LRWC
LEISURE & RESORTS WORLD CORPORATION
STOCK SYMBOL: LR

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Leisure & Resorts World Corporation is responsible for the preparation and fair presentation of the separate financial statements including the schedules attached therein, for the years ended December 31, 2018 and 2017, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free form material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the separate financial statements including the schedules attached therein, and submits the same to the stockholders or members.

Sycip Gorres Velayo & Co. and R.G. Manabat & Co., the independent auditors appointed by the stockholders for the years ended December 31, 2018 and 2017, respectively, have audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in their reports to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

REYNALDO P. BANTUG
Chairman of the Board

APR 29 2019

SUBSCRIBED AND SWORN to before me this ___ day of ___, PASIG CITY. Affiant exhibited to me her/his ___ with No.: ___ as strong proof of her/his identity.

ENG HUN CHUAH
President

OSCAR C. KHO, JR.
Group Chief Financial Officer

FERDINAND D. AYAHAO
NOTARY PUBLIC
Until December 31, 2019
Appointment No. 106(2018-2019)
For Pasig City, Pateros and San Juan City
Attorney's Roll No. 46377
IBP LRN 02459; O.R. No. 535886; 06-21-2001
MCLE No. V-0019276; 04-13-16
PTR No. 5174565; 01-08-19; Pasig City
4F Goldloop Tower A, Jose Ma. Escriva Drive
Ortigas Center, Pasig City

Signed this APR 29 2019

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LRWC
LEISURE & RESORTS WORLD CORPORATION
STOCK SYMBOL: LR

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The Management of **Leisure & Resorts World Corporation** (the "Company") is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2018. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for year ended December 31, 2018 and the accompanying Annual Income Tax Return are in accordance with the books and records of the Company, complete and correct in all material respects. Management likewise affirms that:

(a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;

(b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to Philippine Financial Reporting Standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the Company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;

(c) **Leisure & Resorts World Corporation** has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

APR 29 2019

SUBSCRIBED AND SWORN to before me this ___ day of ____, PASIG CITY. Affiant exhibiting to me his/her ____ with No.: ____ as strong proof of his/her identity.

ENG HUN CHUAH
President

OSCAR C. KHO, JR.
Group Chief Financial Officer

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 30 2019
TSIS
MA. GRACIA CORPORAL CASTILLO

FERDINAND D. AYAHAO
NOTARY PUBLIC
Until December 31, 2019
Appointment No. 106(2018-2019)
For Pasig City, Pateros and San Juan City
Attorney's Roll No. 46377
IBP ORN 02459; O.R. No. 535886; 06-21-2001
MCLE No. V-0010276; 04-13-16
PTR No. [illegible]; [illegible]-19; Pasig City
[illegible], Jose Ma. Escriva Drive
[illegible] Center, Pasig City

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Signed this APR 29 2019

Leisure & Resorts World Corporation

Parent Company Financial Statements
December 31, 2018 and 2017

and

Independent Auditor's Report

SGV
Building a better working world

A member firm of Ernst & Young Global Limited

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Leisure & Resorts World Corporation

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of Leisure & Resorts World Corporation. (the Company), which comprise the parent company statement of financial position as at December 31, 2018, and the parent company statement of comprehensive income, parent company statement of changes in equity and parent company statements of cash flows for the year then ended, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Other Matter

The financial statements of Leisure and Resorts World Corporation for the year ended December 31, 2017, were audited by another auditor who expressed an unmodified opinion on those statements on May 11, 2018.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Parent Company Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the parent company financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Parent Company Financial Statements

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

In preparing the parent company financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Parent Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Parent Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Parent Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the parent company financial statements, including the disclosures, and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 18 to the parent company 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 the management of Leisure & Resorts World Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Maria Pilar B. Hernandez
Partner
CPA Certificate No. 105007
SEC Accreditation No. 1558-AR-1 (Group A),
February 26, 2019, valid until February 25, 2022
Tax Identification No. 214-318-972
BIR Accreditation No. 08-001998-116-2019,
January 28, 2019, valid until January 27, 2022
PTR No. 7332559, January 3, 2019, Makati City

April 29, 2019

LEISURE & RESORTS WORLD CORPORATION
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2018	2017
ASSETS		
Current Assets		
Cash (Note 4)	**₱46,627,731**	₱2,590,655
Receivables - net (Note 5)	**1,287,581,408**	627,295,117
Due from related parties (Note 14)	**1,686,402,119**	1,667,967,287
Prepaid expenses and other current assets (Note 6)	**6,181,305**	138,234,853
Total Current Assets	**3,026,792,563**	2,436,087,912
Noncurrent Assets		
Property and equipment - net (Note 7)	**62,830,863**	93,750,160
Investments and advances - net (Note 8)	**4,756,745,678**	4,580,669,030
Available for sale financial asset (Note 8)	**–**	153,309,029
Financial assets at fair value through other comprehensive income	**168,180,654**	–
Deferred tax assets (Note 15)	**107,415,717**	238,185,532
Other noncurrent assets (Note 9)	**60,062,685**	6,744,138
Total Noncurrent Assets	**5,155,235,597**	5,072,657,889
	₱8,182,028,160	₱7,508,745,801
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term loans payable (Note 11)	**₱643,500,000**	₱150,000,000
Due to related parties (Note 14)	**2,689,509,646**	2,444,877,807
Current portion of long-term loans payable (Note 11)	**72,503,637**	130,000,000
Dividend and other payables (Note 10)	**80,840,420**	219,387,430
Total Current Liabilities	**3,486,353,703**	2,944,265,237
Noncurrent Liability		
Long-term loans payable - net of current portion (Note 11)	**179,663,030**	184,166,667
Total Liabilities	**3,666,016,733**	3,128,431,904
Equity		
Capital stock (Note 12)	**2,849,852,512**	2,849,852,512
Additional paid in capital	**1,089,790,986**	1,089,790,986
Fair value reserve	**62,053,063**	47,181,438
Retained earnings	**514,314,866**	393,488,961
Total Equity	**4,516,011,427**	4,380,313,897
	₱8,182,028,160	₱7,508,745,801

See Notes to the Parent Company Financial Statements.

LEISURE & RESORTS WORLD CORPORATION
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2018	2017
REVENUES		
Dividend income (Note 14)	**₱631,306,034**	₱609,944,000
Management income	**–**	163,733,021
	631,306,034	773,677,021
OPERATING EXPENSES		
Salaries, wages and other benefits	**184,424,159**	311,888,061
Depreciation and amortization (Note 7)	**39,833,447**	36,792,347
Rent (Note 13)	**28,078,159**	26,065,157
Contracted services	**20,568,652**	21,736,052
Professional and directors' fees	**20,484,472**	46,425,492
Donations	**19,827,113**	3,556,945
Provision for impairment loss (Note 8)	**15,000,000**	26,136,049
Repairs and maintenance	**14,450,074**	8,396,666
Transportation and travel	**12,045,469**	6,216,005
Taxes and licenses	**10,641,506**	13,810,909
Representation and entertainment	**6,842,781**	4,231,307
Communication and utilities	**6,220,206**	7,371,846
Printing and office supplies	**1,470,225**	1,977,503
Insurance	**966,355**	6,439,590
Listing and filing fees	**955,141**	783,142
Advertising and marketing	**402,253**	1,576,556
Others	**3,438,115**	976,565
	385,648,127	524,380,192
INCOME FROM OPERATIONS	**245,657,907**	249,296,829
OTHER INCOME (EXPENSE) - Net		
Share in net income of a joint venture (Note 8)	**114,866,158**	61,000,669
Interest expense (Note 11)	**(38,252,548)**	(39,816,186)
Interest income (Note 4)	**23,553**	25,749
Other charges - net	**(574,350)**	(1,564,620)
	76,062,813	19,645,612
INCOME BEFORE INCOME TAX	**321,720,720**	268,942,441
PROVISION FOR DEFERRED INCOME TAX (Note 15)	**130,769,815**	4,762,266
NET INCOME	**190,950,905**	264,180,175
OTHER COMPREHENSIVE INCOME		
Item that will be reclassified to profit or loss		
Revaluation financial asset at FVOCI (Note 8)	**14,871,625**	–
Revaluation of available for sale financial asset (Note 8)	**–**	(29,087,155)
TOTAL COMPREHENSIVE INCOME	**₱205,822,530**	₱235,093,020

See Notes to the Parent Company Financial Statements.

LEISURE & RESORTS WORLD CORPORATION

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	Capital Stock (Note 12)		**Additional**			
	Common Shares	**Preferred Shares**	**Paid-in Capital**	**Fair Value Reserve**	**Retained Earnings**	**Total**
Balance at January 1, 2018	**₱1,199,852,512**	**₱1,650,000,000**	**₱1,089,790,986**	**₱47,181,438**	**₱393,488,961**	**₱4,380,313,897**
Net income during the period	–	–	–	–	**190,950,905**	**190,950,905**
Other comprehensive income	–	–	–	**14,871,625**	–	**14,871,625**
Total comprehensive income	–	–	–	**14,871,625**	**190,950,905**	**205,822,530**
Dividends declared	–	–	–	–	**(70,125,000)**	**(70,125,000)**
Balance at December 31, 2018	**₱1,199,852,512**	**₱1,650,000,000**	**₱1,089,790,986**	**₱62,053,063**	**₱514,314,866**	**₱4,516,011,427**
Balance at January 1, 2017	₱1,199,852,512	₱1,650,000,000	₱1,089,790,986	₱76,268,593	₱449,536,663	₱4,465,448,754
Net income during the period	–	–	–	–	264,180,175	264,180,175
Other comprehensive income	–	–	–	(29,087,155)	–	(29,087,155)
Total comprehensive income	–	–	–	(29,087,155)	264,180,175	235,093,020
Dividends declared	–	–	–	–	(320,227,877)	(320,227,877)
Balance at December 31, 2017	₱1,199,852,512	₱1,650,000,000	₱1,089,790,986	₱47,181,438	₱393,488,961	₱4,380,313,897

See Notes to the Parent Company Financial Statements.

LEISURE & RESORTS WORLD CORPORATION
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱321,720,720**	₱268,942,441
Adjustments for:		
Share in net income of a joint venture (Note 8)	**(114,866,158)**	(61,000,669)
Depreciation and amortization (Note 7)	**39,833,447**	36,792,347
Interest expense (Note 11)	**38,252,548**	39,816,186
Provision for impairment loss (Note 8)	**15,000,000**	26,136,049
Retirement expense (Note 14)	**14,645,836**	86,349,074
Interest income (Note 4)	**(23,553)**	(25,749)
Operating income before working capital changes	**314,562,840**	397,009,679
Increase in:		
Receivables	**(657,571,163)**	(128,352,555)
Prepaid expenses and other current assets	**(11,808,594)**	(15,234,244)
Increase in dividends and other payables	**8,166,502**	33,097,049
Net cash generated from (used in) operations	**(346,650,415)**	286,519,929
Benefits paid	**(1,236,757)**	–
Interest received	**23,553**	25,749
Net cash flows provided by (used in) operating activities	**(347,863,619)**	286,545,678
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in:		
Due from related parties	**(18,434,832)**	201,435,326
Investment and advances	**18,000,000**	12,282,923
Rental deposits	**308,000**	(2,907,850)
Additions to property and equipment (Note 7)	**(8,914,150)**	(55,667,640)
Net cash flows provided by (used in) investing activities	**(9,040,982)**	155,142,759
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans	**704,000,000**	211,500,000
Dividends paid	**(221,909,305)**	(305,239,652)
Payments of loans	**(272,500,000)**	(494,000,000)
Increase in due to related parties	**224,603,530**	179,420,851
Interest paid	**(33,252,548)**	(39,816,186)
Net cash flows provided by (used in) financing activities	**400,941,677**	(448,134,987)
NET INCREASE (DECREASE) IN CASH	**44,037,076**	(6,446,550)
CASH AT BEGINNING OF YEAR	**2,590,655**	9,037,205
CASH AT END OF YEAR (Note 4)	**₱46,627,731**	₱2,590,655

See Notes to the Parent Company Financial Statements.

1. Corporate Information

Leisure & Resorts World Corporation (the Parent Company) was registered with the Philippine Securities and Exchange Commission (SEC) on October 10, 1957. On November 6, 2006, SEC approved the extension of the Parent Company's corporate life until December 31, 2055. The Parent Company is a public company under Section 17.2 of the Securities Regulation Code and its shares are listed on the Philippine Stock Exchange, Inc. (PSE). The Parent Company's primary purpose is to engage in realty development, focusing on leisure business which includes management and operation of the activities conducted therein pertaining to general amusement and recreation enterprise, hotel and gaming facilities, including but not limited to bingo parlors. Since 1999, however, the Parent Company has functioned mainly as a holding company.

The Parent Company's registered office address is at 26th Floor, West Tower, PSE Center, Exchange Road, Ortigas Center, Pasig City.

The parent company financial statements as at and for the years ended December 31, 2018 and 2017 were reviewed and recommended for approval by the Audit Committee on April 29, 2019. On the same date, the Board of Directors (BOD) approved and authorized the issuance of the parent company financial statements.

2. Basis of Preparation and Summary of Significant Accounting Policies

Statement of Compliance
The parent company financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs) as issued by the Financial Reporting Standards Council and adopted by Philippines SEC.

The Parent Company also prepares and issues consolidated financial statements in compliance with PFRSs and for the same period as the parent company financial statements. These are filed with and may be obtained from the Philippine SEC and PSE.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except that the Parent Company has adopted the following new accounting pronouncements starting January 1, 2018:

- PFRS 9 *Financial Instruments*, replaces PAS 39, *Financial Instruments: Recognition and Measurement,* for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

  The Parent Company applied PFRS 9 prospectively, with an initial application date of January 1, 2018. The Parent Company has not restated the comparative information, which continues to be reported under PAS 39. The adoption of PFRS 9 did not have material impact on the parent company financial statements.

a) *Classification and measurement*

Under PFRS 9, debt instruments are subsequently measured at fair value through profit or loss (FVPL), amortized cost or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Parent Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' (SPPI) on the principal amount outstanding.

The assessment of the Parent Company's business model was made at the date of initial application, January 1, 2018. The assessment of whether contractual cash flows on debt instruments are SPPI was based on the facts and circumstances at the initial recognition of the assets.

The following are the changes in the classification of the Parent Company's financial assets:

- Cash in banks, receivables and due from related parties previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing SPPI. These are now classified and measured as financial assets at amortized cost.

- Quoted equity investment previously classified as available-for-sale (AFS) financial assets are now classified and measured as financial assets at FVOCI. The Parent Company elected to classify irrevocably its investment in equity shares under this category as it intends to hold these investments for the foreseeable future. There were no impairment recognized in profit or loss for this investment in prior periods.

The Parent Company has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Parent Company's financial liabilities.

In summary upon the adoption of PFRS 9, the Parent Company had the following required or elected reclassifications as at January 1, 2018:

	PAS 39 Measurement Category		PFRS 9 Measurement Category		
	Loans and Receivables	AFS	FVPL	Amortized Cost	FVOCI
Cash	₱2,590,655	₱–	₱–	₱2,590,655	₱–
Receivables	627,295,117	–	–	627,295,117	–
Due from related parties	1,667,967,287	–	–	1,667,967,287	–
Rent deposits	6,744,138	–	–	6,744,138	–
AFS financial assets	–	153,309,029	–	–	153,309,029
	₱2,304,597,197	₱153,309,029	₱–	₱2,304,597,197	₱153,309,029

b) *Impairment*

The adoption of PFRS 9 has fundamentally changed the Parent Company's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. PFRS 9 requires the Parent Company to recognize an allowance for ECL for all debt instruments not held at fair value through profit or loss and contract assets. The adoption of PFRS 9 ECL approach, however, did not materially impact the recognized impairment on the Parent Company's financial assets such as cash in banks, receivables and due from related parties.

- PFRS 15, *Revenue from Contracts with Customers* – PFRS 15 supersedes PAS 11, *Construction Contracts*, PAS 18, *Revenue*, and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to customers.

  The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

  The Company adopted PFRS 15 using the modified retrospective method of adoption with the date of initial application of January 1, 2018. The adoption of PFRS 15 did not have a significant impact on the Company's financial position and performance. The Company applied PFRS 15 to contracts that are not completed as of initial application date.

- Amendments to PFRS 2, *Share-based Payment*, *Classification and Measurement of Share-based Payment Transactions*

  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. Entities are required to apply the amendments to: (1) share-based payment transactions that are unvested or vested but unexercised as of January 1, 2018, (2) share-based payment transactions granted on or after January 1, 2018 and to (3) modifications of share-based payments that occurred on or after January 1, 2018. Retrospective application is permitted if elected for all three amendments and if it is possible to do so without hindsight.

  The amendments are not applicable to the Parent Company.

- Amendments to PFRS 4, *Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts*

  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

  The amendments are not applicable to the Parent Company since there are no activities that are predominantly connected with insurance or issue insurance contracts.

- Amendments to PAS 28, *Investments in Associates and Joint Ventures*, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at FVPL. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. Retrospective application is required.

The amendments are not applicable to the Parent Company.

- Amendments to PAS 40, *Investment Property*, *Transfers of Investment Property*

  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Retrospective application of the amendments is not required and is only permitted if this is possible without the use of hindsight.

  The amendments are not applicable to the Parent Company.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

  The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transaction for each payment or receipt of advance consideration. Retrospective application of this interpretation is not required.

  Since the Company's current practice is in line with the clarifications issued, the Parent Company does not expect any effect on its parent company financial statements upon adoption of this interpretation.

<u>Standards issued but not yet effective</u>
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Parent Company does not expect that the future adoption of the said pronouncements will have a significant impact on its parent company financial statements. The Parent Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

  Under PFRS 9, a debt instrument can be measured at amortized cost or at FVOCI, provided that is passes the SPPI criterion and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

  These amendments have no impact on the financial statements of the Parent Company.

- PFRS 16, *Leases*

  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

  PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

  A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

  The Parent Company is currently assessing the impact of adopting PFRS 16.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine:

  - Current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event

- Net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Parent Company.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. Since the Parent Company does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its financial statements.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes,* and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

This interpretation is not relevant to the Parent Company because there is no uncertainty involved in the tax treatments made by management in connection with the calculation of current and taxes as of December 31, 2018 and 2017.

- *Annual Improvements to PFRSs* 2015-2017 Cycle

  - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*

    The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

    A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

    An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Parent Company but may apply to future transactions.

  - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

    The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

    An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted. These amendments are not relevant to the Parent Company because dividends declared by the Parent Company do not give rise to tax obligations under the current tax laws.

  - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

    The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. The amendments are applicable for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

The amendments are not applicable to the Parent Company.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*

  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, *Definition of Material*

  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

  The amendments are not applicable to the Parent Company.

Current versus Noncurrent Classification
The Parent Company presents assets and liabilities in the statement of financial position based on current/noncurrent classification.

An asset is current when:
- it is expected to be realized or intended to be sold or consumed in the normal operating cycle;
- it is held primarily for the purpose of trading;
- it is expected to be realized within twelve months after the financial reporting date; or
- it is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the financial reporting date.

All other assets are classified as noncurrent.

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

All other liabilities are classified as noncurrent.

Deferred tax assets and liabilities, and net retirement assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Financial Instruments – Initial Recognition and Subsequent Measurement
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

a. Financial Assets

Effective January 1, 2018

Initial Recognition and Measurement. Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI and FVPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Parent Company's business model for managing them.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are SPPI on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Parent Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Parent Company commits to purchase or sell the asset.

The Parent Company has cash, receivable, due from related parties and rental deposits classified as financial asset at amortized cost. It also has investment in equity securities classified as financial asset at FVOCI. The Parent Company has no financial asset designated.

Subsequent Measurement. For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVPL

Financial Assets at Amortized Cost (Debt Instruments). The Company measures financial assets at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Derecognition. A financial asset (or, where applicable, a part of a financial asset or part of a Parent Company of similar financial assets) is primarily derecognized (i.e., removed from the Parent Company's balance sheet) when:

- The rights to receive cash flows from the asset have expired; or
- The Parent Company 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 Parent Company has transferred substantially all the risks and rewards of the asset, or (b) the Parent Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Parent Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Parent Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Parent Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Parent Company has retained.

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 Parent Company could be required to repay.

Impairment of financial assets. The Company recognized an allowance from ECLs for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash in bank, the Parent Company applies a general approach in calculating ECLs. The Parent Company recognizes a loss allowance based on ether 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk on its cash in bank since initial recognition.

The Parent Company considers a financial asset to be in default when internal or external information indicates that the Parent Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Parent Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Effect prior to January 1, 2018

Initial Recognition of Financial Instruments. Financial instruments are recognized initially at fair value of the consideration given or received. The initial measurement of financial instruments, except for those designated at FVPL, includes directly attributable transaction costs.

Subsequent to initial recognition, the Parent Company classifies its financial assets in the following categories: held-to-maturity (HTM) investments, AFS financial assets, FVPL financial assets, and loans and receivables. The Parent Company classifies its financial liabilities as either financial liabilities at FVPL or other financial liabilities. The classification depends on the purpose for which the financial assets are acquired or the financial liabilities are incurred, and whether the instruments are quoted in an active market. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

The Parent Company has no HTM investments and FVPL financial assets and liabilities as at December 31, 2018 and 2017.

Subsequent Measurement. Loans and receivables are non-derivative financial assets with fixed or determinable payments and 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 designated as AFS financial assets or financial assets at FVPL. After initial measurement, such to initial measurement, loans and receivables are carried at amortized cost using the effective interest rate method, less any impairment in value. Any interest earned on loans and receivables shall be recognized in profit or loss on an accrual basis. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

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

The Parent Company's cash in banks, receivables, due from related parties and rent deposits are classified as loans and receivables as at December 31, 2018 and 2017.

AFS Financial Assets. AFS financial assets are non-derivative financial asset that are either designated in this category or not classified in any of the other financial asset categories. Subsequent to initial recognition, AFS financial assets are measured at fair value and changes therein, other than impairment losses and foreign currency differences on AFS debt instruments, are recognized in other comprehensive income and presented in the "Fair value reserve" in equity. Dividends earned on holding AFS equity securities are recognized as dividend income when the right to receive the payment has been established. When individual AFS financial asset is either derecognized or impaired, the related accumulated unrealized gains or losses previously reported in equity are transferred to and recognized in profit or loss.

The Parent Company's investment in equity security included under "AFS financial asset" account is classified under this category (see Note 8).

The Parent Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models, and other relevant valuation models.

Derecognition. A financial asset (or, where applicable, a part of a 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 Parent 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 Parent 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.

  When the Parent Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Parent Company'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 Parent Company could be required to repay.

Impairment of Financial Assets. The Parent Company assesses at reporting date whether 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.

For assets carried at amortized cost such as loans and receivables, the Parent Company first assesses whether objective evidence of impairment exists for financial assets that are individually significant or collectively for financial assets that are not individually significant. If no objective evidence of impairment has been identified for a significant financial asset that was individually assessed, the Parent Company includes the asset as part of a group of financial assets pooled according to their credit risk characteristics and collectively assesses the group 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 the collective assessment of impairment.

Evidence of impairment for specific impairment purposes may include indications that the borrower or a group of borrowers is experiencing financial difficulty, default or delinquency in principal or interest payments, or may enter into bankruptcy or other form of financial reorganization intended to alleviate the financial condition of the borrower.

For collective impairment purposes, evidence of impairment may include observable data on existing economic conditions or industry-wide developments indicating that there is a measurable decrease in the estimated future cash flows of the related assets.

If there is objective evidence of impairment, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). Time value is generally not considered when the effect of discounting the cash flows is not material.

The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The impairment loss for the period shall be recognized in profit or loss. 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 profit or loss, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

AFS Financial Assets. For equity instruments carried at fair value, the Parent Company assesses whether objective evidence of impairment exists. Objective evidence of impairment includes a significant or prolonged decline in the fair value of an equity instrument below its cost. 'Significant' is evaluated against the original cost of investment and 'prolonged' is evaluated against the period in which the fair value has been below its original cost. The Parent Company generally regards fair value decline as being significant when the decline exceeds 25%. A decline in a quoted market price that persists for 12 months is generally considered to be prolonged.

If an AFS financial asset is impaired, an amount comprising the difference between the cost (net of any principal payment and amortization) and its current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as AFS financial assets are not recognized in profit or loss. Increases in fair value after impairment are recognized directly in other comprehensive income.

b. Financial Liabilities

Initial Recognition and Measurement. Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Parent Company's financial liabilities include short-term and long-term loans payable, dividend and other payables and due to related parties which are classified as loans and borrowings.

The Parent Company has no financial liabilities at FVPL or derivative liabilities designated as hedging instruments.

Subsequent Measurement. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included as interest expense in the statement of comprehensive income.

Derecognition. A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires. 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of comprehensive income.

Classification of Financial Instruments between Debt and Equity
A financial instrument is classified as debt if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Parent Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

A financial instrument is an equity instrument only if: (a) the instrument includes no contractual obligation to deliver cash or another financial asset to another entity; and (b) if the instrument will or may be settled in the issuer's own equity instruments, it is either:

- a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments; or
- a derivative that will be settled only by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole or in part, the amount separately determined as the fair value of the liability component on the date of issue.

Offsetting Financial Instruments
Financial assets and liabilities are offset and the net amount is reported in the parent company 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 asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented at gross in the parent company statements of financial position.

Determination of Fair Value Measurement
The Parent Company measures a number of financial and non-financial assets and liabilities at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, origin the absence of a principal market, or
- In the most advantageous market for the asset or liability.

The principal or most advantageous market must be accessible to the Parent Company.

The Parent Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.
All assets and liabilities for which fair value is measured or disclosed in the parent company financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: - Quoted prices (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the parent company financial statements on a recurring basis, the Parent Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

For purposes of the fair value disclosure, the Parent Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Investments and Advances
The Parent Company's investments in subsidiaries are accounted for under the cost method, while the investments in associates and a joint venture are accounted for under the equity method.

The investments in subsidiaries are carried in the Parent Company's statement of financial position at cost less any impairment in value. Distributions from accumulated profits of the investee arising after the date of acquisition are recognized as dividend income from the investments. Any distribution in excess of the investor's accumulated profits are regarded as recovery of investments and are recognized as reduction of the costs of the investments.

An associate is an entity over which the Parent Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Under the equity method, the investment in a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Parent Company's share of net assets of a joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

In the event that the Parent Company's share in losses of subsidiaries and associates equals or exceeds the carrying amount of the investment, the Parent Company discontinues its share in further losses. After the Parent Company's investment is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Parent Company has incurred legal or constructive obligations or made payments on behalf of the subsidiaries and associates. If the subsidiaries and associates subsequently report profits, the Parent Company resumes recognizing its share in those profits only after its share in the profits equals the share in net losses not recognized.

The advances are accounted for as investments to companies over which the Parent Company has positive intention of future ownership.

Property and Equipment
Property and equipment is carried at cost less accumulated depreciation and impairment losses, if any.

Initially, an item of property and equipment is measured at its cost, which comprises its purchase price and any directly attributable costs of bringing it to working condition and location for its intended use. Subsequent expenditures that can be measured reliably are added to the carrying amount of the asset when it is probable that future economic benefits associated with the asset, in excess of the originally assessed standard of performance, will flow to the Parent Company. All other subsequent expenditures are recognized as an expense in the period in which they are incurred.

Construction in progress represents structures under construction and is stated at cost. This includes the costs of construction and equipment and other direct costs. Borrowing costs that are directly attributed to the construction are capitalized during the construction period. Construction in progress is not depreciated until such time that the relevant assets are ready for use.

Depreciation is computed using the straight-line method over the estimated useful life (EUL) of the property and equipment over the following estimated useful lives:

	Number of Years
Leasehold improvements	5
Office furniture, fixtures, and equipment	3 - 5
Transportation equipment	3 - 5

Leasehold improvements are amortized over the estimated useful life of the improvements or the term of the lease, whichever is shorter.

The EUL and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from those assets.

When it is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and accumulated depreciation and impairment losses, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal is reflected in the parent company statement of comprehensive income.

Impairment of Nonfinancial Assets
The carrying amounts of the Parent Company's nonfinancial assets such as property and equipment and investments and advances are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized in profit or loss whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount.

The recoverable amount of a nonfinancial asset is the greater of the asset's fair value less costs to sell and its value in use. The fair value less costs to sell is the amount obtainable from the sale of the asset in an arm's length transaction less costs to sell while value in use is the present value of estimated future cash flows expected to be generated from its disposal at the end of its useful life. 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. For an asset that does not generate cash flows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized. Reversals of impairment are recognized in the parent company statement of comprehensive income.

Capital Stock and Additional Paid-in Capital
Common and preferred shares are classified as equity. Incremental costs directly attributable to the issuance of common and preferred shares are recognized as a deduction from relevant additional paid-in capital, and if none or insufficient, to be deducted from retained earnings, net of any tax effects. Proceeds and/or fair value of consideration received in excess of par value are recognized as additional paid-in capital.

Retained Earnings
Retained earnings represents the cumulative balance of periodic profit/loss, dividend distributions, prior period adjustments and effect of changes in accounting policy and capital adjustments.

Revenue Recognition

Effective beginning January 1, 2018

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Parent Company expects to be entitled in exchange for those goods or services, excluding amounts collected on behalf of third parties. The Parent Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

Effective prior to January 1, 2018

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the Parent Company and the amount of revenue can be reliably measured, regardless of when the payment is made. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved. The Parent Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Parent Company has concluded that it is acting as a principal in all of its revenue arrangements.

Had the Parent Company continued to apply PAS 18 in 2018, the revenue that would have been recognized is equal to the revenue recognized under PFRS 15.

The following specific recognition criteria is applied in 2018 and 2017:

Dividend Income
Dividend income is recognized when the Parent Company's right to receive the payment is established.

Management Income
Management income is satisfied at a point in time and is recognized when corporate costs are billed to its subsidiaries.

Other Income
Other income is satisfied at a point in time and is recognized when earned.

Interest Income
Interest income is recognized as it accrues using the effective interest rate method, net of final tax.

Cost and Expense Recognition
Costs and expenses are decrease in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Costs and expenses are recognized in profit or loss when they are incurred and are reported in the financial statements in the periods to which they relate.

Operating Leases
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires 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. A reassessment is made after 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 arrangement;
b. A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
c. There is a change in determination of whether 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) above, and at the date of renewal or extension period for scenario (b).

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in profit or loss on a straight-line basis over the lease term.

Income Tax
Income tax expense comprises of current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case it is recognized directly in equity or other comprehensive income.

Current Tax. Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted by the end of reporting date, and any adjustment to tax payable in respect of previous years.

Deferred Tax. Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, and the carry forward tax benefits of the net operating loss carry-over (NOLCO) and minimum corporate income tax (MCIT). Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting date.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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

Provisions
Provisions are recognized when the Parent Company has a present legal or constructive obligation 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 a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingencies
Contingent liabilities are not recognized in the parent company financial statements. They are disclosed in the notes to the parent company financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the parent company financial statements. If it has become virtually certain that inflow of economic benefits will arise, the asset and the related income are recognized in the parent company financial statements in the periods in which the change occurs.

Events After the Reporting Date
Post year-end events that provide additional information about the Parent Company's position at the reporting date (adjusting events) are reflected in the parent company financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the parent company financial statements when material.

3. **Significant Accounting Judgments, Estimates and Assumptions**

Use of Estimates and Judgments
The preparation of the parent company financial statements in conformity with PFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported in the parent company financial statements. However, uncertainty about these judgments, estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future. Actual results may differ from these estimates.

Estimates and judgments 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. Revisions are recognized in the period in which the estimates and judgments are revised and in any future periods affected.

Information about critical judgments and estimates in applying accounting policies that have the most significant effects on the amounts recognized in the parent company financial statements is as follows:

Judgments

In the process of applying the Parent Company'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 financial statements.

Determination and Classification of a Joint Arrangement

The Parent Company determines a joint arrangement in accordance with its control over the entity or joint operations rather than its legal form. The Parent Company's investment in a joint venture is structured in a parent company incorporated entity. The joint venture agreement requires unanimous consent from all parties to the agreement for the relevant activities identified. The Parent Company and the parties to the agreement only have rights to the net assets of the joint venture through the terms of the contractual arrangements. The Parent Company has determined its involvement in joint arrangement and determined that its investment is classified as joint venture.

Although the Parent Company has 51% ownership in Hotel Enterprises of the Philippines, Inc. (HEPI), the shareholders' agreement provides for equal representation in the board of directors which is similar to a joint venture arrangement. In addition, the Parent Company has no capacity to direct HEPI to enter into, or can veto any changes to, significant transactions for the benefit of the Parent Company.

Determining whether an Arrangement Contains a Lease and Classification of Leases

The Company as Lessee. The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires 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. A reassessment is made after 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 arrangement;
b. A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
c. There is a change in determination of whether 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) above, and at the date of renewal or extension period for scenario (b).

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Management has determined that the Parent Company does not retain all the risks and benefits related to the leased assets and has accordingly classify its lease arrangements as operating leases. Operating lease payments are recognized as expense in the parent company statement of comprehensive income on a straight-line basis over the lease term. Rent expense recognized amounted to ₱28,078,159 in 2018 and ₱26,065,157 in 2017 (see Note 13).

Definition of Default and Credit-Impaired Financial Assets
Upon adoption of PFRS 9, the Parent Company defines a financial instrument as in default, which is fully aligned with the definition of credit- impaired, when it meets one or more of the following criteria:

- *Quantitative Criteria*. The borrower is more than 90 days past due on its contractual payments, which is consistent with the Parent Company's definition of default.

- *Qualitative Criteria*. The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where: a. The borrower is experiencing financial difficulty or is insolvent; b. The borrower is in breach of financial covenant(s); c. Concessions have been granted by the Parent Company, for economic or contractual reasons relating to the borrower's financial difficulty; or d. It is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

The criteria above have been applied to all financial instruments held by the Parent Company and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the PD, LGD and EAD throughout the Parent Company's ECL calculation.

Simplified Approach for Trade Receivables.
The Parent Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various patron segments that have similar loss patterns. The provision matrix is initially based on the Parent Company's historical observed default rates. The Parent Company calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every financial reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

Macro-economic Forecasts and Forward-looking Information
Macro-economic forecasts is determined by evaluating a range of possible outcomes and using reasonable and supportable information that is available without undue cost and effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Parent Company takes into consideration using different macro-economic variables to ensure linear relationship between internal rates and outside factors. Regression analysis was used to objectively determine which variables to use.

Predicted relationship between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 3 years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

No provision for doubtful accounts was recognized in 2018. The carrying amount of trade receivables amounted to ₱1,287,581,408 and ₱627,295,117 as at December 31, 2018 and 2017, respectively (see Note 5).

Estimates

Estimating Allowance for Expected Credit Losses on Receivables and Due from Related Parties
In 2017, the Parent Company performs regular review of the age and status of these accounts, designed to identify accounts with objective evidence of impairment and provides these with the appropriate allowance for impairment losses. The review is accomplished using a combination of

specific and collective assessment approaches, with the impairment losses being determined for each risk grouping identified by the Parent Company. The amount and timing of recorded expenses for any period would differ if the Parent Company made different judgments or utilized different methodologies. An increase in allowance for impairment losses would increase recorded operating expenses and decrease current assets.

In 2018, to comply with the requirements of PFRS 9, the Parent Company adopted the simplified approach and calculates ECL based on lifetime expected credit losses which considers the historical credit loss experience, adjusted for forward-looking factors specific to the customer and the economic environment. The Parent Company used a provision matrix in calculating the ECL. ECL is the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Parent Company expects to receive. The assessment of the correlation between the historical observed default rates, forecast economic conditions and ECL is a significant estimate. The information about the ECL on the Parent Company's trade receivables is disclosed on Note 5.

As at December 31, 2018 and 2017, the aggregate carrying amounts of receivables and due from related parties amounted to ₱2,976,500,206 and ₱2,295,262,404, respectively. As at December 31, 2018 and 2017, the allowance for expected credit losses amounted to ₱3,009,459 (see Notes 5 and 16).

Estimating Allowance for Impairment Losses on Nonfinancial Assets
The Parent Company assesses impairment on property and equipment and investments and advances when events or changes in circumstances indicate that the carrying amount may not be recoverable.

The factors that the Parent Company considers important which could trigger an impairment review include the following:

- significant underperformance relative to the expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

Determining the net recoverable amount of assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the parent company financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amount and any resulting impairment loss could have a material adverse impact on the results of operations.

As at December 31, 2018 and 2017, the following are the carrying amounts of nonfinancial assets:

	2018	2017
Property and equipment - net (Note 7)	**₱62,830,863**	₱93,750,160
Investments and advances - net (Note 8)	**4,756,745,678**	4,580,669,030

As at December 31, 2018 and 2017, allowance for impairment loss on investment and advances amounted to ₱62,371,447 and ₱47,371,447 (see Note 8).

Impairment losses recognized on the Parent Company's property and equipment and investments and advances amounted to ₱15,000,000 and nil for the years ended December 31, 2018 and 2017, respectively.

Estimating Realizability of Deferred Tax Assets
The Parent Company reviews the carrying amount of deferred tax assets at each reporting date and reduces deferred tax assets 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. The Parent Company also reviews the expected timing and tax rates upon reversal of the temporary differences and adjusts the impact of deferred tax accordingly. The Parent Company's assessment on the recognition of deferred tax assets is based on the forecasted taxable income of the subsequent reporting periods. This forecast is based on the Parent Company's past results and future expectations on revenues and expenses.

As at December 31, 2018 and 2017, the Company recognized deferred tax assets amounting to ₱107,415,717 and ₱238,185,532, respectively (see Note 15).

4. Cash

	2018	2017
Cash in banks	**₱46,237,731**	₱2,440,655
Cash on hand	**390,000**	150,000
	₱46,627,731	₱2,590,655

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

Interest income recognized in profit or loss amounted to ₱23,553 in 2018 and ₱25,749 in 2017.

5. Receivables

	2018	2017
Advances to:		
Third parties (Note 13)	**₱3,009,459**	₱3,009,459
Stockholder	**31,231,461**	–
Dividends receivable	**1,241,250,034**	609,944,000
Others	**15,099,913**	17,351,117
	1,290,590,867	630,304,576
Less allowance for impairment loss	**3,009,459**	3,009,459
	₱1,287,581,408	₱627,295,117

Advances to third parties represent cash advances made to third party companies which are engaged in similar gaming and amusement activities as the Parent Company. These advances are noninterest-bearing, unsecured and collectible on demand.

In 2017, trade and other receivables were subjected for impairment assessment using specific identification approach. In 2018, the Company used the general approach in estimating the expected credit losses on trade and other receivables.

The Parent Company's exposure to credit risk relating to receivables is disclosed in Note 16.

6. Prepaid Expenses and Other Current Assets

	2018	2017
Prepaid expenses	**₱3,649,626**	₱96,232,744
Advances to officers and employees	**2,516,679**	2,715,128
Creditable withholding taxes	–	26,371,477
Input value-added tax (VAT)	–	11,100,504
Others	**15,000**	1,815,000
	₱6,181,305	₱138,234,853

Prepayments pertain to prepaid rent, prepaid insurance and taxes paid in advance.

Advances to officers and employees are noninterest-bearing, unsecured and subject to liquidation within 12 months from the date granted or collectible in cash upon demand.

Input VAT represents accumulated input taxes from purchases of goods and services for business operations.

Creditable withholding taxes (CWT) pertain to taxes withheld by the Parent Company's subsidiaries which can be applied against any future income tax liability.

Starting 2018, input VAT and CWT are recognized as part of "Other Noncurrent Assets" in the statement of financial position because management believes that it is not probable that the Parent Company can utilize the benefits thereof in the near future (see Note 9).

7. Property and Equipment - net

The movements in this account are as follows:

	Office Furniture, Fixtures and Equipment	**Transportation Equipment**	**Leasehold Improvements**	**Computer Software**	**Total**
Cost					
December 31, 2016	₱32,340,377	₱1,461,564	₱37,039,278	₱28,864,351	₱99,705,570
Additions	8,716,186	1,502,590	2,907,670	42,541,194	55,667,640
December 31, 2017	41,056,563	2,964,154	39,946,948	71,405,545	155,373,210
Additions	4,311,760	3,728,870	328,430	545,090	8,914,150
December 31, 2018	**45,368,323**	**6,693,024**	**40,275,378**	**71,950,635**	**164,287,360**
Accumulated Depreciation and Amortization					
December 31, 2016	10,391,434	362,033	6,025,879	8,051,357	24,830,703
Depreciation and amortization	9,256,072	454,024	7,706,931	19,375,320	36,792,347
December 31, 2017	19,647,506	816,057	13,732,810	27,426,677	61,623,050
Depreciation and amortization	10,200,122	1,152,161	8,026,940	20,454,224	39,833,447
December 31, 2018	**29,847,628**	**1,968,218**	**21,759,750**	**47,880,901**	**101,456,497**
Carrying Amount					
December 31, 2017	₱21,409,057	₱2,148,097	₱26,214,138	₱43,978,868	₱93,750,160
December 31, 2018	**₱15,520,695**	**₱4,724,806**	**₱18,515,628**	**₱24,069,734**	**₱62,830,863**

8. **Investments and Advances and Financial Assets at FVOCI / AFS Financial Asset**

	Percentage of Ownership	**2018**	Percentage of Ownership	2017
Investments				
Subsidiaries:				
AB Leisure Global, Inc. (ABLGI)	**100%**	**₱1,550,000,000**	100%	₱1,550,000,000
AB Leisure Exponent, Inc. (ABLE)	**100%**	**750,000,000**	100%	750,000,000
Total Gamezone Xtreme Incorporated (TGXI)	**100%**	**620,000,000**	100%	620,000,000
LR Land Developers, Inc. (LRLDI)	**100%**	**225,000,000**	100%	225,000,000
First Cagayan Leisure & Resort Corporation (FCLRC)	**69.68%**	**61,375,000**	69.68%	61,375,000
Prime Investment Korea Inc., (PIKI)	**100%**	**1,000,000**	100%	1,000,000
LR Data Center and Solutions Inc. (LRDCSI)	**80%**	**20,000,000**	80%	20,000,000
Blue Chip Gaming & Leisure Corporation (BCGLC)	**100%**	**19,628,028**	100%	12,628,028
Bingo Bonanza (HK) Limited (BBL)	**60%**	**35,398**	60%	35,398
		3,247,038,426		3,240,038,426
Associate:				
Binondo Leisure Resources, Inc. (BLRI):				
Common shares	**30%**	**1,200,000**	30%	1,200,000
Preferred shares		**20,000,000**		20,000,000
		21,200,000		21,200,000
Joint venture:				
Hotel Enterprises of the Philippines, Inc. (HEPI) cost	**51%**	**750,938,000**	51%	750,938,000
Accumulated share in net income (loss):				
Balance at beginning of year		**185,241,238**		124,240,569
Share in net income during the year		**114,866,158**		61,000,669
Balance at end of year		**300,107,396**		185,241,238
		1,051,045,396		936,179,238
Advances:				
HEPI		**364,557,557**		404,486,764
Eco Leisure and Hospitality Holding Company, Inc. (Eco Leisure)		**26,136,049**		26,136,049
Pacific Visionary Int'l Marketing Corp. (Pacific)		**94,139,697**		–
Others		**15,000,000**		–
		499,833,303		430,622,813
Allowance for impairment losses on investments in BBL and BLRI		**(62,371,447)**		(47,371,447)
		₱4,756,745,678		₱4,580,669,030

Investment in ABLE
ABLE was registered with the SEC on March 31, 1995. ABLE was incorporated in the Philippines andits primary purpose is to provide amusement and recreation to the public in such forms as, but not limited to, traditional, electronic and rapid bingo games.

Investment in LRLDI
On December 10, 2007, the Parent Company incorporated LRLDI as its wholly-owned subsidiary. LRLDI was incorporated in the Philippines and is engaged in realty development and tourism.

Investment in ABLGI
ABLGI was registered with the SEC on October 20, 2009. ABLGI was incorporated in the Philippines and its primary purpose is to acquire, own, use, construct, develop, maintain, subdivide, sell, dispose of, exchange, lease and hold for investment, or otherwise deal with real estate and personal property of all kinds, including the management and operation of the activities conducted therein pertaining to general amusement and recreation enterprises such as but not limited to resorts, golf courses, clubhouses and sports facilities, hotels and gaming facilities, with all the apparatus, equipment and other appurtenances as may be related thereto or in connection therewith.

Investment in TGXI
TGXI was registered with the SEC on June 27, 2014. TGXI was incorporated in the Philippines, withthe primary purpose to engage in general amusement, gaming operations and recreation enterprises. Pursuant to Presidential Decree 1869, as amended, Philippine Amusement and Gaming Corporation (PAGCOR) granted the Parent Company the privilege to establish, install, maintain, and operate a PAGCOR eGames Station ("PeGS"). PeGS is a gaming facility that offers virtual casino games.

Investment in PIKI
PIKI was registered with SEC on November 9, 2012. PIKI was incorporated in the Philippines and itsprimary purpose is to engage in the business of gaming, recreation, leisure and lease of property.

Investment in BCGLC
BCGLC was incorporated on October 9, 2009. BCGLC was incorporated in the Philippines and its primary purpose is to provide investment, management counsel and to act as agent or representative for business enterprise engaged in gaming and recreation or leisure business. BCGLC started commercial operations in October 2009.

On December 11, 2018, the Parent Company subscribed to additional 70,000 shares of BCGLC for a total consideration of ₱7,000,000.

Investment in LRDCSI
On May 20, 2016, LRDCSI was registered with SEC. LRDCSI was incorporated in the Philippines. LRDCSI is a technology company engaged in aggregating data and telecommunication services. LRDCSI's revenue model involves acquiring services from local and foreign technology and telecommunications companies at wholesale rates, bundling said services and then reselling the services at retail rates. LRWC owns 80% of the outstanding capital stock of LRDCSI.

Investment in FCLRC
FCLRC was incorporated on April 26, 2000 and is a Cagayan Special Economic Zone and Freeport (CSEZFP) registered enterprise. FCLRC was incorporated in the Philippines. FCLRC has an existing License Agreement with the Cagayan Economic Zone Authority (CEZA) to develop, operate and conduct internet and gaming enterprises and facilities in the CSEZFP. Pursuant to the License Agreement, FCLRC was issued the "CEZA Master Licensor Certificate" certifying that FCLRC is duly authorized to regulate and monitor, on behalf of CEZA, all activities pertaining to the licensing and operation of interactive games.

Investment in BBL
On March 15, 2010, the Parent Company incorporated BBL as its 60%-owned subsidiary. Its primary purpose is to engage in the business of gaming, recreation, leisure and lease of property. BBL was incorporated under the Companies Ordinance of Hong Kong. BBL started commercial operations in March 2012. It is currently non-operational and in the process of liquidation. The Parent Company provided in full impairment loss on the investment in BBL amounting to ₱35,398.

Investment in BLRI
BLRI was incorporated in the Philippines, and is engaged in the hotel and recreation business. It started commercial operations in August 2003. BLRI has operating lease agreement as a lessor with Chinatown Lai Lai Hotel, Inc.

The Parent Company recognized its share in net loss of BLRI up to the extent of investment cost. Unrecognized accumulated equity in net loss of BLRI amounted to ₱27,965,303 and ₱29,250,164 as at December 31, 2018 and 2017, respectively. Unrecognized share in net income amounted to ₱1,284,861 in 2018 and ₱919,546 in 2017, respectively.

In 2015, The Parent Company provided full impairment loss on the investment in BLRI amounting to ₱21,200,000.

The summarized financial information of BLRI follows:

	2018	2017
Current assets	**₱20,696,705**	₱10,412,709
Noncurrent assets	**26,862,466**	39,703,229
Current liabilities	**176,582,852**	189,672,489
Noncurrent liabilities	**10,860,663**	4,610,663
Total net liabilities	**(139,884,344)**	(144,167,214)
Investment in preferred shares	**20,000,000**	20,000,000
Equity attributable to common shares	**(159,884,344)**	(164,167,214)
Group's share in net assets	**(47,965,303)**	(49,250,164)
Accumulated recognized share in net losses as at end of year for preferred shares	**20,000,000**	20,000,000
Accumulated unrecognized share in net losses as at end of year	**27,965,303**	29,250,164
Carrying amount of interest in an associate	**₱–**	₱–
Revenues	**₱30,610,261**	₱28,753,128
Net income/total comprehensive income	**4,282,870**	3,787,467
Parent Company's unrecognized share of total comprehensive income	**₱1,284,861**	₱919,546

Investment in HEPI

In relation to the purchase agreement entered into by the Parent Company and Eco Leisure, transfer of shares of stocks representing 51% ownership interest of Eco Leisure at HEPI was completed in 2013. Eco Leisure assigned 1% of its share to the Parent Company, however both parties agreed that the rights, title and interest in and the assignment of the 1% interest merely pertains to legal ownership and the beneficial ownership shall still remain with Eco Leisure, thus HEPI is accounted for as a joint venture.

On March 10, 2016, the Amended Articles of Incorporation of HEPI amending Article II Primary Purpose, Article IV extending the term of the corporate existence of HEPI to another fifty (50) years from July 30, 2012.

The summarized financial information of HEPI is presented below.

	2018	2017
Current assets*	**₱774,712,300**	₱696,518,658
Noncurrent assets	**2,890,819,062**	2,479,508,896
Current liabilities**	**1,187,472,221**	887,887,503
Noncurrent liabilities***	**883,016,606**	1,298,550,534
Total net assets	**1,595,042,535**	989,589,517
Other comprehensive income	**(1,152,718,136)**	(771,931,525)
Total net assets after adjustment	**442,324,399**	217,657,992
Share in net assets	**225,585,443**	111,005,576
Premium on acquisition	**825,459,953**	825,173,662
Carrying amount of interest in a joint venture	**₱1,051,045,396**	₱936,179,238

	2018	2017
Revenues	**₱726,815,182**	₱557,845,067
Net income/total comprehensive income	**225,092,064**	67,552,993
Parent Company's share of total comprehensive income	**₱114,866,158**	₱61,000,669

Including cash of ₱120,456,974 in 2018 and ₱144,911,207 in 2017
**Including current financial liabilities excluding trade and other payables of ₱623,642,059 in 2018 and ₱660,566,314 in 2017*
***Including noncurrent financial liabilities of ₱722,041,352 in 2018 and ₱962,572,562 in 2017*

Advances to HEPI
These are cash advances provided in relation to the joint venture agreement between HEPI and LRWC. The advances are unsecured and noninterest-bearing and due upon demand but not expected to be settled with one year.

Advances to Eco Leisure
The advances are in relation to the joint venture agreement between Eco Leisure and LRWC. The advances are unsecured, noninterest-bearing and due upon demand but not expected to be settled with one year.

Advances to Pacific
These are cash advances provided to Pacific for the purpose of securing leased premises for the operation of a VIP Club by PAGCOR. The advances are unsecured and non-interest bearing and will be due on or before December 31, 2019 subject to renewal or extension of up to six (6) months upon mutual agreement of both parties.

Advances to DFNN
On August 13, 2015, the Parent Company's advances to DFNN of ₱86,000,000 have been converted into 18,105,263 common shares of DFNN while the accumulated interest earned of ₱12,690,971, from date of Conversion Notice to the date of conversion, have been converted into 2,671,783 common shares of DFNN on October 30, 2015. The fair value of ₱18,105,263 and ₱2,671,783 common shares as at the date of conversion were ₱5.15 and ₱6.04 per share, respectively.

The conversion resulted to 8.76% equity ownership of LRWC over DFNN. As the management does not intended to hold the investment for trading, the total converted amount of ₱98,690,971 has been classified as "AFS financial asset" account in the parent company statements of financial position in 2017. In 2018, the investment in equity securities of DFNN is classified as financial assets at FVOCI.

Financial Assets at FVOCI/AFS Financial Asset

	2018	2017
Balance at beginning of year	**₱153,309,029**	₱182,396,184
Unrealized gain (loss) during the period/year	**14,871,625**	(29,087,155)
	₱168,180,654	₱153,309,029

The market price of DFNN common shares as at December 31, 2018 and 2017 was ₱7.69 and ₱7.01, respectively.

9. **Other Noncurrent Assets**

	2018	2017
Rental deposits (see Note 13)	**₱6,436,138**	₱6,744,138
CWT	**26,371,477**	–
Input VAT	**20,635,840**	–
Premium on group pension plan	**6,619,230**	–
	₱60,062,685	₱6,744,138

10. **Dividend and Other Payables**

	2018	2017
Dividends payable	**₱17,318,600**	₱169,102,901
Accrued expenses and other payables:		
Salaries, wages and employee benefits	**21,716,722**	27,405,961
Payable to suppliers	**10,983,436**	11,005,934
Payable to government agencies	**4,326,858**	4,147,035
Others	**26,494,804**	7,725,599
	₱80,840,420	₱219,387,430

Accrued expenses consist of accrual for employee benefits and contracted services.

Others consist of payable to various suppliers such as contracted services, utilities, and other miscellaneous expenses. These are unsecured and to be settled within one year.

11. **Loans Payable**

a. In July 2014, LRWC entered into a short-term loan facility with Asia United Bank (AUB) to facilitate the financing of the acquisition of TGXI. The maximum loanable amount is ₱650,000,000 which can be availed in a single or multiple release/s upon request and submission of a promissory note to the bank. This is payable up to 180 days from the date of release of proceeds and secured by a chattel mortgage over LRWC's shares of stocks held by ABLE and stockholders amounting to 149,449,926 shares.

   In 2015, LRWC converted the short-term loan facility into a term-loan amounting to ₱650,000,000. The loan is payable in 60 equal consecutive monthly installments on its respective repayment dates beginning June 12, 2015 until May 12, 2020. Annual interest rate approximates 6.18%. The loan is secured by a chattel mortgage over LRWC's shares of stocks held by ABLE and stockholders amounting to 95,731,000 shares.

   The fair value of the mortgaged shares of stocks amounted to ₱427,206,759 and ₱381,009,380 as at December 31, 2018 and 2017, respectively.

   As a part of the loan agreement with AUB, the Parent Company is required to comply with affirmative financial ratios such as debt-to-equity and debt service coverage ratio which the Parent Company meets as at December 31, 2018. The loan is secured by shares of stocks of the Parent Company issued to stockholders.

On February 1, 2019, the Parent Company entered into a Restructuring Agreement with AUB to extend the maturity period of its long-term loan and a part of its short-term loans.

The restructured loan shall be repaid quarterly until fully paid, without the need of demand. Interest shall be likewise paid on a quarterly basis as the principal on the higher of (i) the sum of 3-day average of 1-year PHP BVAL Reference Rate as at February 1, 2019, plus a spread of 2% per annum; or (ii) 8% floor rate subject to annual repricing. The restructured loan is secured by the continuing suretyship by ABLE and TGXI.

Terms and conditions are as follows:

	December 31, 2018		
	Interest Rate	**Maturity Date**	**Carrying Amount**
Long Term			
AUB	**8.42%**	**June 2015 - February 2021**	**₱184,166,667**
Less current portion			**26,433,637**
			₱157,733,030

	December 31, 2018		
	Interest Rate	**Maturity Date**	**Carrying Amount**
Long Term			
AUB	**8.42%**	**May 2018 - January 2020**	**₱68,000,000**
Less current portion			**46,070,000**
			₱21,930,000

	December 31, 2017		
	Interest Rate	Maturity Date	Carrying Amount
Long Term			
AUB	6.18%	June 2015 - May 2020	₱314,166,667
Less current portion			130,000,000
			₱184,166,667

b. In May 2015, the Parent Company entered into various credit line facilities with AUB which are intended for general working capital requirements and financing future expansions. The line amounted to ₱350,000,000 which can be availed in multiple releases.

Terms and conditions are as follows:

	December 31, 2018		
	Interest Rate	**Maturity Date**	**Carrying Amount**
Short Term			
AUB	**7.25%**	**December 2018 - March 2019**	**₱143,500,000**

	December 31, 2017		
	Interest Rate	Maturity Date	Carrying Amount
Short Term			
AUB	4.50%	December 2017 - March 2018	₱150,000,000

Total interest expense recognized in profit or loss amounted to ₱38,252,548 in 2018 and ₱39,816,186 in 2017, respectively.

c. In November 2018, the Parent Company entered into short-term loan agreements with a local finance company namely, Fortunegate Holdings Philippines, Inc. (Fortunegate) for working capital requirements. The loan amounting to ₱500,000,000 shall be payable on February 16, 2019. Annual interest rate is at 12% subject to change depending on the prevailing financial and monetary conditions and shall be payable also on February 16, 2019. The loan is secured by LRWC's shares of stocks owned by corporate and individual shareholders.

   In March 2019, Fortunegate approved the Parent Company's request to extend the loan repayment date to April 30, 2019.As at December 31, 2018, the carrying amount of LRWC's shares of stock held by corporate and individual shareholders used as collateral for the loan from Fortunegate amounted to ₱165,353,233. The fair value of the collateral amounted to ₱539,051,540 as at December 31, 2018.

12. **Equity**

The composition of the Parent Company's capital stock is as follows:

	2018		2017	
	Number of Shares	**Amount**	Number of Shares	Amount
Capital Stock				
Authorized:				
Common shares - ₱1 par value	**2,500,000,000**	**₱2,500,000,000**	2,500,000,000	₱2,500,000,000
Issued common shares	**1,199,852,512**	**₱1,199,852,512**	1,199,852,512	₱1,199,852,512
Authorized:				
Preferred shares - ₱1 par value	**2,500,000,000**	**₱2,500,000,000**	2,500,000,000	₱2,500,000,000
Issued preferred shares	**1,650,000,000**	**₱1,650,000,000**	1,650,000,000	₱1,650,000,000

Increase in Authorized Capital Stock
On June 18, 2013, the SEC approved the increase in the Parent Company's authorized capital stock from ₱1,600,000,000 to ₱5,000,000,000 divided into 2,500,000,000 common shares and 2,500,000,000 preferred shares with each class having a par value of ₱1 per share. The preferred shares may be issued in tranches or series and shall be non-voting, non-participating, entitled to preferential and cumulative dividends at the rate not exceeding 12% per annum, and shall have such other rights, preferences, restrictions and qualifications as may be fixed by the BOD at their issuance.

Registration of Securities under the Securities Regulation Code
Pursuant to the registration statement rendered effective by the SEC on February 6, 1958 and permit to sell issued by the SEC dated February 6, 1958 - 15,000,000 common shares of the Parent Company were registered and may be offered for sale at an offer price of ₱1.33 per common share. As at December 31, 2018 the Parent Company has a total of 1,199,852,512 issued and outstanding common shares and 1,834 stockholders.

On January 22, 2013, the BOD of LRWC authorized the issuance, through a private placement, of 1,750,000,000 shares from its unissued preferred shares. On March 22, 2013, the stockholders of LRWC approved the said issuance. In May 2013, 1,650,000,000 shares were subscribed at ₱1 per share by virtue of the subscription agreements entered by LRWC with investors which was subsequently collected in July 2013.

The preferred shares have a coupon rate of 8.5% per annum and are paid semi-annually. These preferred shares are cumulative, non-voting and non-participating. Twenty (20) preferred shares will entitle each investor to one warrant. Each warrant, if exercised at a price of ₱15 or the average weighted trading price for the three months prior (whichever is lower) will be converted to one common share. This option will be exercisable starting on the fifth year until the eighth year.

Listing of Preferred Shares and Warrants
On June 10, 2013, the BOD of LRWC approved the listing of 1,650,000,000 newly issued preferred shares and 82,500,000 warrants. The said listing was completed in December 2013.

On December 5, 2013, the BOD approved to change the expiry date of the warrants issued by the Parent Company to September 2021.

As at December 31, 2018, the Parent Company has a total of 1,650,000,000 shares issues and outstanding preferred shares with three (3) stockholders.

Declaration of Cash Dividends
Cash dividends declared by the BOD to preferred stockholders of the Parent Company in 2018 and 2017 are as follows:

Date of Declaration	Date of Record	Amount	Amount Per Share
June 5, 2018	June 20, 2018	₱70,125,000	₱0.0425
May 29, 2017	June 16, 2017	70,125,000	0.0425
December 12, 2017	December 26, 2017	70,125,000	0.0425

Cash dividends declared by the BOD to common stockholders of the Parent Company in June 2018 and December 2017 are as follows:

Date of Declaration	Date of Record	Amount	Amount Per Share
June 29, 2017	September 29, 2017	₱95,988,202	₱0.080
June 29, 2017	March 2, 2018	83,989,676	0.070

As at December 31, 2018 and 2017, unpaid dividends, included under "Dividend and other payables" account in the parent company statements of financial position, amounted to ₱17,318,600 and ₱169,102,901, respectively (see Note 10).

13. Lease Agreements

a. The Parent Company leases its office space at 26th floor of West Tower, the Philippine Stock Exchange Center, Exchange Road, Ortigas Center, Pasig City along with 28 parking lots under an operating lease agreement. The lease is for a period of two years commencing on January 15, 2014 until January 14, 2017. The Parent Company renewed the contract for a period of three (3) years until January 14, 2020.

b. On March 5, 2014, the Parent Company entered into an operating lease arrangement for additional office spaces for five (5) years commencing on April 15, 2014 up to April 14, 2019. The office units are located in 18th floor, Philippine Stock Exchange Centre Condominium, Exchange Road, Ortigas Center, Pasig City.

c. On March 28, 2014, the Parent Company entered into an operating lease arrangement for additional office spaces with Cirtek Land Corporation for five (5) years commencing on June 15, 2014 up to June 14, 2019. The office units are located in 18th floor, Philippine Stock Exchange Centre Condominium, Exchange Road, Ortigas Center, Pasig City.

   Minimum lease payments for the above lease agreements are as follows:

	2018	2017
Less than one year	**₱19,736,875**	₱22,886,651
Between one and five years	**1,433,577**	19,832,117
	₱21,170,452	₱42,718,768

The lease agreement is non-cancellable and provides for, among others, rent deposit which is refundable upon termination of the lease. As at December 31, 2018 and 2017, the Parent Company recognized rent deposits under "Other Noncurrent Assets" in the parent company statements of financial position amounting to ₱6,436,138 and ₱6,744,138, respectively (see Note 9).

The Parent Company also leases parking slots/area. The lease term is within one (1) year.

Rent expense incurred from the above lease agreements amounted to ₱28,078,159 in 2018 and ₱26,065,157 in 2017, respectively.

14. **Related Party Disclosures**

Related party relationship exists 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. Such relationship also exists between and/or among entities, which are under common control with the reporting entity, or between/or among the reporting entity and its key management personnel, directors, or its stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Other than those disclosed in Notes 5 and 8, the Parent Company's significant transactions and balances with related parties are as follows:

					Outstanding Balance			
Categories	**Nature of Transaction**	**Year**	**Note**	**Amount of Transactions for the Year**	**Due from Related Parties**	**Due to Related Parties**	**Terms**	**Conditions**
Subsidiary								
FCLRC	Cash advances	**2018**	a, b	**₱16,938,984**	**₱–**	**₱1,665,151,310**	Demandable; non interest-bearing	Unsecured
		2017		64,682,937	–	1,676,283,795		
LRLDI	Cash advances	**2018**	a	**2,286,220**	**1,180,092,504**	**–**	Demandable; non interest-bearing	Unsecured; no impairment
		2017		–	1,178,364,840	–		
ABLE	Retirement	**2018**	c	**14,645,836**	**–**	**125,450,985**	Demandable; non interest-bearing	Unsecured
		2017		86,349,074	–	112,041,906		
	Cash advances	**2018**	a	**147,045,735**	**–**	**218,206,680**	Demandable; non interest-bearing	Unsecured
		2017		–	–	11,108,861		
	Management income	**2018**	a	**–**	**112,717,031**	**–**	Demandable; non interest-bearing	Unsecured
		2017		100,640,206	112,717,031	–		

(Forward)

				Amount of	Outstanding Balance			
Categories	**Nature of Transaction**	**Year**	**Note**	**Transactions for the Year**	**Due from Related Parties**	**Due to Related Parties**	**Terms**	**Conditions**
BCGLC	Cash advances	**2018**	a, b	**₱23,190,499**	**₱215,156,711**	**₱–**	Demandable; non interest-bearing	Unsecured; no impairment
		2017		–	235,339,248	–		
TGXI	Cash advances	**2018**	a	**13,360,147**	**166,437,887**	**–**	Demandable; non interest-bearing	Unsecured; no impairment
		2017		(18,578,770)	141,546,168	–		
(Forward)								
ABLGI	Cash advances	**2018**	a	**97,268,838**	**–**	**₱554,849,819**	Demandable; non interest-bearing	Unsecured
		2017		250,896,973	–	614,055,583		
PIKI	Cash advances	**2018**	a	**4,467,370**	**–**	**72,485,992**	Demandable; non interest-bearing	Unsecured; no impairment
		2017		(67,751,779)	–	2,316,975		
LRDCSI	Cash advances	**2018**	a	**–**	**–**	**28,327,719**	Demandable; non interest-bearing	Unsecured
		2017		–	–	20,000,000		
FCCDCI	Cash advances	**2018**	a	**6,480,663**	**11,997,986**	**–**	Demandable; non interest-bearing	Unsecured
Gold Coast Leisure World Corp.	Cash advances	**2018**		**25,037,141**	**–**	**25,037,141**		
Other								
Longview Holdings Corporation	Cash advances	**2018**	a	**–**	**–**	**–**	Demandable; non interest-bearing	Unsecured
		2017		–	–	9,070,687		
Total		**2018**			**₱1,686,402,119**	**₱2,689,509,646**		
		2017			₱1,667,967,287	₱2,444,877,807		

a. Cash advances to/from subsidiaries are intended for working capital requirements and to finance acquisitions and capital requirements. These are to be settled in cash.

b. Dividend income consists of:

	2018	2017
ABLGI	**₱–**	₱300,000,000
FCLRC	**451,306,034**	229,944,000
PIKI	**30,000,000**	–
BCGLC	**150,000,000**	80,000,000
	₱631,306,034	₱609,944,000

c. The Parent Company's employees are included in group wide retirement plan of the ABLE. The pertinent information about the plan and related information on the allocation of defined benefits cost and contribution in 2018 and 2017 are disclosed in the ABLE's financial statements.

The details of key management compensation are as follows:

	2018	2017
Salaries and employee benefits	**₱28,613,081**	₱29,320,544
Directors' fees	**5,000,000**	15,535,000

15. Income Taxes

The Parent Company's income tax expense comprise deferred tax expense amounting to ₱130,769,815 and ₱4,762,266 in 2018 and 2017, respectively. The reconciliation of income tax expense is as follows:

	2018	2017
Income before income tax	**₱321,720,720**	₱268,942,441
Income tax at statutory income tax rate of 30%	**₱96,516,216**	₱80,682,732
Additions to (reductions in) income taxes resulting from tax effects of:		
Dividend income exempt from tax	**(189,391,810)**	(182,983,200)
Change in unrecognized deferred tax assets	**258,016,408**	83,490,312
Share in net income of a joint venture	**(34,459,847)**	(18,300,201)
Expired NOLCO/MCIT	**93,000**	38,369,388
Nondeductible expense	**2,914**	3,510,960
Interest income subjected to final tax	**(7,066)**	(7,725)
	₱130,769,815	₱4,762,266

The components of the Parent Company's deferred tax assets pertain to the following carryforward benefits:

	2018	2017
NOLCO	**₱103,836,406**	₱234,513,221
Retirement benefit	**3,579,311**	3,579,311
MCIT	**–**	93,000
	₱107,415,717	₱238,185,532

As at December 31, 2018, deferred tax assets have not been recognized in respect of NOLCO incurred in 2016, 2017 and 2018 amounting to ₱858,888,615 and retirement benefit expense amounting to ₱13,409,079 because management believes that it is not probable that future taxable profit will be available against which the Parent Company can utilize the benefits thereof.

The Parent Company has incurred NOLCO which can be claimed as deduction from future taxable income. Details of which are shown below:

Incurred In	Amount	Expired/ Applied/ Unrecognized	Balance	Tax Effect	Year of Expiry
2015	₱241,310,797	(₱241,310,797)	₱–	₱–	2018
2016	435,589,383	(435,589,383)	–	–	2019
2017	356,975,540	(10,854,190)	346,121,350	103,836,406	2020
2018	412,445,042	(412,445,042)	–	–	2021
	₱1,446,320,762	(₱1,100,199,412)	₱346,121,350	₱103,836,406	

The carryforward benefit of the excess of MCIT over regular corporate income tax of ₱93,000 can be credited against income tax until December 31, 2018.

16. Financial Risk and Capital Management Objectives and Policies

The Parent Company's principal financial instruments comprise of cash and cash equivalents, trade and other receivables, contract assets, due from related parties, recoverable deposits, AFS investments, financial assets at FVOCI, trade and other payables, due to related parties, refundable deposits and, short-term loans. The main purpose of these financial instruments is to finance the Group's operations.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, and market risk. The Group's management reviews and approves policies for managing each of these risks and they are summarized below. The magnitudes of these risks that have arisen over the year are also discussed below.

The main purpose of the Parent Company's dealings in financial instruments is to fund its operations and capital expenditures. The Parent Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

The BOD has overall responsibility for the establishment and oversight of the Parent Company's risk management framework. The BOD has established the Executive Committee, which is responsible for developing and monitoring the Parent Company's risk management policies. The Executive Committee identifies all issues affecting the operations of the Parent Company and reports regularly to the BOD on its activities.

A Risk Oversight Committee is responsible for overseeing and managing risk that the Parent Company may encounter. They develop proper strategies and measures to avoid or at least minimize such risk incorporating the Parent Company's established risk management policies.

The Parent Company's risk management policies are established to identify and analyze the risks faced by the Parent Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Parent Company's activities. All risks faced by the Parent Company are incorporated in the annual operating budget. Mitigating strategies and procedures are also devised to address the risks that inevitably occur so as not to affect the Parent Company's operations and forecasted results. The Parent Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The BOD constituted the Parent Company's Audit Committee to assist the BOD in fulfilling its oversight responsibility of the Parent Company's corporate governance process relating to the: a) quality and integrity of the parent company financial statements and financial reporting process and the Parent Company's systems of internal accounting and financial controls; b) performance of the internal auditors; c) annual independent audit of the parent company financial statements, the engagement of the independent auditors and the evaluation of the independent auditors' qualifications, independence and performance; d) compliance by the Parent Company with legal and regulatory requirements, including the Parent Company's disclosure control and procedures; e) evaluation of management's process to assess and manage the Parent Company's enterprise risk issues; and f) fulfillment of the other responsibilities set out by the BOD. The Audit Committee shall also prepare the reports required to be included in the Parent Company's annual report.

The Audit Committee of the Parent Company performs oversight role over financial reporting functions, specifically in the areas of managing credit, liquidity, market and other risks of the Parent Company. The Audit Committee directly interfaces with the internal audit function, which undertakes reviews of risk management controls and procedures and ensures the integrity of internal control activities which affect the financial reporting system of the Parent Company. The results of procedures performed by Internal Audit are reported to the Audit Committee. On the other hand, the Audit Committee reports all the issues identified over the financial reporting of the Parent Company to the BOD on a regular basis.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss

The Parent Company's exposure to credit risk mainly pertains to cash in bank and trade and other receivables (excluding advances to officers and employees). This exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of the financial assets.

The table below shows the maximum exposure to credit risk as at December 31, 2018 and 2017, without considering the effects of collaterals and other risk mitigation techniques:

	2018	2017
Cash in banks (see Note 4)	**₱46,237,731**	₱2,440,655
Receivables (see Note 5)	**1,287,581,408**	627,295,117
Due from related parties (see Note 14)	**1,686,402,119**	1,667,967,287
Rent deposits (see Notes 9 and 13)	**6,427,764**	6,744,138
AFS financial assets	**–**	153,309,029
Financial assets at FVOCI (see Note 8)	**168,180,654**	–
	₱3,194,829,676	₱2,457,756,226

Aging Analysis. Set out below is the aging of financial assets as at December 31, 2018 and 2017

	2018					
	Neither	**Past Due but not Impaired**				
	Past Due nor Impaired	**30 Days**	**60 Days**	**More than 90 Days**	**Credit Impaired**	**Total**
Cash in banks	**₱46,237,731**	**₱–**	**₱–**	**₱–**	**₱–**	**₱46,237,731**
Receivables: - net	**422,698,200**	**–**	**–**	**864,883,208**	**3,009,459**	**1,290,590,866**
Due from related parties	**18,434,832**	**–**	**–**	**1,667,967,287**	**–**	**1,686,402,119**
Rent deposits	**6,427,764**	**–**	**–**	**–**	**–**	**6,427,764**
Financial assets at FVOCI	**168,180,654**	**–**	**–**	**–**	**–**	**168,180,654**
	₱661,979,181	**₱–**	**₱–**	**₱2,532,850,495**	**₱3,009,459**	**₱3,197,839,134**

	2017					
	Neither	Past Due but not Impaired				
	Past Due nor Impaired	30 Days	60 Days	More than 90 Days	Credit Impaired	Total
Cash in banks	₱2,440,655	₱–	₱–	₱–	₱–	₱2,440,655
Receivables: - net	100,904,000	–	522,658,338	3,732,779	3,009,459	630,304,576
Due from related parties	–	–	–	1,667,967,287	–	1,667,967,287
Rent deposits	6,744,138	–	–	–	–	6,744,138
AFS financial assets	153,309,029	–	–	–	–	153,309,029
	₱263,397,822	₱–	₱522,658,338	₱1,671,700,066	₱3,009,459	₱2,460,765,685

The Group's bases in grading its financial assets follow:

- *High.* These include cash and cash equivalents, receivables, and recoverable deposits from counterparties with good favorable credit standing based on historical experience.
- *Standard.* These pertain to financial assets with counterparties who settle their obligation with tolerable delays.
- *Substandard.* These are receivables where the counterparty is not capable of honoring its financial obligation.

The table below shows the credit quality of the Parent Company's financial assets as at December 31:

	2018				
		Neither Past Due nor Impaired			**Past Due or Individually Impaired**
	Total	**High Grade**	**Standard**	**Sub-standard**	
Financial assets at amortized cost:					
Cash in banks	**₱46,237,731**	**₱46,237,731**	**₱–**	**₱–**	**₱–**
Receivables:	**1,290,590,867**	**1,287,581,408**	**–**	**–**	**3,009,459**
Due from related parties	**1,686,402,119**	**1,686,402,119**	**–**	**–**	**–**
Rent deposits	**6,427,764**	**6,427,764**	**–**	**–**	**–**
Financial assets at FVOCI	**168,180,654**	**168,180,654**	**–**	**–**	**–**
	₱3,197,839,135	**₱3,194,829,676**	**₱–**	**₱–**	**₱3,009,459**

	2017				
		Neither Past Due nor Impaired			Past Due or Individually Impaired
	Total	High Grade	Standard	Sub-standard	
Financial assets at amortized cost:					
Cash in banks	₱2,440,655	₱2,440,655	₱–	₱–	₱–
Receivables	630,304,576	627,295,117	–	–	3,009,459
Due from related parties	1,667,967,287	1,667,967,287	–	–	–
Rent deposits	6,744,138	6,744,138	–	–	–
AFS financial assets	153,309,029	153,309,029	–	–	–
	₱2,460,765,685	₱2,457,756,226	₱–	₱–	₱3,009,459

As at December 31, 2018 and 2017, the Parent Company's cash in banks is classified under Grade A, while receivables, due from related parties and rent deposits are classified under Grade C.

<u>Liquidity Risk</u>
Liquidity risk is the risk that the Parent Company will be unable to meet its obligations as they become due.

The Parent Company manages liquidity risk by forecasting projected cash flows and maintaining a balance between continuity of funding and flexibility. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements. Management closely monitors the Parent Company's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal requirements.

The table summarizes the maturity profile of the Parent Company's financial assets used for liquidity management and liabilities as at December 31, 2018 and 2017 based on contractual undiscounted payments.

	2018			
	3 to 12 Months	**More than 1 Year to 5 Years**	**More than 5 Years**	**Total**
Financial assets:				
Cash in banks	**₱46,237,731**	**₱–**	**₱–**	**₱–**
Receivables	**1,287,581,408**	**–**	**–**	**–**
Due from related parties	**1,686,402,119**	**–**	**–**	**–**
Rent deposits	**6,427,764**	**–**	**–**	**–**
Financial assets at FVOCI	**168,180,654**	**–**	**–**	**–**
	3,194,829,676	**–**	**–**	**–**
Financial liabilities:				
Dividend and other payables*	**76,513,562**	**–**	**–**	**–**
Short-term loans payable	**643,500,000**	**–**	**–**	**–**
Long-term loans, including current portion**	**87,734,698**	**191,316,341**	**–**	**–**
Due to related Parties	**2,689,509,646**	**–**	**–**	**–**
	3,497,257,906	**191,316,341**	**–**	**–**
Net financial assets (liabilities)	**(₱302,428,230)**	**(₱191,316,341)**	**₱–**	**₱–**

**Excluding local and other taxes and payable to government agencies amounting to ₱4,326,858*
***Including interest payments and excluding debt issue cost*

	2017			
	3 to 12 Months	More than 1 Year to 5 Years	More than 5 Years	Total
Financial assets:				
Cash in banks	₱2,440,655	₱–	₱–	₱2,440,655
Receivables	627,295,117	–	–	627,295,117
Due from related parties	1,667,967,287	–	–	1,667,967,287
Rent deposits	6,744,138	–	–	6,744,138
Financial assets at FVOCI	153,309,029	–	–	153,309,029
	2,457,756,226	–	–	2,457,756,226
Financial liabilities:				
Dividend and other payables	215,240,395	–	–	215,240,395
Short-term loans payable	150,000,000	–	–	150,000,000
Long-term loans, including current portion**	145,728,664	192,701,416	–	338,430,080
Due to related parties	2,444,877,807	–	–	2,444,877,807
	2,955,846,866	192,701,416	–	3,148,548,282
Net financial assets (liabilities)	(₱498,090,640)	(₱192,701,416)	–	(₱690,792,056)

**Excluding local and other taxes and payable to government agencies amounting to ₱4,147,035*
***Including interest payments and excluding debt issue cost*

The financial statements have been prepared in the assumption that the Parent Company will continue as a going concern. As shown in the financial statements, the Parent Company has been incurring a working capital deficiency of ₱459,561,140 and ₱508,177,325 as at December 31, 2018 and 2017, respectively. These conditions indicate the existence of material uncertainty which may cast significant doubt about the Parent Company's ability to continue as going concern. The Parent Company has ongoing plans for suitable financing and capital raising options.

Market Risk

Market risk is the risk that changes in market prices that will affect the Parent Company's income or the value of its holdings of financial instruments. The objective of market risk is to manage and control market risk exposures within acceptable parameters, while optimizing the returns.

Equity Price Risk

Equity price risk is such risk where the fair values of investments in quoted equity securities could decrease as a result of changes in the levels of equity indices and the value of individual stocks. The management strictly monitors the movement of the share prices pertaining to its investments. The Parent Company is exposed to equity securities price risk because of investments held by the Parent Company, which are classified in the parent company financial position as financial asset at FVOCI as at December 31, 2018 (see Note 8).

The effect on equity, as a result of a possible change in the fair value of the Parent Company's equity instruments held as AFS financial assets as at December 31, 2018 and 2017, that could be brought by changes in equity indices with all other variables held constant, are as follows:

Change in quoted prices of investment carried at fair value	**2018**	2017
Increase by 10%	**₱16,818,065**	₱15,330,902
Increase by 5%	**8,409,033**	7,665,451
Decrease by 10%	**(16,818,065)**	(15,330,902)
Decrease by 5%	**(8,409,033)**	(7,665,451)

Interest Rate Risk

The Parent Company's exposure to changes in interest rates relate primarily to the Parent Company's short-term and long-term loan.

Management is tasked to minimize interest rate risk through interest rate swaps and options, and having a mix of variable and fixed interest rates on its loans. Presently, the Parent Company's short-term and long-term bank loans are market-determined, with the long-term loan interest rates based on PSDT-R2 plus a certain mark-up.

The Parent Company has not entered into interest rate swaps and options during 2018 and 2017.

The sensitivity to a reasonably possible change in interest rates with all other variables held constant of the Parent Company's profit before tax in December 31, 2018 and 2017 follows:

Change in interest rates (in basis points)	**2018**	2017
300bp rise	**₱2,239,167**	₱1,194,486
300bp fall	**(2,239,167)**	(1,194,486)

1 basis point is equivalent to 0.01%.

There is no other impact on the Parent Company's equity other than those affecting the profit or loss.

Fair Values
The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash
The carrying amount approximates its fair value since it can be readily withdrawn and used for operations.

Receivables/Due from Related Parties /Rent Deposits/Dividend and Other Payables/Short-term Loans Payable/Due to Related Parties
The carrying amounts of receivables, due from related parties, dividend and other payables, short-term loans payable and due to related parties approximate their fair values due to liquidity, short maturity and nature of these financial instruments. The carrying amount of rent deposit approximates its fair value as the effect of discounting using the prevailing market rate is not significant.

Long-term Loans Payable
The carrying amount of the long-term loans represents it market value since its interest rate is at market rate.

Financial Asset at FVOCI/AFS Financial Asset
The fair value of the AFS financial asset is based on the quoted market price of the investment in equity as at December 31, 2018. The fair value is under Level 1 of the fair value hierarchy.

Capital Management

The Parent Company considers its equity as its capital.

The Parent Company's objectives when managing capital are to increase the value of shareholders' investment and maintain high growth by applying free cash flows to selective investments. The Parent Company sets strategies with the objective of establishing a versatile and resourceful financial management and capital structure.

The BOD monitors the return on capital, which the Parent Company defines as net operating income divided by total shareholders' equity. The BOD also monitors the level of dividends to shareholders.

The BOD has overall responsibility for monitoring of capital in proportion to risk. The BOD seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Parent Company defines capital as equity, which includes capital stock, additional paid-in capital, retained earnings and fair value reserve equity amounting to ₱4,516,011,427 and ₱4,380,313,897 as at December 31, 2018 and 2017, respectively. There were no changes in the Parent Company's approach to capital management as at December 31, 2018 and 2017. The Parent Company is not subject to externally-imposed capital requirements.

17. **Subsequent Events**

On January 11, 2019, the Parent Company called for a Special Stockholder's Meeting for the approval of the issuance of up to 1,300,147,488 common shares from the unissued capital stock through a private placement at a price based on a premium over the Parent Company's shares closing price on November 29, 2018.

The BOD approved and ratified the issuance and subscription of its 1,300,147,488 common shares at an issue price of ₱3.60 on the same date.

In March and April 2019, 1,217,647,488 common shares were subscribed at ₱3.60 per share by virtue of the subscription agreements entered into by the Parent Company with its investors. The proceeds from the issuance of will be used to refinance the Parent Company's existing obligations, for expansion programs and working capital requirements.

18. **Supplementary Information Required by Revenue Regulations 15-2010 issued by the Bureau of Internal Revenue (BIR)**

The Parent Company reported and/or paid the following types of taxes in 2018

a. Value Added Tax

	Amount
Input VAT	
Beginning of the year	₱19,565
Domestic Purchases of goods other than capital goods	2,733,761
Domestic purchase of services	6,630,986
Input VAT claimed	–
	₱9,384,313

b. Documentary Stamp Tax

In 2018, the Parent Company's documentary stamp tax on loans amounted to ₱2,422,144 recognized under "Taxes and licenses" account in the parent company statement of comprehensive income.

c. Withholding Taxes

	Amount
Tax on compensation and benefits	₱17,764,079
Final withholding taxes	7,112,777
Expanded withholding taxes	3,998,714
	₱28,875,882

d. Other Taxes

	Amount
Other taxes paid during the year recognized under “Taxes and Licenses” in profit or loss:	
License and permit fees	₱5,995,760
Others	1,278,408
	₱7,274,168

e. Tax Cases

As at December 31, 2018, the Parent Company has no pending tax court cases.