimum lease payments under this operating lease follow:

	September 30, 2014	December 31, 2013
	<i>(Unaudited)</i>	<i>(Audited)</i>
Within one year	₱226,647,070	₱237,528,248
Beyond one year but not later than five years	852,182,386	873,944,743
Beyond five years	3,061,102,893	3,038,923,335
	₱4,139,932,349	₱4,150,396,326

In 2012, BRHI entered into a lease contract for suites in the SM Arena for three years commencing May 21, 2012 until May 21, 2015 renewable upon the joint written agreement of the parties under terms and conditions mutually agreed by the parties. BRHI also entered into other various lease contracts for a period of one year renewable annually.

15. Commitments and Contingencies

- a. Under the license agreement with PAGCOR, BRHI has the following commitments, among others:
 - Within 30 days, to submit a bank guarantee or LC or surety bond in the amount of ₱100.0 million to guarantee BRHI's completion of the project and is subject to forfeiture in case of delay in construction which delay exceeds 50% of the schedule. It will be released upon completion of the project.
 - Seven days prior to commencement of operation of the Casino, to secure a surety bond in favor of PAGCOR in the amount of ₱100.0 million to ensure prompt and punctual remittance/payment of all license fees.
 - License fees must be remitted to PAGCOR 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 to 5% (from 15%) and 15% (from 25%) on application by BRHI and other licensees during the pendency of the resolution of the issue on the validity of BIR's imposition of income tax on PAGCOR's licensees under RMC 13-2013. This issue is now pending in the Supreme Court following BRHI's petition against the BIR. The parties agree to revert to the original license fee structure under the Provisional License in the event the BIR action to collect income tax from PAGCOR licensees is permanently restrained, corrected or withdrawn by order of the BIR or the courts or under a new law. The license fees are inclusive of the 5% franchise tax under the PAGCOR Charter.

- In addition to the above license fees, BRHI is required to remit 2% of casino revenues generated from non-junket operation tables to a beneficiary 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 remitted to BCF is recognized as part of "Taxes and licenses" and outstanding amount payable to BCF is presented as part of "Gaming taxes payable", account in the consolidated statement of financial position
 - PAGCOR may collect a 5% fee of non-gaming revenue received from food and beverage, retail and entertainment outlets. All revenues of hotel operations should not be subject to the 5% fee except rental income received from retail concessionaires.
 - Grounds for revocation of the license, among others, includes: (a) failure to comply with a material provision of this license; (b) failure to remit license fees within 30 days from receipt of notice of default; (c) has become bankrupt, insolvent; (d) delay in construction of more than 50% of the schedule; and (e) if debt-to-equity ratio is more than 70:30. As of September 30, 2014 and December 31, 2013, BRHI has complied with the required debt-to-equity ratio.
- b. The Group has entered into the following significant contracts related to the Project:

DMCI

On January 18, 2011, Sureste entered into a contract with DMCI to construct its hotel and casino facility. The contract costs amounted to ₱8.6 billion, exclusive of VAT but inclusive of import duties and all other necessary duties, fees and taxes, and is expected to be completed within a 630 calendar day period. Currently, the Group is undertaking the construction of the next phase of Solaire, referred to as "Phase 1A". It will comprise additional tables and slot machines, an all-suite boutique hotel tower, additional food and beverage offerings, a retail promenade, a performance theatre, a nightclub and additional parking spaces. Contract price for Phase 1A amounted to ₱ 2.3 billion.

D' Consult International, Inc.

On January 1, 2010, Sureste entered into a consultancy agreement with D' Consult, International, Inc. (DCI - an affiliate of Design Coordinates, Inc.) for engineering consultancy and construction supervision services. Sureste agreed to pay ₱183.0 million fixed fee, in addition to variable fees based on agreed rates for additional services performed.

KNA Design

The Group has engaged KNA Design, a Los Angeles-based interior design firm, to provide interior design for the hotel component of Phase 1A, for a fixed fee of US\$1.3 million.

TPM

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

Hospitality Purchasing Group International, LLC

On September 1, 2011, Sureste entered into a consultancy agreement for FF&E and OS&E Sourcing and Procurement Services with Hospitality Purchasing Group International, LLC.

- c. BRHI entered into junket operator agreements with junket operators who have the primary responsibility of directing gaming patrons to the casino. Based on these agreements, these junket operators are compensated based on a certain percentage of the wins or rolling chips.
- d. 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 and BRHI's EBITDA.

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

Under the MSA, GGAM was granted the option, from the date of execution of the MSA, to purchase up to 921,184,056 shares, equivalent to 9.91% of the project/Bloomberry's outstanding shares (prior to Bloomberry's top-up equity offering) from Sureste/BRHI/PMHI at a purchase price equivalent to ₱1.00 per share plus US\$15 million. In December 2012, GGAM exercised its option to acquire 921,184,056 shares of Bloomberry from PMHI (see Note 12). On February 25, 2014, the Makati Regional Trial Court granted the Group's application for measures of

protection in the form of writs of preliminary attachment and preliminary injunction to restrain GGAM from disposing the Bloomberry shares, and so the judgment that the arbitral tribunal may award in favor of the Group can be enforced against the Bloomberry shares. GGAM has filed a petition for review on certiorari with the Court of Appeals against the decision of the Makati Regional Trial Court.

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

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

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

Despite this RMC, however, management still believes that the tax benefits granted under the PAGCOR charter inure to the benefit of, and extend to corporations, associations and agencies, individuals with whom PAGCOR has any contractual agreement in accordance with Section 13(2)(b) of the PAGCOR Charter which provides that the exemptions granted for earnings derived from the operations conducted under the franchise specifically from the payment of any tax, income or otherwise, as well as any form of charges, fees or levies, shall inure to the benefit of and extend to the corporations, associations, agencies or individuals with whom PAGCOR, or operator has any contractual relationship in connection with the operations of the casino authorized to be conducted under this franchise and to those receiving compensation of other remuneration from PAGCOR or operator as a result of essential facilities furnished and/or technical services rendered to PAGCOR or operator. BRHI, together with other Entertainment City licensees, have filed a request for common administrative relief with PAGCOR from the adverse effect of RMC No. 33-2013. Granting this request PAGCOR has temporarily reduced the license fees by 10 percentage points pending the settlement of this issue which is now pending in the Supreme Court in a petition filed by BRHI 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 is permanently restrained, corrected or withdrawn by order of the BIR or the courts or under a new law.

There is uncertainty with respect to the income tax exemption of BRHI.

16. 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 common share:

	For The Three Months Ended September 30		For The Nine Months Ended September 30	
	2014	2013	2014	2013
(a) Net income (loss) attributable to equity holders of the Parent Company	₱991,666,717	₱165,001,296	₱3,299,477,831	(₱868,385,512)
Common shares of legal parent at beginning of year	10,589,800,556	10,589,800,556	10,589,800,556	10,589,800,556
(b) Weighted average of legal parent's shares issued	10,589,800,556	10,589,800,556	10,589,800,556	10,589,800,556
(c) Weighted average of 5,792,700 and 4,318,589 stock awards granted on October 1, 2013 and July 1, 2014, respectively.	10,111,289	–	7,232,230	–
Earnings (Loss) Per Share				
Basic (a)/(b)	₱0.094	₱0.016	₱0.312	(₱0.082)
Diluted (a)/(b) + (c)	0.094	0.016	0.311	(0.082)

17. Segment Information

The results of the Group's reportable business segment for the three months ended and six months September 30, 2014 and 2013 are as follows:

	For The Three Months Ended September 30		For The Nine Months Ended September 30	
	2014	2013	2014	2013
Consolidated EBITDA	₱2,434,339,905	₱803,713,222	₱6,945,542,024	₱379,035,691
Depreciation and amortization	(672,185,273)	(599,940,033)	(2,045,052,816)	(1,280,300,481)
Interest expense	(102,873,437)	(177,830,582)	(245,759,956)	(315,513,011)
Foreign exchange gains (losses) - net	70,515,480	163,860	67,004,660	(44,621,127)
Mark-to-market loss	(5,709,637)	6,512,101	(15,359,339)	(12,405,882)
Benefit from (provision for) deferred income tax	(732,420,321)	132,382,728	(1,406,896,742)	405,419,298
Consolidated net income (loss)	₱991,666,717	₱165,001,296	₱3,299,477,831	(₱868,385,512)

The assets and liabilities of the Group's reportable business segment as of September 30, 2014 and December 31, 2013 are as follows:

	September 30, 2014 (Unaudited)	December 31, 2013 (Audited)
Assets:		
Segment assets	₱58,974,286,686	₱40,346,968,672
Deferred tax assets - net	–	–
Total assets	₱58,974,286,686	₱40,346,968,672
Liabilities:		
Segment liabilities	₱39,531,507,887	₱24,245,840,507
Deferred tax liabilities - net	68,688,445	68,215,885
Segment liabilities	₱39,600,196,332	₱24,314,056,392

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Pre-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 September 30, 2014 and for the three months ended and nine months ended September 30, 2014 and 2013 and as of and for the year ended December 31, 2013

OVERVIEW

The Company is a developer and operator of hotels, casinos and integrated tourism resorts in the Philippines through its direct subsidiary, Sureste and indirect subsidiary BRHI.

Sureste Properties, Inc. ("Sureste")

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

Bloomberry Resorts and Hotels Inc. ("BRHI")

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 one of four Provisional Licenses to establish integrated resorts and casinos by the PAGCOR within Entertainment City, a special economic zone in Parañaque City being developed into a gaming and entertainment area on an approximately 120 hectare site alongside Manila Bay. On September 21, 2010, the SEC approved the change of BIHI's name to BRHI.

Bloom Capital B.V.

In 2013, the Bloomberry subscribed to 60% of the common 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.

Solaire Resort & Casino ("Solaire")

Solaire is the first Philippine premium/luxury hotel and gaming resort in Entertainment City. BRHI, as the PAGCOR license holder, operates the casino while Sureste operates the hotel and non-gaming business.

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

Phase 1 of Solaire consists of a casino with an aggregate gaming floor area of approximately 18,500 square meters (including approximately 6,000 square meters of exclusive VIP gaming areas), with approximately 1,439 slot machines, 299 gaming tables and 46 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): Red Lantern, the 186-seat Chinese restaurant, Strip, the 100-seat American steakhouse, Yakumi, the 150-seat Japanese restaurant, Finestra, the 120-seat Italian restaurant, Fresh, the 322-seat international buffet/coffee shop, Lucky Noodles, the 170-seat noodle shop, Eclipse, the 196-seat live entertainment lounge and 350-seat food court and 60 seat lobby bar, and a 50-seat VIP lounge area. It has a multilevel parking building with approximately 1,904 parking slots, a grand ballroom with approximately 1,000 seats, spa and fitness center, and bay view promenade.

Phase 1A of Solaire is currently under construction and is scheduled to be completed in the 4th quarter of 2014. Phase 1A is expected to provide additional 223 slot machines and 66 VIP gaming tables. In addition, it will include the Sky Tower, a 312-room all-suite boutique hotel, and other non-gaming amenities such as more food and beverage offerings, retail promenade, 1,760-seat performance theatre, nightclub, KTV, whisky bar, spa, gym, salon as well as an additional parking building with approximately 3,100 parking spaces.

OPERATING RESULTS

The following are the key performance indicators of the Group during the three months and nine months ended September 30, 2014 and 2013:

Table 2.0 Key Performance Indicators

<i>In thousands pesos except for ratios</i>	For The Three Months Ended September 30		For The Nine Months Ended September 30	
	2013	2014	2013	2014
EBITDA	803,713	2,434,340	379,036	6,945,542
Net Debt to Equity Ratio (D/E)	0.82	1.23	0.82	1.23
Current Ratio	1.13	1.79	1.13	1.79
Total Assets	38,670,593	58,974,287	38,670,593	58,974,287
Return on Equity (ROE)	0.98%	5.60%	-5.14%	18.64%

EBITDA is earnings before interest, taxes, depreciation and amortization, foreign exchange gain/loss and mark-to-market gain/loss.

Net Debt to Equity Ratio (D/E Ratio) is the ratio of the borrower's total liabilities net of cash and cash equivalents and restricted 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 September 30, 2014 and 2013 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 Months Ended September 30		Change 2013 vs. 2014	For the Nine months ended September 30		Change 2013 vs. 2014
	2013	2014		2013	2014	
Revenues	4,118,855	5,858,470	42.2%	8,296,058	17,321,563	108.8%
Cost and Expenses	4,086,237	4,134,383	1.2%	9,569,863	12,615,188	31.8%
Provision for (Benefit from) Income Tax	(132,383)	732,420	N/A	(405,419)	1,406,897	N/A
Net Income (Loss)	165,001	991,667	501.0%	(868,386)	3,299,478	N/A
Earnings (Loss) Per Share:						
Basic	0.016	0.094	501.0%	(0.082)	0.312	N/A
Diluted	0.016	0.094	500.4%	(0.082)	0.311	N/A

OPERATING RESULTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2014 COMPARED WITH 2013

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 September 30, 2013 and 2014:

Table 2.2 Revenues

	For the Three Months Ended September 30		% Change
	2013	2014	2013 vs. 2014
<i>In thousands, except % change data</i>			
Gross gaming	₱4,870,883	₱7,672,821	57.5%
Hotel, food and beverage	203,443	231,619	13.8%
Retail and others	19,687	18,542	(5.8%)
Interest income	10,198	25,071	145.8%
	5,104,212	7,948,053	55.7%
Less contra revenue accounts	985,356	2,089,583	112.1%
Revenues	₱4,118,855	₱5,858,470	42.2%

For the third quarter of 2014, gaming revenue accounted for 95.3 percent and non-gaming (including hotel, food and beverage, retail and other) contributed 4.3 percent of net revenues. The balance of 0.4 percent represented interest income. For the same period last year, gaming revenue (net of contra revenue accounts) was 94.3 percent of total revenue; hotel, food and beverage accounted 5.4 percent; and interest income for 0.2 percent.

Gaming

Solaire has continued to step up its promotion and marketing efforts leading to the sustained growth of the property's gaming revenues. Gross gaming revenue continues to grow for the third consecutive quarter of 2014 from ₱4.9 billion to ₱7.7 billion, an increase of 57.5 percent year-on-year. More importantly, the Group registered the biggest gross gaming revenue this quarter since opening day. As of September 30, 2014, the Group has 58 junket operators that actively bring in foreign VIP players. Solaire Rewards Club registered 370,000 members and visitation for 2014 had reached 3.24 million. Solaire continues to innovate, introduce new creative programs, host special events, launch new promotions and develop other strategic marketing activities. All these strategic undertakings resulted in significant volume increases across all segments.

Hotel, Food and Beverage

The Group registered ₱231.6 million of hotel, food and beverage net revenues, 13.8 percent higher than last year. Hotel occupancy for the third quarter of 2014 had averaged to about 89.8 percent vis-à-vis 61.9 percent for the same period last year. The non-gaming related hotel cash revenues account for about 44.7 percent of total hotel revenues, while non-gaming F&B cash revenues account for 41.3 percent of total F&B revenues. The Group registered approximately 431,000 covers for the third quarter of 2014 versus around 256,000 in the same period last year. This 68 percent year-on-year improvement was mainly because of intensified promotions, first class service and amenities and excellent choices at Solaire's F&B outlets. A number of international and local events were successfully hosted by the property during the period driving visitations and increasing the covers for the F&B outlets and banquets.

Retail and Other

Cash revenues for retail, spa, transportation and other posted ₱18.5 million for the third quarter of 2014, slightly lower than last year. However, gaming related retail and other revenues grew by 22.4 percent because of the sustained growth of gaming volume.

Interest Income

Consolidated interest income increased by 145.8 percent to ₱25.1 million in 2014 from ₱10.2 million in 2013 because of the Group's substantial cash balance after the successful issuance of Corporate Notes amounting to ₱11.425 billion in February and cash generated by the property during the nine-month period amounting to ₱5.411 billion. The proceeds of the Corporate Notes are more than sufficient to fund the completion of Phase 1A.

COST AND EXPENSES

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

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

Table 2.3 Expenses

<i>In thousands, except % change data</i>	For the Three Months Ended September 30		% Change
	2013	2014	2013 vs. 2014
Costs and expenses:			
Operating cost and expenses	3,915,082	4,096,316	4.6%
Interest expense	177,831	102,873	(42.2%)
Foreign exchange loss (gains) – net	(164)	(70,515)	N/A
Mark-to-market loss (gains)	(6,512)	5,709	N/A
Total	4,086,237	4,134,383	1.2%

Operating cost and expenses for the current quarter remained at almost the same amount as last year. However, as a percentage of gross revenue, total expenses fell from 80 percent to 52 percent on a year-on-year basis demonstrating management's ability to significantly rationalize Solaire's costs and expenses. Major components of operating cost and expenses for the third quarter of 2014 are taxes and licenses, salaries and benefits, depreciation and amortization, advertising and promotions, general office expenses, cost of sales, utilities and outside services.

Interest expense incurred from the Expansion Facility and Corporate Notes are capitalized and formed part of the Project Development Costs account in Bloomberry's consolidated statements of financial position. Interest expense is lower than last year because of higher capitalized interest relating to Phase 1A.

The Philippine peso depreciated against the US dollars and other foreign currencies in the third quarter of 2014 resulting in net foreign exchange gain of ₱70.5 million compared with the net foreign exchange gain of ₱164 thousand for the same period last year. The Group maintains an adequate level of cash denominated in US and Hong Kong dollars.

Total cost and expenses of the Group for the three months ended September 30, 2014 is almost at the same level as last year despite the higher revenues generated for the period.

EBITDA

EBITDA for the third quarter of 2014 amounted to ₱2.434 billion, 3.0 times the EBITDA registered in the same period last year. The significant year-on-year increase in the EBITDA has been sustained over the past three quarters of 2014. The continued growth in Solaire's operating results is attributable to significant increases in VIP turnover, mass table drop and slot coin-in, enhanced operating efficiencies and effective cost management. Based on net revenues, the EBITDA margin for the third quarter of 2014 had reached 41.6 percent, a significant increase from 19.5 percent registered in the same period last year.

Provision For (Benefit From) Income Tax

For the third quarter of 2014, BRHI recognized a current provision for income tax amounting to ₱729.5 million. In the same period last year, the Group recognized additional deferred tax assets resulting in an increase in benefit from income tax of ₱132.4 million emanating from Sureste's NOLCO (Net Operating Loss Carry Over). By the end of 2013, these deferred tax assets were derecognized and the Group recognized deferred tax liability on temporary differences associated with capitalized rent and unrealized foreign exchange gain.

Net Income

With unprecedented revenue growth and significant margin improvement for the third quarter of 2014, the Group was able to realize a net income of ₱991.7 million. This is a six-fold increase from last year's net income of ₱165.0 million. The substantial increase in volume across all gaming segments resulted in the record-breaking revenue of Solaire. In addition, management was able to significantly rationalize Solaire's costs and expenses that resulted in better margins and massive improvement in the overall efficiency of its gaming and non-gaming operations.

The basic earnings per share of ₱0.094 for 2014 was also a big improvement from last year's earnings per share of ₱0.016. The diluted earnings per share for this quarter of 2014 remained at ₱0.094 even after considering the shares granted in October 2013 and July 2014 under the stock incentive plan. The basic and diluted losses per share in the third quarter of 2013 are the same as there are no dilutive potential common shares in the given period.

OPERATING RESULTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 COMPARED WITH 2013

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 nine months ended September 30, 2013 and 2014:

Table 2.4 Revenues

	For the Nine Months Ended September 30		% Change
	2013	2014	2013 vs. 2014
<i>In thousands, except % change data</i>			
Gross gaming	₱9,288,989	₱21,526,490	131.7%
Hotel, food and beverage	513,342	784,130	52.7%
Retail and others	36,443	65,897	80.8%
Interest income	48,190	62,129	28.9%
	9,886,964	22,438,646	127.0%
Less contra revenue accounts	1,590,906	5,117,083	221.6%
Net revenues	₱8,296,058	₱17,321,563	108.8%

Solaire started its commercial operations on March 16, 2013. In 2013, gaming revenue (net of contra revenue accounts) was 92.8 percent of total revenue; hotel, food and beverage was 6.6 percent; and interest income accounted for 0.6 percent. For 2014, gaming revenue accounted for 94.7 percent and non-gaming (including hotel, food and beverage, retail and other) contributed 4.9 percent of net revenues. The balance of 0.4 percent represented interest income.

Gaming

Gross gaming revenue for the nine months ended September 30, 2014 was 2.3 times the gaming revenue in the same period of 2013 as the Group was able to register record breaking revenues in the last three quarters. The third quarter of 2014 saw the Group posting the highest gaming revenue for a quarter since opening day. Solaire's Management continues to intensify promotion and marketing efforts through introducing creative programs, hosting special events, launching promotions, establishing marketing presence in the Asian Region and hiring experienced senior executives in mass and VIP. As of September 30, 2014, the Group has 58 junket operators that actively bring in foreign VIP players. Solaire Rewards Club registered 370,000 members and visitation year-to-date had reached 3.24 million.

Hotel, Food and Beverage

The Group registered ₱784.1 million of hotel, food and beverage, 52.7 percent higher than last year. Hotel occupancy for the 2014 had averaged about 84.2 percent as compared with an average occupancy rate of 48.1 percent in the same period last year. The non-gaming related hotel cash revenues account for about 57.4 percent of total hotel revenues, while non-gaming F&B cash revenues account for 47.3 percent of total F&B revenues. Solaire's F&B outlets were able to serve approximately 1.2 million covers for the first three quarters of 2014 compared with around 540,000 covers served in the same period last year. The significant year-on-year improvement was mainly because of intensified promotions, first class service and amenities and excellent choices at Solaire's F&B outlets. A number of international and local events were successfully hosted by the property during the period driving visitations and increasing the covers for the F&B outlets and banquets.

Retail and Other

Cash revenues from retail, spa, transportation and other posted ₱65.9 million for the nine months ended September 30, 2014, 80.8 percent higher than the same period last year.

Interest Income

Consolidated interest income this year is higher by 28.9 percent from last year mainly because of higher average cash balances because of the Group's substantial cash balance after the successful issuance of Corporate Notes amounting to ₱11.425 billion in February and cash generated by the property during the nine-month period amounting to ₱5.411 billion. However, the Group continued to invest in the construction, fit-out, systems, equipment and other essential components to complete Phase 1A. The proceeds of the Corporate Notes are more than sufficient to fund the completion of Phase 1A.

COST AND EXPENSES

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

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

Table 2.5 Expenses

<i>In thousands, except % change data</i>	For the Nine Months Ended September 30		% Change
	2013	2014	2013 vs. 2014
Costs and expenses:			
Operating cost and expenses	₱9,197,323	₱12,421,074	35.1%
Interest expense	315,513	245,760	(22.1%)
Foreign exchange loss – net	44,621	(67,005)	N/A
Mark-to-market loss	12,406	15,359	23.8%
Total	₱9,569,863	₱12,615,188	31.8%

Operating cost and expenses increased by 35.1 percent mainly because of the full operation of Solaire in 2014. However, as a percentage of gross revenue, total expenses fell from 81.8 percent to 55.4 percent on a year-on-year basis demonstrating management's ability to significantly rationalize Solaire's costs and expenses. Major components of operating cost and expenses for the nine months of 2014 are taxes and licenses, salaries and benefits, depreciation and amortization, advertising and promotions, general office expenses, cost of sales, utilities and outside services.

Interest expense incurred from the Expansion Facility and Corporate Notes are capitalized and formed part of the Project Development Costs account in Bloomberry's consolidated statements of financial position. Interest expense is lower than last year because of higher capitalized interest relating to Phase 1A. For 2013 interest expense incurred prior to the opening of Phase 1 on March 16, 2013 was capitalized and formed part of the Property and Equipment account in Bloomberry's consolidated statements of financial position.

The Philippine peso depreciated against the US dollars and other foreign currencies resulting in net foreign exchange gain of ₱67.0 million in 2014 as compared with the net foreign exchange loss of ₱44.6 million for the same period last year. A portion of the Group's cash is denominated in US and Hongkong dollars.

Total cost and expenses of the Group for the nine months ended September 30, 2014 increased by 31.8 percent to ₱12.6 billion. This significant increase is mainly due to the full

operation of Solaire in 2014 as compared with the same period last year. Solaire opened on March 16, 2013.

EBITDA

EBITDA for the first three quarters 2014 amounted to ₱6.945 billion, 3.2 times the full year EBITDA of 2013 totaling ₱2.166 Billion (before deducting pre-operating expenses amounting to ₱1.1 Billion). This represents a further growth acceleration of Solaire's operations attributable to significant increases in volume across all gaming segments, enhanced operating efficiencies and effective cost management. The EBITDA margin, based on net revenues, registered an unprecedented increase from 17.9% in 2013 to 40.1% in 2014.

Provision For (Benefit From) Income Tax

In 2013, the Group recognized deferred tax assets resulting in an increase in benefit from income tax of ₱405.4 million emanating from Sureste's NOLCO (Net Operating Loss Carry Over). By the end of 2013, these deferred tax assets were derecognized and the Group recognized deferred tax liability on temporary differences associated with capitalized rent and unrealized foreign exchange gain. In the second and third quarter of 2014, BRHI recognized a provision for income tax amounting to ₱1.406 billion.

Net Income (Loss)

With record-breaking revenues and significant margin improvement in the first three quarters of 2014, the Group was able to realize a net income of ₱3.3 billion, a big turnaround from last year's net loss of ₱868.4 million. The unprecedented revenue growth that was achieved in 2014 was mainly due to the significant increase in volume across all gaming segments. Management was also able to significantly rationalize Solaire's costs and expenses that resulted in better margins and massive improvement in the overall efficiency in its gaming and non-gaming operations.

The basic earnings per share of ₱0.312 for 2014 was also a turn-around from last year's loss per share of ₱0.082. The diluted earnings per share for 2014 was slightly lower at ₱0.311 even after considering the shares granted in October 2013 and in July 2014 under the stock incentive plan. The basic and diluted losses per share in 2013 are the same as there are no dilutive potential common shares in the given period.

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.

Any friction with China, which will lead to restriction of travel to the Philippines by Chinese nationals, or the tightening watch by the Chinese government on gambling activities of Chinese nationals, may adversely affect the volume of Chinese high rollers playing in

Solaire. The opening of new gaming facilities at the Entertainment City may also lead to stiffer competition and lower margins among the gaming operators.

FINANCIAL CONDITION

The table below shows the consolidated condensed balance sheets as of December 31, 2013 and September 30, 2014:

Table 2.6 Consolidated Condensed Balance Sheets

<i>In thousands, except % change data</i>	December 31, 2013	September 30, 2014	% Change 2013 vs. 2014
Current assets	₱9,059,118	₱18,636,538	105.7
Total assets	40,346,969	58,974,287	46.2
Current liabilities	7,585,296	10,423,298	37.4
Total interest-bearing debt	17,632,590	30,863,286	75.0
Total liabilities	24,314,056	39,600,196	62.9
Equity	16,032,910	19,374,088	20.8
Current assets/total assets	22.45%	31.60%	
Current ratio	1.19	1.79	
Debt-equity ratio ¹	1.52	2.04	
Net debt-equity ratio	0.99	1.23	

¹ Debt includes total liabilities. Equity includes total equity. Net debt includes all liabilities less cash and cash equivalents and restricted cash

Current assets increased by 105.7 percent to ₱18.6 billion as of September 30, 2014 from ₱9.1 billion as of December 31, 2013. The growth was attributable to higher cash balances at the end of the period as a result of BRHI's issuance of Corporate Notes amounting to ₱11.425 billion in mid-February 2014 as well as from internally generated funds. The Group's working capital also increased with the increase in volume all business segments.

Total assets grew by 46.2 percent to ₱59.0 billion as of September 30, 2014 from ₱40.3 billion as of December 31, 2013. The increase was mainly due to proceeds from the Corporate Note issue, additions to project development cost and property and equipment totaling almost ₱12.8 billion. The increase was offset by the reduction in advances to contractors with the application of these advances against current billings from contractors and suppliers of Phase 1A.

Current liabilities by the end of the period were 37.4 percent higher than as at December 31, 2013 at ₱10.4 billion mainly because of the additional current portion of long-term debt, higher accrued interest payable and construction related liabilities as well as the recognition of income tax payable in the third quarter of 2014.

Total liabilities increased by 62.9 percent from ₱24.3 billion as of December 31, 2013 to ₱39.6 billion as of September 30, 2014 due to the issuance of Corporate Notes and additional drawdowns from the Expansion Facility to finance the construction of Phase 1A of Solaire.

Total equity as of September 30, 2014 amounted to ₱19.4 billion, 20.8 percent higher compared with ₱16.0 billion reported as of December 31, 2013. The increase was due to the net income reported for 2014 amounting to ₱3.3 billion and by the end of the third quarter, the Group has turned around the deficit at the beginning of the year to ₱810.5 million retained earnings.

MATERIAL VARIANCES AFFECTING THE BALANCE SHEET

Balance sheet accounts as of September 30, 2014 with variances of plus or minus 5.0 percent against December 31, 2013 balances are discussed, as follows:

Current Assets

1. Cash and cash equivalents almost tripled as of September 30, 2014 mainly due to the increase in internally generated funds and BRHI's issuance of Corporate Notes amounting to ₱11.425 billion to complete the financing of Phase 1A.
2. Current portion of restricted cash was up by ₱1.0 billion mainly due to the transfer of funds from the Group's operating accounts.
3. Receivables were higher for the period by 76.5 percent mainly due to higher credit issued primarily to junket operators and premium direct players resulting from a significant increase in VIP gaming segment volume.
4. Inventories account declined as the property was able to reach optimal inventory levels to support Solaire's operations after having determined the average usages and issuances after one year of commercial operations.
5. Prepayment and other current assets grew by 95.3 percent from ₱245.1 million as of December 31, 2013 mainly because of advances and deposits to suppliers and prepayment of insurance and other expenses.

Noncurrent Assets

6. Advances to contractors increased by 41.7 percent because of additional advances to various contractors and suppliers of Phase 1A which is scheduled to be completed by the end November 2014.
7. Project development costs as of September 30, 2014 stood at ₱14.2 billion, almost 3.5 times the balance as of December 31, 2013 due to billings from contractors and suppliers for the development of Phase 1A of Solaire.
8. Property and equipment was lower mainly because of depreciation and amortization for 2014, which offset the ₱653.5 million additions to property and equipment.
9. Other noncurrent assets decreased by 18.6 percent to ₱455.1 million as of September 30, 2014 mainly due to amortization of the property's operating equipment.

Current Liabilities

10. Payables and other current liabilities increased by 30.9 percent mainly because of higher interest payable and construction related liabilities as well as the provision for income tax recognized in the third quarter.
11. Current portion of long-term debt increased because of additional principal due within one year pertaining to the Original Facility.

Noncurrent Liabilities

12. Long-term debt net of unamortized debt discount increased by 74.8 percent to ₱29.0 billion as of September 30, 2014 due to the issuance of Corporate Notes amounting to ₱11.425 billion and additional drawdown of ₱2.5 billion from the Expansion Facility for the development and construction of Phase 1A.
13. Retirement liability increased by 56.4 percent to ₱74.1 million due to accrual of normal cost for the period.

Equity

14. Share-based payment plan quadrupled by the end of the third quarter of the year because of the recognition of the current period's expense.
15. By the end of the third quarter the Group turned-around the ₱2.5 billion deficit at the beginning of the year to ₱810.5 million retained earnings with the ₱3.3 billion net income registered for the three quarters.

LIQUIDITY AND CAPITAL RESOURCES

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

Liquidity

The table below shows the Group's consolidated cash flows for the nine months ended September 30, 2013 and 2014:

Table 2.7 Consolidated Cash Flows

	For the Nine Months Ended September 30		% Change
	2013	2014	2013 vs. 2014
<i>In thousands, except % change data</i>			
Net cash provided by operating activities	₱2,320,287	₱5,426,852	133.2
Net cash used in investing activities	(11,570,169)	(10,258,866)	(11.3)
Net cash provided by financing activities	8,052,975	12,226,630	52.0
Effect of exchange rate changes on cash	(44,621)	67,005	N/A
Net increase (decrease) in cash and cash equivalents	(1,241,528)	7,461,620	N/A
Cash and cash equivalents, beginning	7,879,765	6,108,865	(22.5)
Cash and cash equivalents, end	₱6,638,236	₱13,570,485	104.4

Cash and cash equivalents increased by 104.4 percent as of September 30, 2014 mainly due to BRHI's issuance of Corporate Notes amounting to ₱11.425 billion in order to complete the funding of Phase 1A of Solaire as well as from internally generated funds. The Group also made additional drawdown of ₱2.5 billion from the Expansion Facility to finance the development and construction of Phase 1A.

In 2014, the Group registered positive cash flows from operating activities totaling ₱5.4 billion mainly due to the outstanding performance of the property during the period generating almost ₱6.9 billion of EBITDA. This was a big jump from last year's EBITDA of ₱1.5 billion.

Net cash used in investing activities in 2013 was higher in 2014 mainly because of the significant payments to contractors pertaining to the construction of Solaire's Phase 1. Investing activities for 2014 mainly represented additions to project development costs of Phase 1A and property and equipment.

In 2014, the Group's financing activities were mainly BRHI's issuance of the ₱11.425 billion Corporate Notes and several drawdowns from the Expansion Facility totaling ₱2.5 billion.

Capital Resources

The table below shows the Group's capital sources as of December 31, 2013 and September 30, 2014:

Table 2.8 Capital Sources

	December 31, 2013	September 30, 2014	% Change 2013 vs. 2014
<i>In thousands, except % change data</i>			
Long-term debt	₱17,632,590	₱30,863,286	75.0
Equity	16,032,910	19,374,088	20.8
	₱33,665,500	₱50,237,374	49.2

Total debt and equity grew by 49.2 percent to ₱50.2 billion as of September 30, 2014 from ₱33.7 billion as of December 31, 2013. The increase was the result of the combined effect of the issuance of ₱11.425 billion Corporate Notes, ₱2.5 billion additional drawdowns from the Expansion Facility and the ₱3.3 billion net income.

Please refer to Note 10 of the Notes to Unaudited Condensed Consolidated Financial Statements for the discussion on debt financing.

RISKS

Foreign Exchange Risk

Foreign exchange risk is the potential exposure of the Group whereby 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 gain of ₱67.0 million in 2014 and net foreign exchange loss of ₱44.6 million last year on the revaluation of its foreign currency denominated cash and cash equivalents, restricted cash and accrued expenses for the nine months ended September 30, 2014 and 2013, respectively.

Interest Rate Risk

Interest rate risk is the potential exposure of the Group whereby 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. The repricing of variable rate debt is done at quarterly intervals.

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

Liquidity Risk

Liquidity risk is the potential exposure of the Group 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 has set aside cash to ensure that financial obligations are met as they fall due. The Group has cash and cash equivalents and current portion of restricted cash totaling to ₱13.6 billion and ₱6.1 billion as of September 30, 2014 and December 31, 2013, respectively that are allocated to meet the Group's liquidity needs.

Credit Risk

Credit risk is the potential exposure 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 September 30, 2014:

<i>In thousands</i>	
Current	₱4,165,133
90 Days	96,209
Over 90 Days	556,519
Total	₱4,817,861

PART II – OTHER INFORMATION

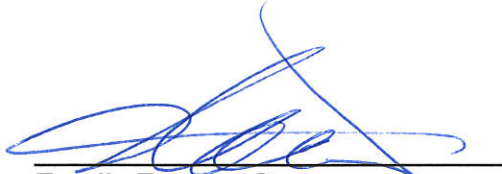
There is no other information not previously reported in SEC Form 17-C that need to be reported in this section.

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: **Bloomerry Resorts Corporation**

By:



Estella Tuason Occena
Chief Finance Officer and Treasurer

November 5, 2014