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SEC Registration No

S T O T S E N B E R G L E I S U R E P A R K  
A N D H O T E L C O R P O R A T I O N

(Company's Full Name)

G . P U Y A T A V E C O R A . S O R I A N O  
S R S T C L A R K S E Z P A M P A N G A

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

Remedios P. Quizon  
Contact Person

045-9613298  
Company Tel. No.

2 0 1 3  
Report Period

1 2 3 1  
Month Day  
Fiscal Year

A F S  
FORM TYPE

Month Day  
Annual Meeting

Secondary License Type, If Applicable

CRMD  
Dept. Requiring This Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings  
Domestic Foreign

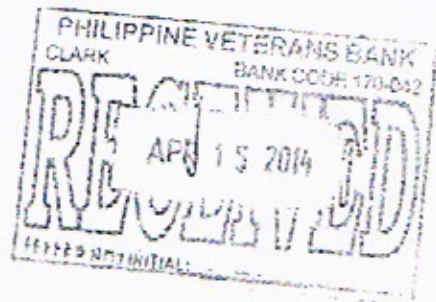
To be accomplished by SEC Personnel concerned

File Number  
Document ID

LCU  
Cashier

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Remarks = pls use black ink for signing



**STOTSENBERG LEISURE PARK AND HOTEL CORPORATION**  
Gil Puyat Ave. cor. Andres Soriano St., Clark Freeport Zone, Pampanga

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**STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR  
FINANCIAL STATEMENTS**

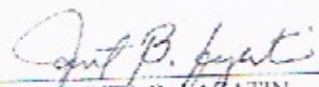
The Management of **STOTSENBERG LEISURE PARK AND HOTEL CORPORATION** is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2013 and 2012 in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

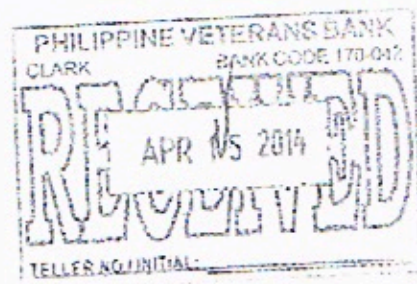
**CASTRO, CASTRO & CO., MARIAN B. DOLOSA**, Partner, the independent auditors, appointed by the shareholders has examined the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the shareholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

Signed:

  
\_\_\_\_\_  
ENGR. DAMIAN R. RAMOS  
President/ Chairman

  
\_\_\_\_\_  
JANET RITA B. AZATIN  
Corporate Treasurer

25<sup>th</sup> day of March 2014.





## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders  
**STOTSBERG LEISURE PARK AND HOTEL CORPORATION**  
Gil Puyat Ave. corner Andres Soriano Sr. St.  
Clark Special Economic Zone, Pampanga

We have audited the accompanying financial statements of STOTSBERG LEISURE PARK AND HOTEL CORPORATION which comprise the statement of financial position as at December 31, 2013 and 2012 and the company's statement of income, statement of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and explanatory notes.

### Management's Responsibility for the Financial Statements

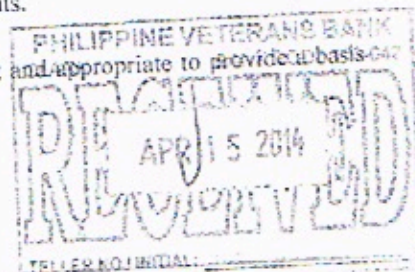
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards for Small Medium Sized Entities (SME's) and for such internal control as management determines is necessary to enable the preparation of financial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

### Auditor's Responsibility

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

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

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



**CASTRO, CASTRO and CO.**

Certified Public Accountants

Rm 14 (Usebio Bldg. General Hizon Ave  
City of San Fernando, Pampanga

Tel. No. (045)961-9238

(045)963-5917

(045)860-2257

Email: castroaccountingoffice@yahoo.com

**Opinion**

In our opinion, the financial statements give a true and fair view present fairly, in all material respects, the financial position of STOTSENBERG LEISURE PARK AND HOTEL CORPORATION as of December 31, 2013 and 2012 and of its financial performance for the year then ended in accordance with Philippine Financial Reporting Standards for Small Medium Sized Entities (SME's).

**Report on Bureau of Internal Revenue**

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary in **Note 18** to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**CASTRO, CASTRO AND CO.**

TIN - 005-565-513

BIR Acc No 04-002109-0-2013 December 16, 2013 - December 16, 2016

SEC Acc No - 0267-F - May 23, 2013 - May 22, 2016

PRC BOA Acc No. 0698 - Sept, 25, 2012 - December 31, 2015

By:

  
**MARIAN B. DOLOSA**

Partner

CPA Cert 97114

TIN No. 916-744-974

BIR Acc #04-002109-3-2013 - December 16, 2013 - December 16, 2016

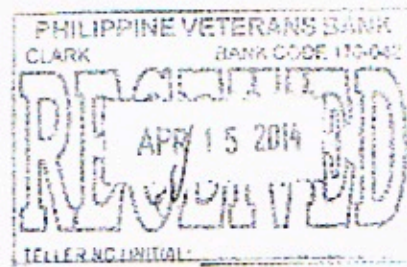
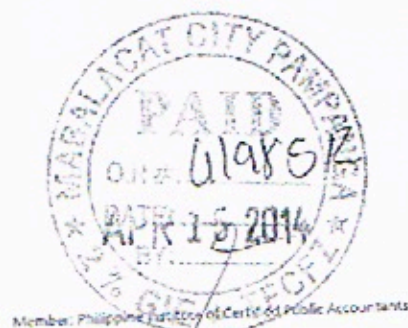
SEC Acc No - 1316-A - May 23, 2013 - May 22, 2016

PTR No. 2259963 - January 16, 2014 - December 31, 2014

City of San Fernando, Pampanga

City of San Fernando, Pampanga

March 25, 2014





**CASTRO, CASTRO and CO.**

Certified Public Accountants

Rm 14 Eusebio Bldg. General Hizon Ave  
City of San Fernando, Pampanga

Tel. No. (045)961-3298

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(045)860-1287

Email: castroaccntgoffice@yahoo.com

**SUPPLEMENTAL WRITTEN STATEMENT**

To the Board of Directors and Shareholders  
**STOTSENBERG LEISURE PARK AND HOTEL CORPORATION**  
Gil Puyat Ave. corner Andres Soriano Sr. St.  
Clark Special Economic Zone, Pampanga

I have examined the financial statements of STOTSENBERG LEISURE PARK AND HOTEL CORPORATION for the year ended December 31, 2013, on which I have rendered the attached report dated March 25, 2014.

In compliance with SRC Rule 68, I am stating that the said company has total number of eleven (11) shareholders owning one hundred (100) or more shares each.

**CASTRO, CASTRO AND CO.**

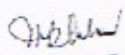
TIN - 005-565-513

BIR Acc No 04-002109-0-2013 December 16, 2013 - December 16, 2016

SEC Acc No - 0267-F - May 23, 2013 - May 22, 2016

PRC BOA Acc No. 0698 - Sept. 25, 2012 - December 31, 2015

By:

  
**MARIAN B. DOLOSA**  
Partner

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TIN No: 916-744-974

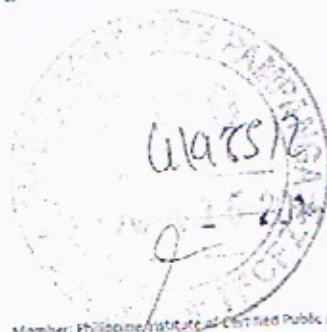
BIR Acc #04-002109-3-2013 - December 16, 2013 - December 16, 2016

SEC Acc No - 1316-A - May 23, 2013 - May 22, 2016

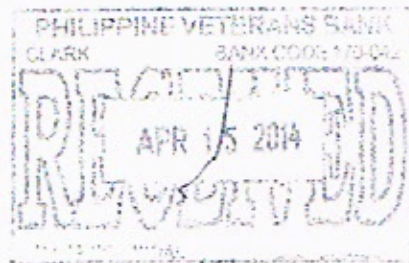
PTR No. 2259963 - January 16, 2014 - December 31, 2014

City of San Fernando, Pampanga

City of San Fernando, Pampanga  
March 25, 2014



Member, Philippine Institute of Certified Public Accountants



**CASTRO, CASTRO and CO.**

Certified Public Accountants

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City of San Fernando, Pampanga

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(045)853 2267

Email: castroaccr@office@yahoo.com

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT TO ACCOMPANY  
INCOME TAX RETURNS**

**STOTSENBERG LEISURE PARK AND HOTEL CORPORATION**  
Gil Puyat Ave. corner Andres Soriano Sr. St.  
Clark Special Economic Zone, Pampanga

I have examined the financial statements of **STOTSENBERG LEISURE PARK AND HOTEL CORPORATION** for the year then ended December 31, 2013 on which I have rendered the attached report dated March 25, 2014.

In compliance with Revenue Regulations V-20, I am stating that:

1. The taxes paid or accrued by the above entity for the years ended December 31, 2013 are shown in the schedule of taxes and licenses attached to the income tax return.
2. I am not related by consanguinity or affinity to the Company.

**CASTRO, CASTRO AND CO.**

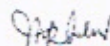
TIN - 005-565-513

BIR Acc No 04-002109-0-2013 December 16, 2013 - December 16, 2016

SEC Acc No - 0267-F - May 23, 2013 - May 22, 2016

PRC BOA Acc No. 0698 - Sept. 25, 2012 - December 31, 2015

By:

  
**MARIAN B. DOLOSA**

Partner

CPA Cert 97114

TIN No. 916-744-974

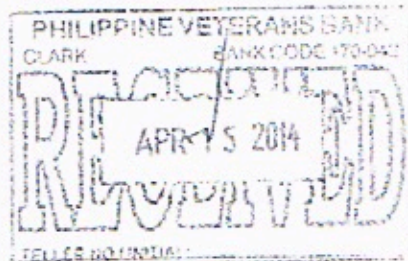
BIR Acc #04-002109-3-2013 - December 16, 2013 - December 16, 2016

SEC Acc No - 1316-A - May 23, 2013 - May 22, 2016

PTR No. 2259963 - January 16, 2014 - December 31, 2014

City of San Fernando, Pampanga

City of San Fernando, Pampanga  
March 25, 2014

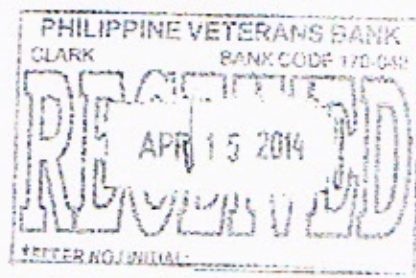




**STOTSENBERG LEISURE PARK AND HOTEL CORPORATION**  
**STATEMENTS OF FINANCIAL POSITION**  
As of December 31, 2013 and 2012  
*(in Philippine Peso)*

		December 31	
	Notes	2013	2012
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	2.4	4,969,357	8,059,247
Trade receivables	2.5	210,509,408	230,229,286
Inventories	2.6	2,288,416	2,460,352
Prepayments	2.7	8,772,275	9,037,888
<b>Total Current Assets</b>		<b>226,539,456</b>	<b>249,786,772</b>
<b>Non-current Assets</b>			
Property and equipment	2.8	506,298,215	540,376,517
<b>TOTAL ASSETS</b>		<b>732,837,671</b>	<b>790,163,288</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Trade and other payables	2.9	387,841,100	460,137,634
Income tax payable	2.10	1,485,501	207,594
<b>Total Current Liabilities</b>		<b>389,326,602</b>	<b>460,345,228</b>
<b>Equity</b>			
Share capital	2.11	200,000,000	200,000,000
Retained earnings	2.11	143,511,069	129,818,061
<b>TOTAL EQUITY</b>		<b>343,511,069</b>	<b>329,818,061</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>		<b>732,837,671</b>	<b>790,163,288</b>

*(The accompanying notes are an integral part of these financial statements)*

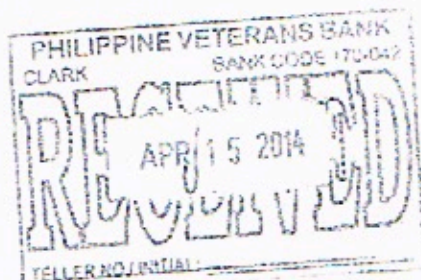


**STOTSBERG LEISURE PARK AND HOTEL CORPORATION**  
**STATEMENTS OF INCOME**  
For the Years Ended December 31, 2013 and 2012  
*(In Philippine Peso)*



		December 31	
	Notes	2013	2012
REVENUES	2,12	474,959,304	389,589,092
DIRECT COSTS	2,13	429,997,857	356,822,317
GROSS PROFIT		44,961,447	32,766,775
ADMINISTRATIVE COSTS	2,14	29,020,366	35,844,477
PROFIT BEFORE TAX		15,941,081	(3,077,701)
INCOME TAX EXPENSE	2,17	2,248,072	1,638,339
PROFIT FOR THE YEAR		13,693,008	(4,716,040)

*(The accompanying notes are an integral part of these financial statements)*

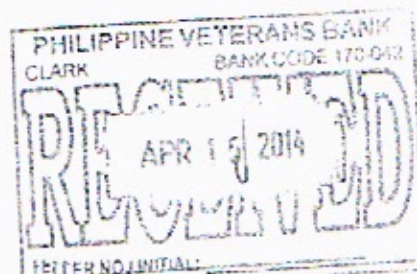




**STOTSBERG LEISURE PARK AND HOTEL CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
For the Years Ended December 31, 2013 and 2012  
*(in Philippine Peso)*

		December 31	
	Notes	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax	2	15,941,081	(3,077,701)
Adjustments for:			
Depreciation	2,8	37,980,752	47,377,927
Operating cash flows before working capital changes		53,921,833	44,300,226
Decrease (Increase) in:			
Trade receivables	2,5	19,719,878	(31,900,077)
Inventories	2,6	171,936	762,508
Prepaid expenses	2,7	265,612	(611,552)
Increase (Decrease) in:			
Current liabilities	2,9,10	(71,018,626)	3,758,946
Net cash generated from operations		3,060,633	16,310,051
Income tax paid	2,15	2,248,072	(1,638,339)
Net cash provided by operating activities		812,561	14,671,712
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions property and equipment	2,8	(3,902,451)	-
Net cash used in investing activities		(3,902,451)	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds (payments) from (for) loan		-	(12,500,000)
Net cash used in financing activities		-	(12,500,000)
NET (DECREASE) INCREASE IN CASH		(3,089,890)	2,171,712
CASH AT BEGINNING OF YEAR		8,059,246	5,887,534
CASH AT END OF YEAR	2,4	4,969,356	8,059,246

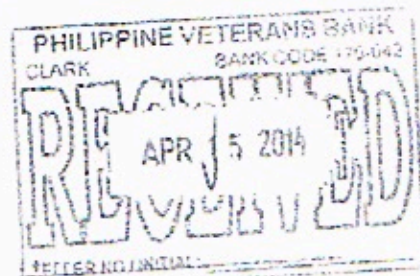
*(The accompanying notes are an integral part of these financial statements)*



**STOTSENBERG LEISURE PARK AND HOTEL CORPORATION**  
**STATEMENT OF CHANGES IN EQUITY**  
For the Years Ended December 31, 2013 & 2012  
(P Philippine Peso)

	Share Capital	Retained Earnings		
	(Notes 2,11)	Appropriated	Unappropriated	TOTAL
		(Note 2)		
Balances at January 1, 2013	200,000,000	-	129,818,061	329,818,061
Profit for the year	-	-	13,693,008	13,693,008
Appropriation for the period	-	-	-	-
<b>Balances at December 31, 2013</b>	<b>200,000,000</b>	<b>-</b>	<b>143,511,069</b>	<b>343,511,069</b>
Balances at January 1, 2012	200,000,000	-	134,534,101	334,534,101
Profit for the year	-	-	(4,716,040)	(4,716,040)
<b>Balances at December 31, 2012</b>	<b>200,000,000</b>	<b>-</b>	<b>129,818,061</b>	<b>329,818,061</b>

(The accompanying notes are an integral part of these financial statements)

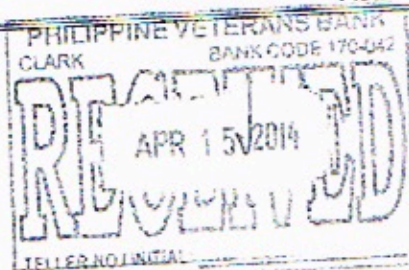
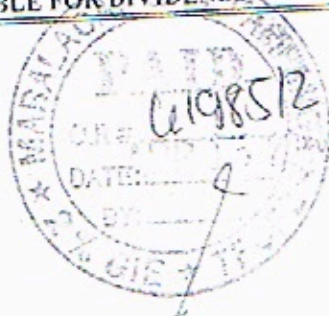




**STOTSENBERG LEISURE PARK AND HOTEL CORPORATION**  
**STATEMENT OF CHANGES IN EQUITY**  
**RECONCILIATION OF RETAINED EARNINGS**  
For the year ended December 31, 2013

**CASH/ STOCK DIVIDENDS**  
*(in Philippine Peso)*

Unappropriated Retained Earnings, adjusted to available for dividend distribution, beginning	129,818,061
Add: Net income actually earned/realized during period	<u>13,693,008</u>
Less: Non actual/unrealized income net of tax	
Equity in net income of associate/joint venture	-
Unrealized foreign exchange gain-net	-
Unrealized actuarial gain	-
Fair value adjustment	-
Fair value adjustment of investment property resulting to gain	-
Adjustment due to deviation from PFRS/GAAP gain	-
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	-
Sub total	<u>-</u>
Add: Non actual losses	
Depreciation on revaluation increment (after tax)	-
Adjustment due to deviation from PFRS/GAAP - loss	-
Loss on fair value adjustment property (after tax)	<u>-</u>
Net Income actually earned during the period	13,693,008
Add (Less):	
Cash Dividend declaration during the period	-
Stock Dividend declarations during the period	-
Appropriations of Retained Earnings during the period	-
Reversals of appropriations	<u>-</u>
<b>TOTAL</b>	
<b>TOTAL RETAINED EARNINGS, END</b>	<b>143,511,069</b>
<b>AVAILABLE FOR DIVIDENDS</b>	



# STOTSBERG LEISURE PARK AND HOTEL CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

As of and for the years ended December 31, 2013 and 2012

### 1. CORPORATE INFORMATION

**STOTSBERG LEISURE PARK AND HOTEL CORPORATION** (referred to as the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on August 10, 2004 with SEC Registration No. CS200412214. It is primarily engaged in the business of establishing, developing, renovating, owning, managing and/or operating hotels, lodging houses, recreational complexes, theme parks, resorts, restaurants, coffee shops and refreshment parlors, food catering business, sports and recreational facilities, gaming business enterprise, slot lounges with table games, video arcade, internet gaming, sports and racing, telephone betting and other related activities, and all other businesses incident thereto.

The Company's principal and business address is located at Gil Puyat Avenue corner Andres Soriano St. Street, Clark Special Economic Zone (CSEZ) Pampanga.

#### Authorization for Issue of the Financial Statements

The financial statement of the Company as of December 31, 2013 was authorized for issue by the Board of Directors (BOD) on March 25, 2014. The Board of Directors is still empowered to make revisions on financial statements even after the date of issue.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

#### Basis of Preparation

The financial statements of the Company have been prepared under a historical cost convention. The financial statements are presented in Philippine pesos, which is the Company's functional currency. All amounts are rounded to the nearest Philippine peso, except when otherwise indicated.

The accompanying financial statements have been prepared on a going concern basis, which contemplate the realization of assets and settlement of liabilities in the normal course of company.

#### Statement of Compliance

The accompanying financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) for Small and Medium-sized Entities (SMEs) issued by the Philippine Financial Reporting Standards Council.

#### Financial Assets

Financial asset is recognized when the company becomes party to the contractual provision of cash or other financial assets.

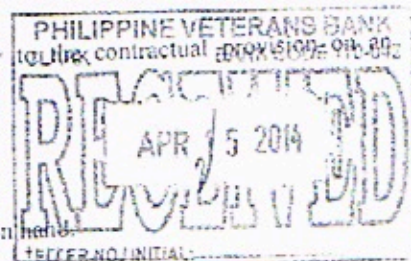
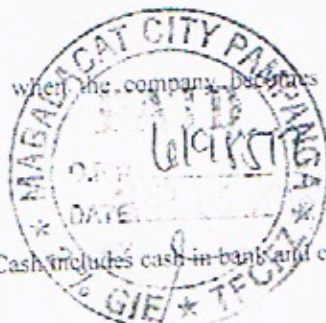
Financial assets include cash.

#### Cash

Cash are stated at face value. Cash includes cash in bank and cash on hand.

#### Trade Receivables

Trade receivables are measured initially at invoice price and subsequently measured at amortized cost using the effective interest method less provision for impairment. Provision is made when there is objective evidence that the Company will not be able to collect debts. Bad debts are written off when identified. The allowance for impairment loss is the estimated amount of probable losses arising from





non-collection based on past collection experience and management's review of the current status of the long-outstanding receivables.

#### Inventories

Inventories are assets that are held for sale in the ordinary course of business.

Inventories are measured at lower of cost and estimated selling price less costs to complete and cost to sell. The cost of inventories shall comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

First-in, first-out (FIFO) method is used in the measurement of its inventories.

The Company recognizes impairment on inventories whenever the estimated selling price less cost to complete and sell of inventories become lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. The impairment is reviewed on a monthly basis to reflect the accurate valuation in the financial records.

#### Prepayments

Prepayment represents advance payment initially recorded as asset when purchased. The portion of assets that have been used or expired during the period is charged to expense. It is initially measured at cost and amortized on a straight line basis.

#### Property and Equipment

Property and equipment includes building, furniture, fixtures and equipment. These are measured initially at their cost. Property and equipment, after initial recognition are stated at cost less any accumulated depreciation and any accumulated impairment losses.

The initial cost of property and equipment, comprises its purchase price and any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. These can include the costs of initial delivery and handling, installation and assembly, and testing of functionality.

The cost of an item of property and equipment also comprises the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during the period.

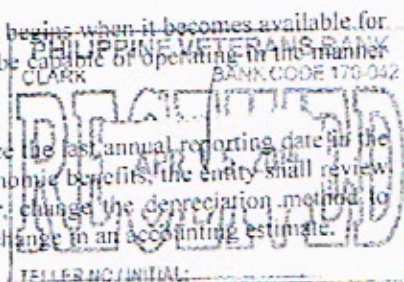
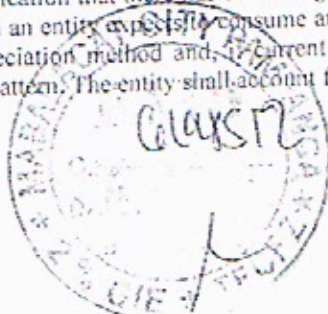
The Company adds to the carrying amount of the property and equipment the cost of replacing parts of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Land is not depreciated. Depreciation is charged so as to allocate the cost of assets less their residual value over the estimated useful lives of the assets, using the straight-line method.

Depreciation is charged so as to allocate the cost of assets less their residual value over the estimated useful lives of the assets, using the straight-line method.

Depreciation and amortization of an item of property and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

If there is an indication that there has been a significant change since the last annual reporting date in the pattern by which an entity expects to consume an asset's future economic benefits, the entity shall review its present depreciation method and, if current expectations differ, change the depreciation method to reflect the new pattern. The entity shall account for the change as a change in an accounting estimate.





An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of an item of property and equipment is recognized in profit or loss when the item is derecognized.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is credited or charged to current operations. Gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset.

#### Financial Liabilities

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities consist of trade and other payables.

#### Trade and Other Payables

Trade payables are liabilities to pay for goods or services that have been received or supplied and have been invoiced or formally agreed with the supplier. These are unsecured, non-interest bearing and short-term in nature. Trade and other payables are initially measured at transaction price and are subsequently presented at undiscounted amount.

Other payables include taxes payable. Taxes payable is income taxes payable which is due on or before the 15<sup>th</sup> day of the fourth month following the close of the taxable year.

#### Impairment of Financial Assets

The Company assesses at each reporting period whether there is objective evidence that a financial asset or 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 (or events) 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 the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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 the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to the statement of comprehensive income. Interest income continues to be recognized based on the original effective interest rate of the asset. Loans, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as industry, past-due status and term.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. It is determined whether objective evidence of impairment exists for an





individually assessed financial asset, whether significant or not, that asset is included in a group of financial asset with similar credit risk characteristics and that the group of financial assets is collectively assessed for impairment. 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.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the statements of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

#### Derecognition of Financial Assets and Financial Liabilities

##### *Financial assets*

A financial asset (or, where applicable a part of financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a pass-through arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

##### *Financial Liabilities*

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Where 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 respective carrying amounts is recognized in the statement of comprehensive income.

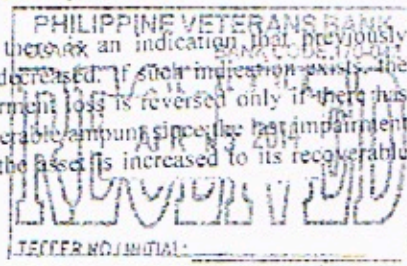
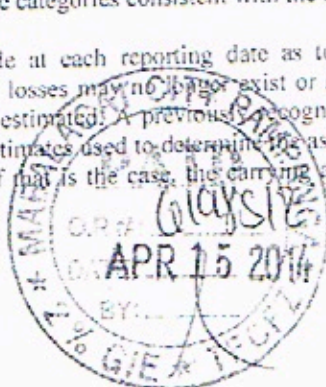
#### Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet 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 asset and settle the liability simultaneously.

#### Impairment of Non-financial Assets, if any

The Company assesses as at reporting date whether there is an indication that property and equipment and intangible asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's fair value less costs to sell and its value in use or its net selling price and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those assets or groups of assets. 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 assessment of the time value of money and the risks specific to the asset. Impairment losses are recognized in the statements of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is an 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 statements of income unless the asset is carried at revalued amount, in which case the reversal is treated as revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

#### Equity

Ordinary shares are classified as equity using the nominal value of shares that have been issued. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax. The costs of acquiring Company's own shares are shown as a deduction from equity attributable to the Company's equity holders until the shares are cancelled or reissued. When such shares are subsequently sold or reissued, any consideration received, net of directly attributable incremental transaction costs and the related income tax effects, and are included in equity attributable to the Company's equity holders.

Retained earnings include all current and prior period results of operations as disclosed in the statement of comprehensive income. Attribute to the Company's stockholders and reduced by dividends. Dividends are recognized as a liability and deducted from equity when they are approved by the Company's BOD. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date, if any. As of year-end, no dividends were declared nor paid by the Company.

#### Provisions and Contingencies

Provisions are recognized when the Company has a present obligation, either legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of the obligation can be estimated reliably. When the Company expects reimbursement of some or all of the expenditure required to settle a provision, the entity recognizes a separate asset for the reimbursement only when it is virtually certain that reimbursement will be received when the obligation is settled.

The amount of the provision recognized is the best estimated of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingent liabilities and assets are not recognized because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent liabilities, if any, are disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are disclosed only when an inflow of economic benefits is probable.

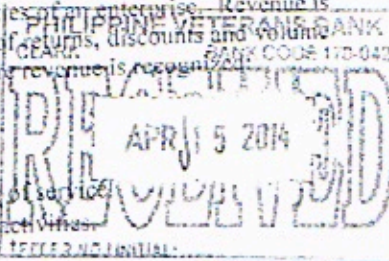
#### Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is the gross inflow of economic benefits (cash, receivables, other assets) arising from the ordinary operating activities of an enterprise. Revenue is measured at the fair value of the consideration received or receivable net of returns, discounts and volume rebates. The following specific recognition criteria must also be met before revenue is recognized.

- *Room Revenue:* Revenue is recognized upon actual room occupancy.
- *Food and Beverage:* Revenue is recognized upon delivery of order.
- *Other Operating Departments:* Revenue is recognized upon rendering of service.
- *Casino Revenue:* Casino revenue represents the net win from gaming activities.

#### Cost and Expense Recognition

Cost and expenses are recognized in the statements of comprehensive income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in the statement of comprehensive income on the basis of a





direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position as an asset.

Cost and expenses in the statement of comprehensive income are presented using the function expense method. Administrative expenses are costs attributable to administrative activities of the Company.

#### Employees Benefits

##### ■ *Short-term Benefits*

The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. Short-term benefits given by the Company to its employees include salaries and wages, social security contributions, short-term compensated absences, bonuses and other non-monetary benefits, if any.

##### ■ *Long-term Benefits*

The Company has not yet adopted the retirement benefits as mandated by RA 7641.

#### Leases

The Company determines whether an arrangement is, or contains a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

The Company accounts for its leases as follows:

##### *Company as Lessee*

Leases which do not transfer to the Company substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the statement of income on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred. For income tax purposes, deductible operating lease payments are computed based on the terms of the lease agreements.

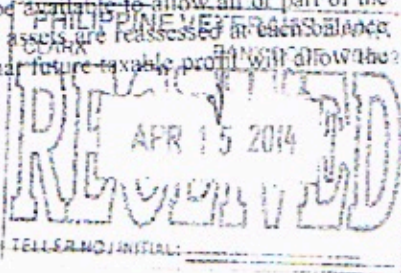
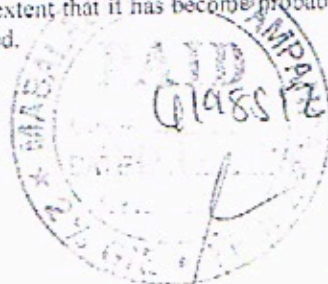
#### Income Taxes

Current tax assets and liabilities for the current and prior periods 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 by the reporting date. The Company's liability for current tax is calculated using 5% for 2013 and 2012.

Deferred income tax, if any, is provided, using the balance sheet liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities, if any, are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences and carry forward benefits of unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry forward of NOLCO can be utilized.

The carrying amount of deferred tax assets, if any, 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 income tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each balance date 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 asset and liabilities, if any, are measured at the tax rates expected in the year 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 date.

#### **Related Party Disclosures**

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (1) individual owning, directly or indirectly through one or more intermediaries, control, or are controlled by, or under common control with, the Company; (2) associates; and (3) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual.

The key management personnel of the Company and post-employment benefit plans for the benefit of Company's employees, if any, are also considered to be related parties.

The Company's related parties include the Company's Key Management. The compensation of the key management personnel of the Company pertains to the usual monthly salaries and government mandated bonuses; there are no other special benefits paid to management personnel.

#### **Events After the End of the Reporting Period**

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

### **3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION**

The preparation of the Company's financial statements in conformity with Financial Reporting Framework (in reference to the Philippine Financial Reporting Standards (PFRS) for Small and Medium sized Entities (SMEs), requires management to make estimates and assumptions that affect the amounts reported in the Company's financial statements and accompanying notes. The estimates and assumptions used in the Company's financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the Company's financial statements. Actual results could differ from such estimates.

#### **Judgments**

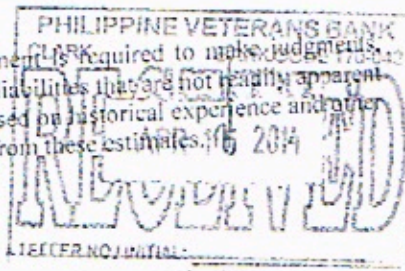
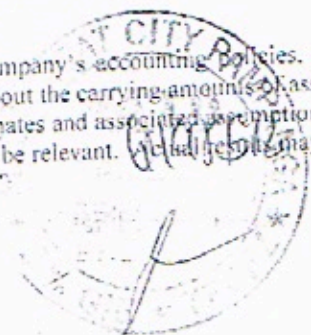
The preparation of the Company's financial statements in conformity with Financial Reporting Framework in reference to the Philippine Financial Reporting Standards (PFRS) for Small and Medium sized Entities (SMEs), requires management to make estimates and assumptions that affect the amounts reported in the Company's financial statements and accompanying notes. The estimates and assumptions used in the Company's financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the Company's financial statements. Actual results could differ from such estimates, judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### **Determining Functional Currency**

Based in economic substance of underlying circumstances relevant to the Company, the functional currency has been determined to be the Philippine peso, which is the currency of the primary economic environment in which the Company operates and is the currency that mainly influences the prices of the products and services and the cost of providing such products and services.

#### **Estimates and Assumptions**

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.





The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following represents a summary of the significant estimates and judgments and related impact and associated risks in the Company's financial statements.

**Operating lease commitments - Company as lessee**

The Company has entered into a lease of land with improvements. All the significant risks and rewards of ownership of the leased properties remain with the lessor.

**Estimation of useful lives of property and equipment and investment property**

If there is an indication that there has been a significant change since the last annual reporting date in the pattern by which an entity expects to consume an asset's future economic benefits, the entity shall review its present depreciation method and, if current expectations differ, change the depreciation method to reflect the new pattern. The entity shall account for the change as a change in an accounting estimate.

Factors such as a change in how an asset is used, significant unexpected wear and tear, technological advancement, and changes in market prices may indicate that the residual value or useful life of an asset has changed since the most recent annual reporting date. If such indicators are present, an entity shall review its previous estimates and, if current expectations differ, amend the residual value, depreciation method or useful life. The entity shall account for the change in residual value, depreciation method or useful life as a change in an accounting estimate. Depreciation is computed on a straight-line method over the estimated useful lives of the following depreciable assets:

Category	In Years
Building	25
Furniture, fixtures and equipment	2-5

**Evaluation of asset impairment**

The Company assesses the impairment of assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include significant changes in asset usage, significant decline in assets' market value and obsolescence or physical damage of an asset. If such indications are present and where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Company is required to make estimates and assumptions that may affect property and equipment.

**Impairment of Assets**

The Company assesses the value of property and equipment and investment property which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, and require the Company to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Company to conclude that property and equipment and other long-lived assets are impaired. Any resulting impairment loss could have a material adverse impact on the Company's financial condition and results of operations.

The preparation of the estimated future cash flows involves significant judgment and estimations. While the Company believes that its assumptions are appropriate and reasonable, significant changes in these

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assumptions may materially affect the Company's assessment of recoverable values and may lead to future additional impairment charges.

#### Impairment of inventories

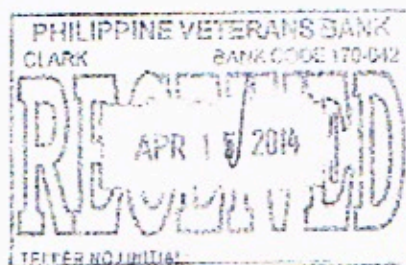
The Company recognizes impairment on inventories whenever the estimated selling price less cost to complete and sell of inventories become lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. The impairment is reviewed on a monthly basis to reflect the accurate valuation in the financial records.

#### Estimating realizability of deferred income tax assets

The Company reviews the carrying amounts of deferred income tax assets at each reporting date 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 income tax assets to be utilized. The Company's assessment on the recognition of deferred income tax assets on nondeductible temporary differences is based on the budgeted taxable income of the following reporting period. This budget is based on the Company's past results and future expectations on revenue and expenses.

#### Revenue Recognition

The Company's revenue recognition policies require the use of estimates and assumptions that may affect the reported amounts of revenues and receivables. Differences between the amounts initially recognized and actual settlements are taken up in the accounts upon reconciliation. However, there is no assurance that such use of estimates may not result to material adjustments in future periods.





**4. CASH**

This account consists of:

	2013	2012
Cash on hand	333,000	610,000
Cash in bank	4,636,357	7,449,247
	4,969,357	8,059,247

Cash on hand pertains to petty cash funds which are managed according to the control procedures set forth by management.

Cash in bank represents current account deposits in local banks which do not earn interest. The Company reconciles the books and bank balances regularly as part of its cash monitoring and internal control measures. Cash in bank is unrestricted and immediately available for use in current operations.

**5. TRADE RECEIVABLES**

This account consists of:

	2013	2012
Accounts receivable	210,509,408	230,229,286
	210,509,408	230,229,286

Accounts receivable are non interest bearing and short term in nature. An estimate for doubtful accounts is made when collection is no longer probable.

**6. INVENTORIES**

This account consists of:

	2013	2012
Food inventory	867,989	310,851
Beverage inventory	367,788	571,481
General supplies inventory	877,149	1,374,919
Engineering supplies inventory	175,489	203,101
	2,288,416	2,460,352

Impairment tests conducted show that there were no inventories found impaired. Thus, no allowance for impairment was provided. The carrying amount of the inventories approximates their estimated selling price less costs to complete and sell. There were no inventories used as collateral to any indebtedness.

**7. PREPAYMENTS**

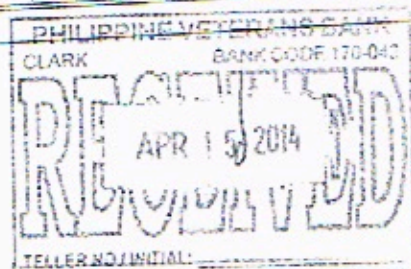
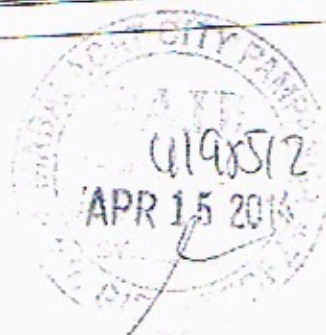
This account consists of:

	2013	2012
Prepaid expenses	8,772,275	9,037,888
	8,772,275	9,037,888

**8. PROPERTY AND EQUIPMENT**

This account consists of:

2013	Balance at Jan. 1, 2013	Depreciation	Balance at Dec. 31, 2013
Net Carrying Amount	536,795,928	28,512,119	508,283,809
Building	7,483,039	9,468,633	(1,985,594)
Furniture, fixtures and equipment	544,278,967	37,980,752	506,298,215
Net Carrying Amount at December 31, 2013			





	Balance at Jan. 1, 2013	Additions (Disposals)	Balance at Dec. 31, 2013
<b>Costs</b>	706,395,900	-	706,395,900
Building	143,599,942	3,902,451	147,502,393
Furniture, fixtures and equipment	849,995,843	3,902,451	853,898,293
<b>TOTAL</b>			

	Balance at Jan. 1, 2013	Depreciation	Balance at Dec. 31, 2013
<b>Accumulated Depreciation</b>	169,599,972	28,512,119	198,112,091
Building	140,019,354	9,468,633	149,487,987
Furniture, fixtures and equipment	309,619,326	37,980,752	347,600,078
<b>TOTAL</b>	540,376,517		506,298,215
<b>Net Carrying Amount at December 31, 2013</b>			

2012	Balance at Jan. 1, 2012	Depreciation	Balance at Dec. 31, 2012
<b>Net Carrying Amount</b>	565,224,175	28,428,247	536,795,928.22
Building	22,530,268	18,949,680	3,580,588.33
Furniture, fixtures and equipment	587,754,444	47,377,927	540,376,517
<b>Net Carrying Amount at December 31, 2012</b>			

	Balance at Jan. 1, 2012	Additions (Disposals)	Balance at Dec. 31, 2012
<b>Costs</b>	706,395,900	-	706,395,900
Building	143,599,942	-	143,599,942
Furniture, fixtures and equipment	849,995,843	-	849,995,843
<b>TOTAL</b>			

	Balance at Jan. 1, 2012	Depreciation	Balance at Dec. 31, 2012
<b>Accumulated Depreciation</b>	141,171,725	28,428,247	169,599,972
Building	121,069,674	18,949,680	140,019,354
Furniture, fixtures and equipment	262,241,399	47,377,927	309,619,326
<b>TOTAL</b>	587,754,444		540,376,517
<b>Net Carrying Amount at December 31, 2012</b>			

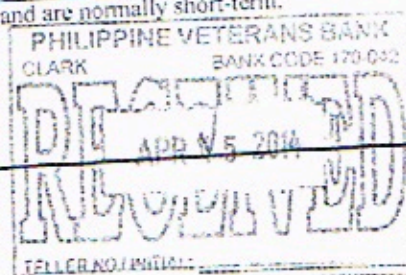
Property and equipment is measured at cost less any accumulated impairment losses.

Impairment tests performed indicate that there are no property and equipment found impaired. There are no property and equipment and investment property used as collateral to any indebtedness. The Company has not entered into any contractual commitments for the future acquisition of property and equipment.

## 9 TRADE PAYABLES

This account consists of:

	2013	2012
Accounts payable	387,841,100	460,137,634
Accounts payables are unpaid liabilities which are non interest-bearing and are normally short-term.		





# 10 INCOME TAX PAYABLE

This account computed as follows:

	2013	2012
Tax due (Special Corporate Income Tax at 5%)	2,248,072	1,638,339
Creditable tax withheld (2307)	(139,299)	(241,692)
Income tax payment under special rate from previous quarters	(623,272)	(1,189,053)
Income tax payable	1,485,501	207,594

2013

	BIR	LGU	Total
Tax Due	1,348,843	899,229	2,248,072
Tax Due	328,878	294,393	623,272
Less: Quarterly Payments	1,019,965	604,836	1,624,801

2013

	BIR	LGU	Total	Date Paid
Quarterly Payments				
1st	107,962	90,191	198,153	5/30/2013
2nd	220,916	204,202	425,119	8/29/2013
3rd				
Total	328,878	294,393	623,272	

2012

	BIR	LGU	Total	Date Paid
Quarterly Payments				
1st	688,347	494,427	1,182,774	5/30/2012
2nd		6,280	6,280	8/30/2012
3rd				
Total	688,347	500,707	1,189,054	

# 11 EQUITY

Share Capital

As of December 31, 2013 and 2012, the Company's share capital consists of:

	2013	2012
Authorized Share Capital		
200,000 common shares at P1,000 par value	200,000,000	200,000,000
Subscribed Share Capital:		
Subscribed Capital Stock (200,000 stocks @Php1,000)	200,000,000	200,000,000
Less: Subscription Receivable		
	200,000,000	200,000,000
Paid-up Share Capital		

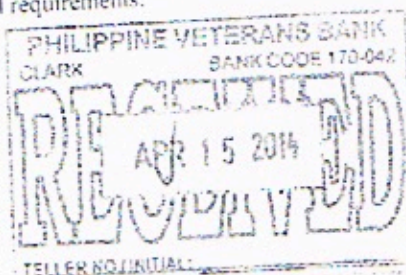
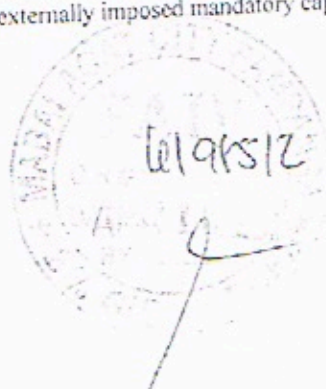
The Company is 100% Filipino owned. It has one class of ordinary shares which carry no right to fixed income.

There were no movements in the share capital of the Company in 2013 and 2012 financial reporting periods.

## Capital Management

The Company manages its capital in such a way to increase the value of the shareholders' investment while maintaining strong credit ratings in order to support its business. It sets strategies with the objective of establishing a resourceful financial management structure.

The Company is not exposed to externally imposed mandatory capital requirements.





**Retained Earnings**

Retained earnings is composed of the accumulated earnings of the Company. As of year-end, no dividends were declared nor paid by the Company.

**12 REVENUE**

This account consists of:

	2013	2012
Casino	377,989,233	261,808,181
Rooms	45,447,616	58,463,547
Food and beverage	43,859,373	64,188,278
Other revenues	7,663,082	5,129,087
	<u>474,959,304</u>	<u>389,589,092</u>

**13 DIRECT COST**

This account consists of:

	2013	2012
Casino	222,946,473	198,369,851
Labor Costs	59,419,435	59,274,217
Hotel	105,663,924	52,835,250
Depreciation	34,854,242	43,372,364
Lease Rental (Note 15)	7,113,784	2,970,635
	<u>429,997,857</u>	<u>356,822,317</u>

This represents labor costs that are directly attributable to products or services being rendered by the company for its clients.

**14 ADMINISTRATIVE COST**

This account consists of:

	2013	2012
Salaries, wages and benefits	9,793,662	12,243,996
Taxes & licenses (Note 18)	89,066	178,118
Communication, light and water	3,087,445	3,079,390
Insurance	115,167	75,406
Miscellaneous	4,944,576	837,645
Other services	1,173,616	5,824,378
Professional fees	479,809	238,162
Repairs and maintenance	2,139,046	808,709
Representation	846,521	540,139
Transportation	2,351,744	1,262,193
Supplies	460,111	6,456,979
Depreciation (Note 8)	3,447,123	4,005,563
Charitable contributions	92,480	293,799
Lease Rental		35,844,477
	<u>29,020,366</u>	<u>35,844,477</u>

**15 LEASES**

The Company entered into an operating lease contract with Clark Development Corporation to occupy land with improvements located at Clark Freeport Zone intended for business operation with duration of 25 years, renewable for another 25 years. Rental expense amounted to Php7,113,784 and Php3,264,434.11 in years 2013 and 2012, respectively.

APR 15 2014

PHILIPPINE VETERANS BANK  
APR 15 2014  
TELLER NO. INITIAL:



## 16 RELATED PARTY TRANSACTION

A party is related to an entity if:

- (a) directly, or indirectly through one or more intermediaries, the party:
  - controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
  - has an interest in the entity that gives it significant influence over the entity; or
  - has joint control over the entity;
- (b) the party is an associate of the entity;
- (c) the party is a joint venture in which the entity is a venture;
- (d) the party is a member of the key management personnel of the entity or its parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

The company has no transaction with the related parties in 2013 and 2012.

### Key Management Personnel

The Company provided no compensation and other benefits to its key management personnel in 2013 and 2012.

## 17 INCOME TAX

The reconciliation of tax on pretax income computed at statutory income tax rates to expense are as follows:

	2013	2012
Gross Income	44,961,447	32,766,776
At 5% Special income tax rate	2,248,072	1,638,339
At statutory income tax rate		
Interest income subject to final tax	-	-
Unrecognized deferred tax asset	-	-
Income tax payable	2,248,072	1,638,339

### Relevant Tax Regulations

Department of Finance Order No. 3-08

Sec. 5. The Special Five percent (5%) Tax on Gross Income Earned (GIE)

a. For purposes of implementing the special 5% tax on Gross Income Earned, in lieu of national and local taxes, granted Ecozone Enterprises and Freeport Enterprises in SSEZ, SFZ, PPFZ, and MSEZ, the following shall apply:

1. Gross Income Earned (GIE) shall refer to gross sales or gross revenue derived from business activities within the subject Ecozone or Freeport, net of sales discounts, sales returns or allowances minus cost of sales or direct costs but before any deduction for administrative, marketing, selling, and/or operating expenses or incidental losses during a given taxable year. Provided, that, in the case of financial enterprises within Freeports, gross income shall include interest income, gains from sales, and other income, net of costs of funds.

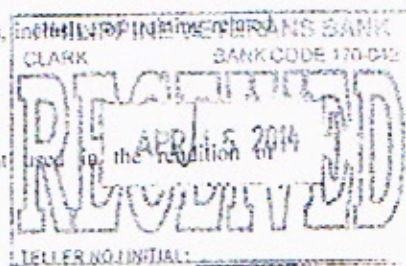
2. Only the following cost of sales/direct cost shall be allowed as deductions for purposes of calculating the GIE earned for the following Ecozone or Freeport enterprises/industries, to wit:

i. Trading Enterprises - Cost of Sales (beginning inventory plus purchases, minus ending inventory of goods)

ii. Manufacturing Enterprises - xxx

iii. Service Enterprises -

- \* Direct salaries, wages or labor expenses;
- \* Service supervision salaries
- \* Direct materials, supplies used;
- \* Depreciation for machinery, equipment





- that portion of the building owned or constructed by the registered exclusively in the rendition of the service;
- \* Rent and utility charges for buildings and capital equipment used in registered services
- \* Financing charges associated with fixed assets used in the registered service business the amount of which were not previously capitalized.

iv. Financial Institutions - none

Sec. 6. Payment and Remittance of the 5% tax on Gross Income Earned

A. The 5% Tax on Gross Income earned shall be paid and remitted by Ecozone Enterprises and Freeport Enterprises as follows:

- 1 For Ecozone Enterprises in the SSEZ and Freeport Enterprises in the SFZ - xxx
- 2 For Ecozone Enterprises in the MSEZ, JHSEZ and Freeport Enterprises in CFZ and PPFZ that are registered with CDC and PPMC, respectively:
  - a. 3% to the National Government
  - b. 2% to the local government units (LGUs) through the Treasurer's Office of the Municipality or City where the Ecozone Enterprise or Freeport Enterprise is located

**18 MANAGEMENT DECLARATION ON TAXES AND OTHER RELATED INFORMATION**

In compliance with Revenue Regulations 15-2010, additional disclosures on information about taxes (national and local)

**A. REQUIREMENTS UNDER RR 19-2010**

Taxes, permits and licenses

88,566

Annual registration

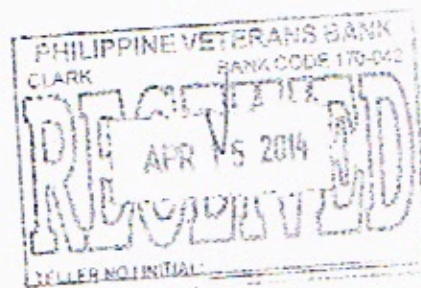
500

**89,066**

**B. REQUIREMENTS UNDER RR 19-2011**

On December 9, 2011, the BIR issued RR19-2011 which prescribed the new form that will be used for income tax filing. The amounts of taxable revenues, deductible costs of services and deductible expenses presented in the succeeding

- a. Taxable Revenues  
The company's taxable revenues amounted to Php474,959,304.42 for the year ended December 31, 2013.
- b. Deductible Direct Costs  
The company's deductible direct costs amounted to Php429,997,857.46 for the year ended December 31, 2013.
- c. Non operating and Taxable Other Income  
There are no taxable and other income for the year ended December 31, 2013.





## INDEPENDENT AUDITORS' REPORT

### The Board of Directors

#### **STOTSENBERG LEISURE PARK AND HOTEL CORPORATION**

Gil Puyat Ave. corner Andres Soriano Sr. St.  
Clark Special Economic Zone, Pampanga

### Report on the Financial Statements

We have audited the accompanying financial statements of **STOTSENBERG LEISURE PARK AND HOTEL CORPORATION**, which comprise the statements of financial position as of December 31, 2013 and 2012, and the statements of income, statements of changes in stockholder's equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

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

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

#### *Auditors' Responsibility*

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

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

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





*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of **STOTSENBERG LEISURE PARK AND HOTEL CORPORATION** as of December 31, 2013 and 2012, and its financial performance and cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

**R.S. BERNALDO & ASSOCIATES**

BOA/PRC No. 0300

Valid until December 31, 2015

SEC Group A Accredited

Accreditation No. 0153-FR-2

Valid until September 1, 2017

CDA CEA No. 0013-AF

Valid until November 17, 2016

IC Accreditation No. F-2013/002-O

Valid until March 26, 2016



**ROMEO A. DE JESUS, JR.**

Partner

CPA Certificate No. 86071

SEC Group A Accredited

Accreditation No. 1135-AR-1

Valid until August 4, 2017

BIR Accreditation No. 08-004744-001-2015

Valid from March 27, 2015 until March 26, 2018

Tax Identification No. 109-227-897

IC Accreditation No. SP-2013/006-O

Valid until March 26, 2016

PTR No. 4763595

Issued on January 20, 2015 at Makati City

December 18, 2015