C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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C O M P A N Y   N A M E

LEISURE & RESORTS WORLD CORPORATION AND SUBSIDIARIES

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

26th Floor, West Tower, PSE Center, Exchange Road, Ortigas Center, Pasig City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS		

C O M P A N Y   I N F O R M A T I O N

Company's Email Address	Company's Telephone Number	Mobile Number
inquiry@lrwc.com.ph	**+632 8637-5291 to 93**	**N/A**

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
1,826	**July 29**	**December 31**

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Lucy Dong	**lucy.dong@lrwc.com.ph**	**+632 8637-5291 to 93**	**N/A**

CONTACT PERSON's ADDRESS

26th Floor, West Tower, PSE Center, Exchange Road, Ortigas Center, Pasig City

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

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Leisure & Resorts World Corporation** is responsible for the preparation and fair presentation of consolidated financial statements including the schedules attached therein, for the years ended December 31, 2019 and 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing consolidated 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 consolidated financial statements including the schedules attached therein, and submits the same to the stockholders or members.

Sycip Gorres Velayo & Co., the independent auditor appointed by the stockholders for the years ended December 31, 2019 and 2018, 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.

EUSEBIO H. TANCO
Chairman of the Board

ENG HUN CHUAH
President

LUCY DONG
Deputy Chief Financial Officer

Signed this JUN 3 0 2020

SGV
Building a better working world

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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 Board of Directors and Stockholders
Leisure & Resorts World Corporation
26th Floor, West Tower, PSE Center
Exchange Road, Ortigas Center
Pasig City

Opinion

We have audited the consolidated financial statements of Leisure & Resorts World Corporation and Subsidiaries (collectively referred to as "the Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2019 and 2018 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

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 Consolidated 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 consolidated 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Recoverability of Goodwill

Under PFRSs, the Group is required to test the recoverability of goodwill annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. As at December 31, 2019, the Group's goodwill amounted to ₱1,493,884,695, which is considered significant to the consolidated financial statements. In addition, the assessment process involves significant management judgment about future market conditions, and estimation based on assumptions such as group margin, revenue growth rate, operating margin and discount rate.

The Group's disclosures about goodwill are included in Note 10 to the consolidated financial statements.

Audit response

We obtained an understanding of the Group's recoverability assessment process. We involved our internal specialist in evaluating the methodologies and the assumptions used. These assumptions include revenue growth rate, operating margin and discount rate. We compared the key assumptions used, such as revenue growth rate against the historical performance of the cash generating unit, industry outlook and other relevant external data. We tested the parameters used in the determination of the discount rate against market data annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically, those that have the most significant effect on the determination of the recoverable amount of goodwill.

Valuation of Investment Properties at Fair Value

The Group accounts for its investment properties using the fair value model. Investment properties consist of land, land improvements and building and represent 45.61% of the consolidated assets as at December 31, 2019. The determination of the fair values of these properties involves significant management judgment and estimations. The valuation also requires the assistance of external appraisers whose calculations also depend on certain assumptions, such as sales and listing of comparable properties registered within the vicinity and adjustments to sales price based on internal and external factors. Thus, we considered the valuation of investment properties as a key audit matter.

The disclosures relating to investment properties are included in Note 8 of the consolidated financial statements.

Audit Response

We evaluated the competence, capabilities and qualifications of the external appraiser by considering their qualifications, experience and reporting responsibilities. We reviewed the methodology and assumptions used in the valuation of the investment properties. We assessed the methodology adopted by referencing common valuation models and reviewed the relevant information supporting the sales and listings of comparable properties. We also inquired from the external appraiser the basis of adjustments made to the sales price.

Provisions and Contingencies

The Group's disclosures about provisions and contingencies are included in Note 25 to the consolidated financial statements.

Audit Response

We discussed with management the status of the claims and/or assessments, and obtained correspondences with the relevant authorities and opinions from the external legal/tax counsels. We involved our internal specialist in the evaluation of management's assessment on whether any provision for contingencies should be recognized, and the estimation of such amount. We evaluated the position of the Group by considering the relevant laws, rulings and jurisprudence.

Adoption of PFRS 16, Leases

Effective January 1, 2019, the Group adopted PFRS 16, *Leases*, under the modified retrospective approach which resulted in significant changes in the Group's accounting policy for leases. The Group's adoption of PFRS 16 is significant to our audit because the Group has high volume of lease agreements; the recorded amounts are material to the consolidated financial statements; and adoption involves application of significant judgment and estimation in determining the incremental borrowing rate. This resulted in the recognition of right of use assets and lease liabilities amounting to ₱745,177,395 and ₱747,967,120, respectively, as at January 1, 2019, and the recognition of depreciation expense and interest expense of ₱239,033,352 and ₱51,323,077, respectively, for the year ended December 31, 2019.

The disclosures related to the adoption of PFRS 16 are included in Notes 2 and 17 to the consolidated financial statements.

Audit Response

We obtained an understanding of the Group's process in implementing the new standard on leases, including the determination of the population of the lease contracts covered by PFRS 16, the application of the short-term and low value assets exemption, the selection of the transition approach and any election of available practical expedients.

We tested the population of lease agreements by comparing the number of locations per operations report against lease contract database (or master list or other schedule/report used by the Group).

On a test basis, we inspected lease agreements (i.e., lease agreements existing prior to the adoption of PFRS 16 and new lease agreements), identified their contractual terms and conditions, and traced these contractual terms and conditions to the lease calculation prepared by management, which covers the calculation of financial impact of PFRS 16, including the transition adjustments.

For selected lease contracts with renewal and/or termination option, we reviewed the management's assessment of whether it is reasonably certain that the Group will exercise the option to renew or not exercise the option to terminate. We tested the parameters used in the determination of the incremental borrowing rate by reference to market data. We test computed the lease calculation prepared by management on a sample basis, including the transition adjustments.

We reviewed the disclosures related to the transition adjustments based on the requirements of PFRS 16 and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

Accounting for the Investment in Significant Joint Venture (Hotel Enterprises of the Philippines, Inc. (HEPI)

The Group owns 51% of HEPI. As discussed in Note 2 to the consolidated financial statements, the Group's investment in this joint venture is accounted for under the equity method. As at December 31, 2019, the investment in HEPI amounted to ₱1,200,053,085 (representing 5.60% of the Group's consolidated total assets), and the Group's equity in net earnings of joint ventures for 2019 amounted to ₱149,007,689 (representing 139.13% of the Group's consolidated net income). The accounting for this investment is significant to our audit because of the substantial amount of the Group's investments and equity in net earnings from this joint venture.

Audit response

We obtained an understanding of the Group's process in recognizing its equity in net earnings of joint venture. We also obtained an understanding of the business transactions, the revenue recognition process, and reviewed material items and other accounts that may have a material effect on the Group's share in the 2019 equity in net earnings of joint venture. We obtained the financial information of the joint venture for the year and recomputed the Group's share in the 2019 earnings of the joint venture and reviewed the related note disclosure on investment in joint venture.

Emphasis of Matter: Subsequent events – impact of Coronavirus Outbreak (COVID-19)

We draw attention to Note 27 of the consolidated financial statements which discusses the measures taken by the Philippine Government in order to contain the effect of COVID-19. These measures resulted in the suspension of the Group's bingo and gaming operations. As set out in Note 27, no adjustments have been made to the financial statements as at and for the year ended December 31, 2019 for the impact of COVID-19. Our opinion is not modified in respect of this matter.

Other Matter

The consolidated financial statements of the Company as at and for the year ended December 31, 2017 were audited by another auditor who expressed an unmodified opinion on those statements on May 11, 2018.

Other Information

Management is responsible for the other information. The other information comprises the SEC Form 17-A for the year ended December 31, 2019, but does not include the consolidated financial statements and our auditor's report thereon which we obtained prior to the date of the Auditor's Report, and the SEC Form 20 – IS (Definitive Information Statement) and Annual Report for the year ended December 31, 2019, which are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

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

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

In preparing the consolidated 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.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 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 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 consolidated 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 Company to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Maria Pilar B. Hernandez.

SYCIP GORRES VELAYO & CO.

Maria Pilar B. Hernandez

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
TR No. 8125244, January 7, 2020, Makati City

June 30, 2020

LEISURE & RESORTS WORLD CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	**2019**	2018
ASSETS			
Current Assets			
Cash	*4*	**₱2,558,645,280**	₱442,130,215
Receivables	*5*	**1,164,022,164**	918,697,770
Lease receivables - current	*17*	**9,383,968**	–
Due from related parties	*20*	**155,000,000**	155,000,000
Prepaid expenses and other current assets	*6*	**169,906,156**	193,466,966
Total Current Assets		**4,056,957,568**	1,709,294,951
Noncurrent Assets			
Property and equipment - net	*7, 12*	**1,964,516,238**	1,758,184,141
Lease receivables - net of current portion	*17*	**20,419,557**	–
Receivables - net of current portion	*9, 20*	**508,149,507**	–
Investment properties	*8*	**9,773,653,000**	7,306,688,427
Investments and advances	*9*	**2,507,626,755**	4,573,784,614
Financial assets at fair value through other comprehensive income (FVOCI)	*9*	**106,725,824**	168,180,654
Deferred tax assets	*21*	**20,476**	107,415,716
Goodwill	*10*	**1,493,884,695**	1,502,067,704
Other noncurrent assets	*11*	**999,041,168**	922,476,209
Total Noncurrent Assets		**17,374,037,220**	16,338,797,465
		₱21,430,994,788	₱18,048,092,416
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	*13*	**₱1,979,892,257**	₱1,927,286,036
Short-term loans payable	*12*	**893,892,480**	2,354,478,420
Current portion of:			
Long-term loans payable	*12*	**319,169,278**	168,102,479
Current portion of lease liabilities	*17*	**201,485,706**	–
Income tax payable		**5,484,615**	7,204,795
Total Current Liabilities		**3,399,924,336**	4,457,071,730
Noncurrent Liabilities			
Long-term loans payable - net of current portion	*12*	**2,676,788,687**	3,529,157,919
Lease liabilities - net of current portion	*17*	**580,290,821**	–
Retirement benefits liability	*18*	**180,338,178**	225,822,184
Deposits	*9, 17*	**97,807,175**	95,732,478
Deferred tax liabilities	*21*	**1,384,574,886**	649,925,022
Total Noncurrent Liabilities		**4,919,799,747**	4,500,637,603
Total Liabilities		**8,319,724,083**	8,957,709,333

		December 31	
	Note	**2019**	2018
Equity			
Equity Attributable to the Parent Company	*14*		
Capital stock		**₱4,067,500,000**	₱2,849,852,512
Additional paid-in capital		**4,263,308,184**	1,114,028,555
Treasury shares		**(90,411,278)**	(90,411,278)
Retirement benefits reserve	*18*	**(9,492,947)**	(35,673,952)
Fair value reserve	*9*	**598,233**	62,053,063
Foreign currency translation reserve		**(2,099,981)**	(2,099,981)
Other reserve		**(19,488,495)**	(19,488,495)
Retained earnings		**4,466,661,733**	4,788,629,877
		12,676,575,449	8,666,890,301
Non-controlling Interests	*2*	**434,695,256**	423,492,782
Total Equity		**13,111,270,705**	9,090,383,083
		₱21,430,994,788	₱18,048,092,416

LEISURE & RESORTS WORLD CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	**2019**	2018	2017
REVENUES				
Electronic bingo	*15, 25*	**₱5,289,230,260**	₱4,754,906,261	₱4,335,682,089
Traditional bingo	*15*	**2,216,155,056**	2,106,084,940	2,203,605,691
Service and hosting fees	*9, 16*	**1,055,376,916**	1,054,365,127	1,088,064,463
Income from junket operations	*25*	**689,770,381**	895,694,852	855,588,806
Rent income	*8, 17*	**661,638,350**	560,690,470	463,350,087
Commission income	*25*	**353,652,002**	291,607,194	247,768,115
Rapid bingo	*15, 25*	**284,212,205**	230,386,430	231,344,036
Pull tabs	*15*	**19,009,330**	20,111,861	15,644,756
Revenue on sublease		**45,014,496**	–	–
Share in gaming revenue of a casino project	*24*	**–**	–	76,400,864
Compensation fee from a casino project	*24*	**–**	–	65,995,956
		10,614,058,996	9,913,847,135	9,583,444,863
COSTS AND OPERATING EXPENSES				
Franchise fees and taxes	*15, 16*	**4,625,303,082**	4,429,428,116	3,887,880,592
Payouts	*15*	**1,740,788,177**	1,436,599,949	1,549,117,950
Depreciation and amortization	*7, 8, 11*	**646,610,284**	471,302,380	492,645,814
Contracted services		**607,967,454**	540,566,692	507,507,774
Salaries and other benefits		**508,686,600**	566,176,916	712,730,658
Bandwidth and co-location costs	*9*	**493,383,741**	563,002,838	475,211,023
Taxes and licenses		**490,318,213**	148,425,347	177,140,938
Rent	*17*	**413,274,565**	645,549,812	672,978,405
Communications and utilities		**340,124,993**	306,818,582	320,079,032
Advertising and promotion		**304,430,831**	280,729,425	254,844,823
Representation and entertainment		**142,798,207**	131,710,596	110,202,337
Repairs and maintenance		**91,599,838**	91,149,334	86,310,319
Professional and directors' fees		**89,518,239**	102,930,312	111,687,372
Playing cards		**56,445,981**	36,465,447	79,269,030
Transportation and travel		**41,307,141**	68,791,116	98,928,979
Others		**107,909,744**	88,458,270	120,815,592
		10,700,467,090	9,908,105,132	9,657,350,638
OPERATING INCOME (LOSS)		**(86,408,094)**	5,742,003	(73,905,775)

(Forward)

	Note	Years Ended December 31 2019	2018	2017
OTHER INCOME (EXPENSES) – Net				
Unrealized gains on changes in fair values of investment properties - net	*8*	**₱2,449,424,356**	₱1,329,408,530	₱256,852,850
Loss on sale of an investment	*9*	**(741,480,264)**	–	–
Finance expense	*19*	**(550,276,058)**	(428,176,343)	(169,860,776)
Impairment loss on:				
Financial assets	*5, 9*	**(110,415,981)**	(181,641,224)	(44,873,823)
Non-financial assets	*6, 7*	**(136,673,973)**	(111,865,997)	(28,493,486)
Equity in net earnings of joint ventures	*9*	**149,007,689**	114,866,158	61,000,669
Equity in net earnings of associates	*9*	**91,601,846**	70,421,894	446,730,491
Foreign exchange gain – net		**13,501,397**	(24,259,181)	2,083,457
Finance income	*19*	**4,169,920**	1,396,080	44,589,655
Other income - net	*19*	**(107,354,485)**	238,333,023	248,766,689
		1,061,504,447	1,008,482,940	816,795,726
INCOME BEFORE INCOME TAX		**975,096,353**	1,014,224,943	742,889,951
PROVISION FOR INCOME TAX	*21*	**867,993,776**	549,142,094	256,073,201
NET INCOME		**107,102,577**	465,082,849	486,816,750
Equity Holders of the Parent Company		**₱95,656,550**	₱479,645,976	₱430,275,524
Non-controlling interest		**11,446,027**	(14,563,127)	56,541,226
		₱107,102,577	₱465,082,849	₱486,816,750
OTHER COMPREHENSIVE INCOME (LOSS) - Net				
Items that will not be reclassified to profit or loss				
Revaluation gain (loss) of FVOCI/available for sale financial asset	*9*	**(61,454,830)**	14,871,625	(29,087,155)
Remeasurement gain (loss) on retirement benefits, net of tax	*18*	**25,937,452**	27,906,333	(19,899,719)
Revaluation surplus, net of tax	*7, 8*	**–**	(89,182,693)	89,182,693
Items that will be reclassified to profit or loss				
Foreign currency translation loss		**–**	–	(1,665,707)
		(35,517,378)	(46,404,735)	38,530,112
TOTAL COMPREHENSIVE INCOME		**₱71,585,199**	₱418,678,114	₱525,346,862
Attributable to				
Equity Holders of the Parent Company		**₱60,382,725**	₱500,943,815	₱442,550,595
Non-controlling interest		**11,202,474**	(82,265,701)	82,796,267
		₱71,585,199	₱418,678,114	₱525,346,862
Basic Earnings Per Share	*22*	**(₱0.0668)**	₱0.3441	₱0.2444
Diluted Earnings Per Share		**(0.0642)**	0.3224	0.2290

See Notes to the Consolidated Financial Statements.

LEISURE & RESORTS WORLD CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017

					Attributable to Owners of the Parent Company									
		Capital Stock		Additional Paid-in		Retirement			Foreign Currency				Non-	
	Note	Common Shares	Preferred Shares	Capital - Common	Treasury Shares	Benefits Reserve	Revaluation Surplus	Fair Value Reserve	Translation Reserve	Other Reserve	Retained Earnings	Total	Controlling Interests	Total Equity
Balance at January 1, 2019		**₱1,199,852,512**	**₱1,650,000,000**	**₱1,114,028,555**	**(₱90,411,278)**	**(₱35,673,952)**	**₱–**	**₱62,053,063**	**(₱2,099,981)**	**(₱19,488,495)**	**₱4,788,629,877**	**₱8,666,890,301**	**₱423,492,782**	**₱9,090,383,083**
Effect of adoption of PFRS 16 (see Note 2)		–	–	–	–	–	–	–	–	–	**(184,479,694)**	**(184,479,694)**	–	**(184,479,694)**
Balances at January 1, 2019, as restated		**1,199,852,512**	**1,650,000,000**	**1,114,028,555**	**(90,411,278)**	**(35,673,952)**	–	**62,053,063**	**(2,099,981)**	**(19,488,495)**	**4,604,150,183**	**8,482,410,607**	**423,492,782**	**8,905,903,389**
Net income for the year		–	–	–	–	–	–	–	–	–	**95,656,550**	**95,656,550**	**11,446,027**	**107,102,577**
Other comprehensive income (loss)		–	–	–	–	**26,181,005**	–	**(61,454,830)**	–	–	–	**(35,273,825)**	**(243,553)**	**(35,517,378)**
Total comprehensive income (loss) for the year		–	–	–	–	**26,181,005**		**(61,454,830)**	–	–	**95,656,550**	**60,382,725**	**11,202,474**	**71,585,199**
Issuance of capital stock	*14*	**1,217,647,488**	–	**3,149,279,629**	–	–	–	–	–	–	–	**4,366,927,117**	–	**4,366,927,117**
Cash dividends	*14*	–	–	–	–	–	–	–	–	–	**(233,145,000)**	**(233,145,000)**	–	**(233,145,000)**
Balance at December 31, 2019		**₱2,417,500,000**	**₱1,650,000,000**	**₱4,263,308,184**	**(₱90,411,278)**	**(₱9,492,947)**	**₱–**	**₱598,233**	**(₱2,099,981)**	**(₱19,488,495)**	**₱4,466,661,733**	**₱12,676,575,449**	**₱434,695,256**	**₱13,111,270,705**

					Attributable to Owners of the Parent Company									
		Capital Stock		Additional Paid-in		Retirement			Foreign Currency				Non-	
	Note	Common Shares	Preferred Shares	Capital - Common	Treasury Shares	Benefits Reserve	Revaluation Surplus	Fair Value Reserve	Translation Reserve	Other Reserve	Retained Earnings	Total	controlling Interests	Total Equity
Balance at January 1, 2018		₱1,199,852,512	₱1,650,000,000	₱1,114,028,555	(₱89,405,347)	(₱63,226,874)	₱62,142,500	₱47,181,438	(₱2,099,981)	(₱1,294,351)	₱4,379,108,901	₱8,296,287,353	₱628,581,025	₱8,924,868,378
Net income for the year		–	–	–	–	–	–	–	–	–	479,645,976	479,645,976	(14,563,127)	465,082,849
Other comprehensive income (loss)		–	–	–	–	27,552,922	(62,142,500)	14,871,625	–	–	–	(19,717,953)	(26,686,782)	(46,404,735)
Total comprehensive income (loss) for the year		–	–	–	–	27,552,922	(62,142,500)	14,871,625	–	–	479,645,976	459,928,023	(41,249,909)	418,678,114
Effect of change in interest in an investment	*9*	–	–	–	–	–	–	–	–	(18,194,144)	–	(18,194,144)	124,205	(18,069,939)
Treasury shares acquired	*14*	–	–	–	(1,005,931)	–	–	–	–	–	–	(1,005,931)	–	(1,005,931)
Cash dividends	*14*	–	–	–	–	–	–	–	–	–	(70,125,000)	(70,125,000)	(163,962,539)	(234,087,539)
Balance at December 31, 2018		₱1,199,852,512	₱1,650,000,000	₱1,114,028,555	(₱90,411,278)	(₱35,673,952)	₱–	₱62,053,063	(₱2,099,981)	(₱19,488,495)	₱4,788,629,877	₱8,666,890,301	₱423,492,782	₱9,090,383,083

		Attributable to Owners of the Parent Company												
		Capital Stock												
	Note	Common Shares	Preferred Shares	Additional Paid-in Capital - Common	Treasury Shares	Retirement Benefits Reserve	Revaluation Surplus	Fair Value Reserve	Foreign Currency Translation Reserve	Other Reserve	Retained Earnings	Total	Non-controlling Interests	Total Equity
Balance at January 1, 2017		₱1,199,852,512	₱1,650,000,000	₱1,114,028,555	(₱79,864,266)	(₱44,112,307)	₱–	₱76,268,593	(₱434,274)	(₱1,294,351)	₱4,298,999,625	₱8,213,444,087	₱606,194,703	₱8,819,638,790
Net income for the year		–	–	–	–	–	–	–	–	–	430,275,524	430,275,524	56,541,226	486,816,750
Other comprehensive income (loss)		–	–	–	–	(19,114,567)	62,142,500	(29,087,155)	(1,665,707)	–	–	12,275,071	26,255,041	38,530,112
Total comprehensive income (loss) for the year		–	–	–	–	(19,114,567)	62,142,500	(29,087,155)	(1,665,707)	–	430,275,524	442,550,595	82,796,267	525,346,862
Effect of change in interest in an investment	*9*	–	–	–	–	–	–	–	–	–	(29,938,371)	(29,938,371)	39,646,055	9,707,684
Treasury shares acquired	*14*	–	–	–	(9,541,081)	–	–	–	–	–	–	(9,541,081)	–	(9,541,081)
Cash dividends	*14*	–	–	–	–	–	–	–	–	–	(320,227,877)	(320,227,877)	(100,056,000)	(420,283,877)
Balance at December 31, 2017		₱1,199,852,512	₱1,650,000,000	₱1,114,028,555	(₱89,405,347)	(₱63,226,874)	₱62,142,500	₱47,181,438	(₱2,099,981)	(₱1,294,351)	₱4,379,108,901	₱8,296,287,353	₱628,581,025	₱8,924,868,378

LEISURE & RESORTS WORLD CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	**2019**	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**₱975,096,353**	₱1,014,224,943	₱742,889,951
Adjustments for:				
Unrealized gain on changes in fair values of investment properties	*8*	**(2,449,424,356)**	(1,329,408,530)	(256,852,850)
Loss on sale of an investment	*9*	**741,480,264**	–	–
Depreciation and amortization	*7, 11*	**646,610,284**	471,302,380	492,645,814
Finance expense	*19*	**550,276,058**	428,176,343	169,860,776
Equity in net earnings of joint ventures	*9*	**(149,007,689)**	(114,866,158)	(61,000,669)
Loss on impairment of non-financial assets	*6, 7, 11*	**136,673,973**	111,865,997	28,493,486
Loss on sublease	*17,19*	**123,918,498**	–	–
Loss on impairment of financial assets	*5, 9*	**110,415,981**	35,000,826	44,873,823
Equity in net earnings of associates	*9*	**(91,601,846)**	(70,421,894)	(446,730,491)
Retirement benefits	*18*	**34,414,640**	29,299,114	172,345,591
Unrealized foreign exchange loss (gain) - net		**(13,501,397)**	1,414,145	(3,811,380)
Finance income	*19*	**(4,169,920)**	(1,396,080)	(44,589,655)
Gain on pre-termination of advances to a casino project	*24*	–	–	(199,494,851)
Operating income before working capital changes		**611,180,843**	575,191,086	638,629,545
Decrease (increase) in:				
Receivables		**(163,537,877)**	(223,707,923)	(48,114,167)
Prepaid expenses and other current assets		**(107,081,739)**	(3,635,572)	29,767,442
Playing cards		–	4,062,409	2,266,172
Increase (decrease) in:				
Trade and other payables		**(16,700,331)**	354,897,588	425,447,435
Deposits		**2,074,698**	(14,258,389)	(4,016,197)
Due to a related party		–	(9,070,691)	–
Cash generated from operations		**325,935,594**	683,478,508	1,043,980,230
Income taxes paid		**(34,512,300)**	(65,046,095)	(170,615,600)
Benefits paid	*18*	**(54,776,692)**	(2,172,429)	(94,213,563)
Interest received		**4,169,920**	1,396,080	6,969,655
Net cash provided by operating activities		**240,816,522**	617,656,064	786,120,722
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of an investment	*9*	**1,000,000,000**	–	–
Additions to:				
Investments and advances	*9*	**(95,743,815)**	(69,048,376)	146,906,200
Property and equipment	*7*	**(188,200,400)**	(236,249,645)	(610,719,393)
Other noncurrent assets		**(113,734,433)**	(158,497,588)	(164,956,741)
Investment properties	8	**(17,540,217)**	(33,804,628)	(4,888,210,589)

(Forward)

		Years Ended December 31		
	Note	**2019**	2018	2017
Increase in due from related parties		**₱–**	₱–	(₱106,901,348)
Effects of change in control in an investment		**–**	–	45,582,977
Interest received		**–**	–	37,620,000
Cash given up from acquisition of subsidiaries and sites	*10*	–	(18,069,740)	(74,400,000)
Proceeds from advances to a casino project		**–**	–	3,961,494,851
Net cash provided by (used in) investing activities		**584,781,135**	(515,669,977)	(1,653,584,043)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from loans payable	*12*	**136,700,000**	1,139,735,145	5,233,804,606
Payments of loans payable	*12*	**(2,298,588,373)**	(724,067,441)	(4,161,381,258)
Payment of lease liabilities	*17*	**(268,395,972)**	–	–
Dividends paid		**(156,995,000)**	(79,440,258)	(310,989,652)
Interest paid	*12*	**(498,952,982)**	(428,176,343)	(169,860,776)
Proceeds from issuance of capital stock	*14*	**4,366,927,117**	–	–
Payments for acquisition of treasury shares	*14*	–	8,721,847	(9,541,081)
Payments of obligations under finance lease		–	–	(220,955)
Net cash provided by (used in) financing activities		**1,280,694,790**	(83,227,050)	581,810,884
EFFECT OF EXCHANGE RATE CHANGES ON CASH		**10,222,618**	(1,212,145)	(2,761,470)
NET INCREASE (DECREASE) IN CASH		**2,116,515,065**	17,546,892	(288,413,907)
CASH AT BEGINNING OF YEAR		**442,130,215**	424,583,323	712,997,230
CASH AT END OF YEAR	*4*	**₱2,558,645,280**	₱442,130,215	₱424,583,323

See Notes to the Consolidated Financial Statements.

1. **Reporting Entity**

Leisure & Resorts World Corporation (LRWC or 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 accompanying consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries (collectively referred to as the "Group" and individually as "Group entities") and the Group's interest in joint ventures and associates.

The Parent Company is a public company under Section 17.2 of the Securities Regulation Code (SRC) and its shares are listed on the Philippine Stock Exchange, Inc. (PSE).

The Group's primary purpose is to engage in 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.

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

Approval and Authorization for Issuance of the Financial Statements
The accompanying consolidated financial statements as at and for the years ended December 31, 2019 and 2018 reviewed and recommended for approval by the Audit Committee on June 30, 2020. On the same date the Board of Directors (BOD) approved and authorized the issuance of the consolidated financial statements.

2. **Basis of Preparation and Summary of Significant Accounting Policies**

Basis of Preparation
The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

The consolidated financial statements have been prepared on a historical cost basis, except for the following items, which are measured on an alternative basis on each reporting date.

Items	Measurement bases
Financial assets at fair value through other comprehensive income (FVOCI)	Fair value
Investment properties	Fair value

The consolidated financial statements are presented in Philippine peso, the Group's functional and presentation currency. All values are rounded to the nearest peso, except when otherwise indicated.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2019:

- PFRS 16, *Leases*

  PFRS 16 supersedes PAS 17, *Leases,* Philippine Interpretation IFRIC 4*, Determining whether an Arrangement contains a Lease*, Philippine Interpretation Standard Interpretations Committee ("SIC") -15, *Operating Leases-Incentives* and Philippine Interpretation SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.* The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the balance sheet.

  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. Therefore, PFRS 16 did not have an impact for leases where the Group is the lessor.

  The Group adopted PFRS 16 using the modified retrospective approach upon adoption of PFRS 16 in 2019 and elects to apply the standard to contracts that were previously identified as leases applying PAS 17 and Philippine Interpretation IFRIC-4. The Group will therefore not apply the standard to contracts that were not previously identified as containing a lease applying PAS 17 and Philippine Interpretation IFRIC-4.

  The effect of adoption of PFRS 16 as at January 1, 2019 is as follows:

	Note	Increase (Decrease)
Assets:		
Property and equipment	7	₱435,069,686
Investment properties	8	125,628,015
Prepaid expenses and other current assets		(3,794,859)
		₱556,902,842
Liabilities:		
Lease liabilities	17	₱747,967,120
Trade and other payables		(6,584,584)
Equity -		
Retained earnings		(184,479,694)
		₱556,902,842

  The Group has lease contracts for land, office and site spaces. Before the adoption of PFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. Refer to Note 2 for the accounting policy prior to January 1, 2019.

  Upon adoption of PFRS 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 2 for the accounting beginning January 1, 2019.

Leases previously accounted for as operating leases
The Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate (IBR) at the date of initial application.

The Group also applied the available practical expedients wherein it:
- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application

Based on the above, as of January 1, 2019:
- Property and equipment and investment properties were recognized amounting to ₱619.5 million and ₱125.6 million, respectively, representing the amount of right-of-use assets set up on transition date.
- Additional accumulated depreciation of ₱184.5 million was recognized for leasehold improvements due to the change is useful life.
- Lease liabilities of ₱784.0 million were recognized.
- Prepaid expenses and other current assets of ₱3.8 million and trade and other payables of ₱6.6 million related to previous operating leases arising from advance rentals and straight lining under PAS 17 were derecognized.
- The net effect of these adjustments amounting to ₱184.5 million had been adjusted to retained earnings.

The lease liability as at January 1, 2019 can be reconciled to the operating lease commitments as of December 31, 2018 follows:

Operating lease commitments as at December 31, 2018	₱1,246,124,693
Weighted average incremental borrowing rate at January 1, 2019	6.872% - 7.512%
Discounted operating lease commitments at January 1, 2019	1,025,338,183
Less: Commitments relating to short term leases	(277,371,063)
Lease liabilities recognized at January 1, 2019	₱747,967,120

Due to the adoption of PFRS 16, the Group's operating profit in 2019 improved, while its interest expense increased. This is due to the change in the accounting for rent expense related to leases that were classified as operating leases under PAS 17.

- 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

The Group is required to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and use the approach that better predicts the resolution of the uncertainty. The entity shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

Upon adoption of the Interpretation, the Group has assessed whether it has any uncertain tax position. The Group applies significant judgment in identifying uncertainties over its income tax treatments. The Group determined, based on its assessment, in consultation with its tax counsel, that it is probable that its income tax treatments will be accepted by the taxation authorities. Accordingly, the interpretation did not have an impact on the financial statements of the Group.

- 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 the contractual cash flows are "solely payments of principal and interest on the principal amount outstanding" (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.

  These amendments have no impact on the financial statements of the Group.

- 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:

  - 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; and

  - Determine 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 the 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 had no impact on the consolidated financial statements of the Group as it did not have any plan amendments, curtailments, or settlements during the period.

- 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*.

  These amendments had no impact on the consolidated financial statements as the Group does not have long-term interests in its associate and joint venture.

- *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 Group 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 Group because dividends declared by the Group 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 not applicable to the Group.

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

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.

  These amendments will apply on future business combinations of the Group.

- 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, 2023

- 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 Group.

Basis of Consolidation
The consolidated financial statements include the financial statements of LWRC and its subsidiaries as at December 31 each year and for the years then ended. The Group controls an investee if and only if the Group has:

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

Generally, there is a presumption that a majority of voting rights result in control. To support the presumption and when the Group has less than a majority of the voting rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over the investee, including:

- the contractual arrangements with the other vote holders of the investee
- rights arising from other contractual arrangements
- the Group's voting rights and potential voting rights

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

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Group to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets, liabilities, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. Any excess or deficit of consideration paid over the carrying amount of the non-controlling interest is recognized as part of "Other reserve" account in the equity attributable to the equity holders of the Parent.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resulting gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

The consolidated financial statements include the financial statements of the Group and the following subsidiaries as at December 31, 2019 and 2018:

Subsidiaries	Percentage of Ownership	Country of Incorporation
AB Leisure Exponent, Inc. (ABLE)	100	Philippines
AB Leisure Global, Inc. (ABLGI)	100	Philippines
LR Land Developers, Inc. (LRLDI)	100	Philippines
Prime Investment Korea, Inc. (PIKI)	100	Philippines
Total Gamezone Xtreme Incorporated (TGXI)	100	Philippines
Blue Chip Gaming and Leisure Corporation (BCGLC)	100	Philippines
Gold Coast Leisure World Corporation (GCLWC)	100	Philippines
LR Data Center and Solutions Inc. (LRDCSI)*	80	Philippines
First Cagayan Leisure and Resort Corporation (FCLRC)	69.68	Philippines
First Cagayan Converge Data Center, Inc. (FCCDCI)***	57.81	Philippines
Bingo Bonanza (HK) Limited (BBL)**	60	Hong Kong

**Incorporated on May 20, 2016 and started its commercial operations in October 2017.*
***Non-operating subsidiary.*
****Consolidated effective January 1, 2017 through FCLRC and LRDCSI at 60% and 20%, respectively.*

Non-controlling interests
Non-controlling interests represent the portion of profit or loss and net assets or liabilities not held by the Group and are presented separately in the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity, and within equity in the consolidated statements of financial position, separately from Group's equity attributable to equity holders of the Group. Losses applicable to the non-controlling interests in a subsidiary (including components of other comprehensive income) are allocated to the non-controlling interests even if doing so results in a deficit non-controlling interest balance.

The assumptions of an additional ownership interest in a subsidiary without a change of control is accounted for as an equity transaction in accordance with PFRS 3, *Business Combination*. In transactions where the non-controlling interest is acquired or sold without loss of control, any excess or deficit of consideration paid over the carrying amount of non-controlling interest is recognized as part of "Other Reserve" account in the equity attributable to equity holders of Group.

The following table summarizes the information relating to the Group entities non-controlling interests (NCI), before any intra-group eliminations:

	December 31, 2019				
	LRDCSI	**FCLRC**	**BBL**	**FCCDCI**	**Grand Total**
Non-controlling interests percentage	**20.00%**	**30.32%**	**40.00%**	**42.19%**	
Current assets	**₱60,675,355**	**₱1,984,550,514**	**₱60,652**	**₱344,762,556**	**₱2,390,049,077**
Noncurrent assets	**61,297,371**	**539,381,978**	**33,437**	**197,470,001**	**798,182,787**
Current liabilities	**(82,795,268)**	**(1,305,032,466)**	**(87,144,381)**	**(154,687,754)**	**(1,629,659,869)**
Noncurrent liabilities	**(32,416)**	**(117,485,329)**	**–**	**(87,038,089)**	**(204,555,834)**
Net assets (liabilities)	**₱39,145,042**	**₱1,101,414,697**	**(₱87,050,292)**	**₱300,506,714**	**₱1,354,016,161**
Carrying amount of non-controlling interests	**₱7,829,008**	**₱333,948,936**	**(₱34,820,117)**	**₱126,783,782**	**₱433,741,609**

	December 31, 2019				
	LRDCSI	**FCLRC**	**BBL**	**FCCDCI**	**Grand Total**
Revenue	**₱99,733,764**	**₱458,352,744**	**₱–**	**₱521,638,814**	**₱1,079,725,322**
Net income (loss) for the year	**(₱13,991,364)**	**(₱51,491,563)**	**₱–**	**₱50,247,598**	**(₱15,235,329)**
Other comprehensive income	**–**	**(803,277)**	**–**	**–**	**(803,277)**
Total comprehensive income	**(₱13,991,364)**	**(₱52,294,840)**	**₱–**	**₱50,247,598**	**(₱16,038,606)**
Net income (loss) allocated to non-controlling interests	**(₱2,798,273)**	**(₱15,612,242)**	**₱–**	**₱21,199,462**	**₱2,788,947**
Other comprehensive income allocated to non-controlling interests	**–**	**(243,554)**	**–**	**–**	**–**
Cash flows from operating activities	**₱21,286,438**	**₱162,967,386**	**₱–**	**(₱14,661,234)**	**₱169,592,590**
Cash flows from (used in) investment activities	**(4,270,229)**	**2,246,296**	**–**	**19,073,149**	**17,049,216**
Cash flows used in financing activities	**–**	**(150,765,868)**	**–**	**(242,819)**	**(151,008,687)**
Net increase (decrease) in cash	**₱17,016,209**	**₱14,447,814**	**₱–**	**₱4,169,096**	**₱35,633,119**

	December 31, 2018				
	LRDCSI	FCLRC	BBL	FCCDCI	Grand Total
Non-controlling interests percentage	20.00%	30.32%	40.00%	42.19%	
Current assets	₱62,929,478	₱1,943,054,570	₱60,652	₱289,184,944	2,295,229,644
Noncurrent assets	50,241,502	547,425,319	33,437	232,858,278	830,558,536
Current liabilities	(66,820,215)	(1,305,080,378)	(87,144,381)	(179,824,330)	(1,638,869,304)
Noncurrent liabilities	(3,517,460)	(43,898,781)	–	(87,703,371)	(135,119,612)
Net assets (liabilities)	₱42,833,305	₱1,141,500,730	(₱87,050,292)	₱254,515,521	1,351,799,264
Carrying amount of non-controlling interests	₱8,566,661	₱346,087,406	(₱34,820,117)	₱107,380,098	₱427,214,048

	LRDCSI	FCLRC	BBL	FCCDCI	Grand Total
Revenue	₱82,815,034	₱395,499,397	₱–	₱576,050,696	₱1,054,365,127
Net income for the year	(₱14,946,463)	(₱67,086,311)	₱–	₱43,065,206	(₱38,967,568)
Other comprehensive loss	–	(93,907,157)	–	–	(93,907,157)
Total comprehensive income (loss)	(₱14,946,463)	(₱160,993,468)	₱–	₱43,065,206	(₱132,874,725)
Net income (loss) allocated to non-controlling interests	(₱2,989,293)	(₱20,340,570)	₱–	₱18,169,210	₱5,160,653
Other comprehensive income allocated to non-controlling interests	–	(41,015,793)	–	–	(41,015,793)
Cash flows from (used in) operating activities	₱483,824	(₱48,638,917)	₱–	₱33,639,485	₱(14,515,608)
Cash flows from (used in) investment activities	–	101,499,504	–	(40,588,661)	60,910,843
Cash flows used in financing activities	–	(43,699,548)	–	3,369,101	(40,330,447)
Net increase (decrease) in cash	₱483,824	₱9,161,039	₱–	(₱3,580,075)	₱6,064,788

ABLE

ABLE, a wholly-owned subsidiary, was registered with the SEC on March 31, 1995. Its 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.

The consolidated financial statements also include the following indirect subsidiaries owned through ABLE:

	Percentage of Ownership	
Subsidiaries	**2019**	2018
Alabang Numbers & Gaming Corporation	**100**	100
Allpoint Leisure Corporation	**100**	100
Alpha One Amusement and Recreation Corp.	**100**	100
Big Time Gaming Corporation	**100**	100
Bingo Extravaganza, Inc.	**100**	100
Bingo Gallery, Inc.	**100**	100
Bingo Heaven Inc.*	**100**	100
Bingo Palace Corporation	**100**	100
Cebu Entertainment Gallery, Inc.	**100**	100
Fiesta Gaming and Entertainment Corporation*	**100**	100
First Leisure & Game Co., Inc.	**100**	100
Galleria Bingo Corporation	**100**	100
Gamexperience Entertainment Corp.	**100**	100
Grand Polaris Gaming Co., Inc.	**100**	100
G-One Gaming & Technology, Inc.	**100**	100
Highland Gaming Corporation	**100**	100
Iloilo Bingo Corporation	**100**	100
Metro Gaming Entertainment Gallery, Inc.	**100**	100
Rizal Gaming Corporation	**100**	100
SG Amusement and Recreation Corp.	**100**	100
South Bingo Corporation	**100**	100
South Entertainment Gallery Incorporated	**100**	100
Topmost Gaming Corp.	**100**	100
Topnotch Bingo Trend, Inc. (Topnotch)	**100**	100
One Bingo Pavilion Inc.	**100**	100
Worldwide Links Leisure and Gaming Corporation	**100**	100
Bingo Dinero Corporation (Bingo Dinero)	**100**	95
Bingo Zone, Inc.*	**95**	95
Manila Bingo Corporation	**95**	95
Isarog Gaming Corporation	**90**	90
One Bingo Place, Incorporated	**80**	80
Summit Bingo, Inc.	**60**	60
Negrense Entertainment Gallery, Inc.	**55**	55

**Non-operating subsidiaries.*

ABLGI

ABLGI, a wholly-owned subsidiary, was registered with the SEC on October 20, 2009. 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. ABLGI started its operations on January 1, 2013.

The consolidated financial statements also include the following indirect subsidiaries owned through ABLGI as at December 31, 2019 and 2018:

Subsidiaries	Percentage of Ownership
AB Leisure Asia Holdings Inc. (ABLAHI)	100
AB Leisure Holdings Philippines Corp. (ABLHPC)	100
G-L Real Estate JV Corporation (GL-JV)	100
G-Boracay Land Holdings Inc. (GBLHI)	100
G-Boracay Alpha Holdings Inc. (GBAHI)	100
G-Boracay Beta Holdings Inc. (GBBHI)	100
G-Boracay Gamma Holdings Inc. (GBGHI)	100

These indirect subsidiaries were incorporated in 2017 for a future project. The land for such project was acquired in 2017 amounting to ₱4,759,548,749.

LRLDI
On December 10, 2007, the Parent Company incorporated LRLDI as its wholly-owned subsidiary. It is engaged in realty development and tourism. LRLDI started its operations in 2010.

PIKI
PIKI was registered with the SEC on November 9, 2012. Its primary purpose is to engage in the business of gaming, recreation, leisure and lease of property. On July 3, 2013, PIKI obtained a Grant of Authority from Philippine Amusement and Gaming Corporation (PAGCOR) for the privilege and authority to bring in pre-registered non-Philippine junket players (with passports bearing Philippine arrival dates no later than five (5) days prior to the initial entry in the Gaming Rooms) to play the designated junket Gaming Rooms at PAGCOR's Casino Filipino - Midas, with a minimum gaming table mix to be determined by PAGCOR. On March 22, 2013, the Parent Company acquired 100% of PIKI's outstanding capital stock. PIKI started its operations on July 26, 2013.

TGXI
TGXI was registered with the SEC on June 27, 2014 primarily to engage in general amusement, gaming operations and recreation enterprises. PAGCOR granted TGXI the privilege to establish, install, maintain, and operate a PAGCOR eGames Station ("PeGS"). PeGS is a gaming facility that offers virtual casino games. TGXI started commercial operations on July 16, 2014.

BCGLC
BCGLC was registered with the SEC on February 26, 2009. Its primary purpose is to provide investment, management counsel and to act as agent or representative for business enterprises engaged in gaming, recreation and leisure activities. On October 20, 2009, BCGLC (lessor), as the authorized representative of Munich Management Limited (a foreign corporation duly organized and registered in British Virgin Islands), entered into a contract of lease with PAGCOR (lessee), for the use of slot machines and gaming facilities.

On July 24, 2015, BCGLC incorporated Gold Coast Leisure World Corp. (GCLWC) as its wholly-owned subsidiary. Its primary purpose is to purchase, acquire, own, lease (except financial leasing), sell and convey real properties such as lands, buildings, factories, and warehouses and machineries, equipment, and other personal properties as may be necessary or incidental to the conduct of the corporate business, and to pay in cash, share of its capital stock, debentures and other evidences of indebtedness, or other securities as may be deemed expedient, for any business or property acquired by the corporation.

LRDCSI

LRDCSI was registered with SEC on May 20, 2016 and started its operation in October 2017. 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. The premium for such activity is warranted given the bespoke and higher level of customer engagement provided by the LRDCSI.

LRDCSI's portfolio includes solutions related to data center co-location, internet, private leased lines, mobile and voice platforms, cybersecurity, content delivery networks, e-commerce, and network and website optimization. LRDCSI aims to provide these services to customers and clients in all industry sectors including land based and online gaming operators. The authorized capital stock of LRDCSI is ₱100,000,000, divided into 100,000,000 shares with par value of P1 per share, of which ₱25,000,000 has been subscribed and paid. LRWC owns 80% of the outstanding capital stock of LRDCSI while an individual stockholder owns 20%.

FCLRC

FCLRC was incorporated on April 26, 2000 and is a Cagayan Special Economic Zone and Freeport (CSEZFP) registered enterprise. 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, CEZA 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.

FCCDCI

On March 1, 2007, FCLRC and IP Converge Data Center Corp. (IPCDCC) entered into a Shareholders Agreement (Joint Venture) to engage in the business of information technology such as, but not limited to IP communication, co-location, bandwidth, disaster recovery services, software development, internet merchant payment processing and payment solution to the licensed locators of FCLRC, as well as the CEZA. The Joint Venture shall likewise invest in building, upgrading and maintaining the IP communications infrastructure that connects CEZA to the global internet. This includes fiber optic networks, wireless radio stations, telco-grade internet data center, network operations center, and network hubs/access points. This investment is made by FCLRC in relation to the Master Development Plan for Tourism Area in CSEZFP and the Development of Information Technology (IT) Facilities and Telecommunications (Master Development Plan) (see Note 16).

FCCDCI was incorporated and registered with the SEC on November 14, 2007, and started commercial operations on January 1, 2008. FCLRC owns 60% of FCCDCI and the remaining 40% is owned by IPCDCC. In accordance with the Joint Venture Agreement, the shareholders agreed to allocate $3,000,000 for short-term capital expenditures which shall be financed by a combination of debt and equity. FCLRC shall source its capital for FCCDCI from internally-generated funds and bank or institutional financing.

On May 15, 2012, IPCDCC entered into a Deed of Assignment of Subscription Rights with IP Ventures, Inc. ("IPVI" a third party Group) whereby IPCDCC assigned all the rights, interests and participation to its 9,999,998 shares of stock in FCCDCI with a par and issue value of ₱1 to IPVI.

On January 1, 2017, IPVI entered into a Deed of Absolute Sale of Share of Stock with LRDCSI, whereby IPVI assigned its rights, interest and participation to its 5,000,000 shares of stock or 20% ownership in FCCDCI with a par and issue value of ₱1 for a total consideration of P16,400,000 to LRDCSI.

By virtue of the Deed of Absolute Sale of Share of Stock entered into by IPVI and LRDCSI, LRWC obtained a 57.81% effective interest and control in FCCDCI through its direct subsidiaries FCLRC and LRDCSI at 60% and 20% equity stake in FCCDCI, respectively. Thus, due to the effect of the 20% additional equity interest, FCCDCI is consolidated into the Group effective January 1, 2017.

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 and started its operations in March 2012. It is currently non-operational and in the process of liquidation.

Transactions Eliminated on Consolidation

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated. Unrealized gains from transactions with the equity accounted investees are eliminated against the investment to the extent of the Group's interest in investee. Unrealized losses are eliminated in the same way as unrealized gains, to the extent that there is no evidence of impairment.

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/noncurrent classification.

An asset is current when:

- it is expected to be realized or intended to be sold or consumed in 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

Initial Recognition and Measurement. Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI and fair value through profit or loss (FVPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group'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 Group'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 trade) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group has cash, receivables, due from related parties, rental deposits and cash performance bonds classified as financial asset at amortized cost. It also has investment in equity securities classified as financial asset at FVOCI. The Group has no financial asset designated as FVPL.

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 Group 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.

Financial assets designated at FVOCI (equity instruments). Upon initial recognition on January 1, 2018, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the consolidated statement of comprehensive income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Group elected to classify irrevocably its listed equity investment under this category.

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, 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 Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group 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 Group 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 Group could be required to repay.

Impairment of financial assets. The Group recognized an allowance from expected credit losses (ECL) 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 Group 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 trade and other receivables, the Group applies simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on historical loss experience, adjusted for forward-looking factors specific to the debtors and economic environment.

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

Prior to adoption of PFRS 9, the Group assesses at each financial reporting date whether there is an objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has or have occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Objective evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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 Group's financial liabilities include trade and other payables and due to related party which are classified as loans and borrowings.

The Group 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 EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of EIR. The EIR 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 Group; 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 Group 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 Group consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that tit has currently enforceable right of offset if the right is not contingent on a future event and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all counterparties.

Determination of Fair Value
The Group 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 Group.

The Group 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 Group 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 consolidated financial statements on a recurring basis, the Group 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 Group 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.

Prepaid Expenses and Other Current Assets
Prepaid expenses represent expenses not yet incurred but already paid in cash. These are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are recognized in profit or loss as they are consumed in operations or expire with the passage of time. These typically comprise prepayments for commissions, taxes and licenses and rental.

Prepaid expenses are classified in the consolidated statements of financial position as current assets when the cost of goods or goods related to the prepaid expenses are expected to be incurred within one year. Otherwise, prepaid expenses are classified as noncurrent assets.

Other current assets represent resources that are expected to be used up within one year after the reporting date. These typically comprise advances to contractors and suppliers, input value-added tax (VAT), playing cards, etc.

Investments and Advances
An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture of the Group. Significant influence is the power to participate in the financial and operating policies of the investee, but is not control or joint control over those policies.

A joint venture is an entity over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions, and over which the parties have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control is similar to those necessary to determine control over subsidiaries.

The Group's investments in associates and joint ventures are accounted for using the equity method in the consolidated financial statements. Under the equity method, investments in associates and joint ventures are carried in the consolidated statements of financial position at cost plus post-acquisition changes in the share of net assets, less any impairment in value. When the Group's share of losses exceeds the cost of the investments in associates and joint ventures, the carrying amount of that interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associates and the joint ventures. The carrying amount of the investments are adjusted to recognize the changes in the Group's share of net assets of the associates or joint ventures since the acquisition date. Goodwill relating to the associates or joint ventures is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The Group's share in profit or loss of associates or joint ventures are recognized as "Equity in net earnings of associates" and "Equity in net earnings of joint ventures" accounts, respectively, in the profit or loss. Unrealized gains and losses resulting from transactions between the Group and the associates or joint ventures are eliminated to the extent of the interest in the associates or joint ventures.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss with respect to the Group's net investment in the shares of stock of associates or joint ventures. At each reporting date, the Group determines whether there is objective evidence that the investments in associates or joint ventures are impaired. If there is such evidence, the Group recalculates the amount of impairment as the difference between the recoverable amount and carrying amount of the investment in shares of stock of associates or joint ventures. Such impairment loss is recognized as part "Equity in net earnings of associates" and "Equity in net earnings of joint ventures" accounts in the consolidated statement of comprehensive income.

Upon loss of significant influence over the associates or joint control over the joint ventures, the Group measures and recognizes any retained investment at fair value. Any difference between the carrying amount of the investment in shares of stock of associates or joint ventures upon loss of significant influence or joint control, and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

The financial statements of the associates or joint ventures are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group normally contributes cash or other resources to the associates and joint ventures. These contributions are included in the accounting records of the Group and recognized in its consolidated financial statements as part of its investments in associates and a joint venture.

Investments and advances also include advances to companies in which the Group has positive intention of taking over these companies or having ownership interest in the future.

<u>Property and Equipment</u>
Property and equipment, except land, is carried at cost less accumulated depreciation and impairment losses, if any. Land is stated at cost less any impairment in value.

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 Group. 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.

Effective January 1, 2019, it is the Group's policy to classify right-of-use assets as part of property and equipment. Prior to that date, all of the Group's leases are accounted for as operating leases in accordance with PAS 17, hence, not recorded on the statement of financial position. The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and lease term. Right-of-use assets are subject to impairment.

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 years or related lease term whichever is shorter
Aircraft and transportation equipment	5 - 15
Gaming equipment	5
Office furniture and fixtures and equipment	5
Network equipment	10
Condominium unit	25
Airstrip improvements*	10
Right-of-use asset	1 - 25

**Recorded under "Other noncurrent assets" account*

The Group estimates the useful life of its airstrip improvement based on the period over which the asset is expected to be available for use. The Group initially assessed that benefit may be derived from this asset over five (5) to fifteen (15) years.

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 Group statement of comprehensive income.

Investment Properties
Investment properties consist of land, land improvements, building, or part of a building or both held to earn long-term rental yields or for capital appreciation or both, and is not occupied by the Group or held for sale in the ordinary course of business.

The Group adopted the fair value model for accounting for its investment properties. Under this method, investment properties are initially measured at cost but are subsequently remeasured at fair value, which reflects market conditions at the reporting date. The fair value of investment properties is determined by independent real estate valuation experts using cost approach and sales comparison approach. Gains or losses arising from changes in the fair values of investment property are included in profit or loss in the period in which they arise.

Investment properties are derecognized when either those have been disposed of or when the investment properties are permanently withdrawn from use and no future benefit is expected from their disposal. Any gain and loss on derecognition of investment properties is recognized in profit or loss in the year of derecognition.

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of the owner occupation or commencement of development with a view to sell.

For a transfer from investment properties to owner-occupied properties, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If owner-occupied properties become investment properties, the Group accounts for such properties in accordance with the policy stated under property and equipment up to the date of change in use. When investment property that was previously classified as property and equipment is sold, any related amount included in the revaluation is transferred to retained earnings.

Lease Rights
The Group’s lease rights pertain to acquired rights and interests in the sublease agreement entered upon by the Group. Lease rights are accounted under Other noncurrent assets and stated at cost less accumulated amortization and impairment in value, if any. Lease rights are amortized on a straight-line basis over the lease term.

Business Combination
Business combinations are accounted for using the acquisition method as at the acquisition date. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at proportionate share of the acquiree’s identifiable net assets. Acquisition-related costs are expensed as incurred and included as part of “Costs and operating expenses” account in the consolidated statement of comprehensive income.

When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer’s previously held equity interest in the acquiree is remeasured at the acquisition date fair value and any resulting gain or loss is recognized in the profit or loss.

The Group measures goodwill at the acquisition date as: a) the fair value of the consideration transferred; plus b) the recognized amount of any non-controlling interests in the acquiree; plus c) if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less d) the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognized immediately in the consolidated statements of income. Subsequently, goodwill is measured at cost less any accumulated impairment in value. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying amount may be impaired.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in the consolidated statement of comprehensive income. Costs related to the acquisition, other than those associated with the issuance of debt or equity securities that the Group incurs in connection with a business combination, are expensed as incurred. Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in the consolidated statement of comprehensive income.

Goodwill

Goodwill acquired is initially measured as the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the resulting amount is negative (bargain purchase gain), it is recognized immediately in profit or loss. Following initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying amount may be impaired.

Impairment is determined by assessing the recoverable amount of the cash-generating unit or group of cash-generating units to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognized.

Bargain purchase gain, which is the excess of the net fair values of acquired identifiable nonmonetary assets of subsidiaries and associates over the cost of acquisition, recognized directly to profit or loss.

When subsidiaries are sold, the difference between the selling price and the subsidiary's net asset plus goodwill associated with the investment are recognized in consolidated statement of comprehensive income.

Impairment of Nonfinancial Assets

The carrying amounts of the Group's nonfinancial assets such as property and equipment and investments and advances and other noncurrent assets 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 Group 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.

Treasury Shares

When share capital is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus on the transaction is transferred to additional paid-in capital, while the resulting deficit is applied against additional paid-in capital and retained earnings, for any excess of deficit over the additional paid-in capital arising from treasury shares transactions.

Revaluation Surplus

Revaluation surplus pertains to accumulated gains and losses to revaluation of LRLDI and FCLRC's land (see Note 8).

Fair Value Reserve

Fair value reserve represents cumulative net change in the fair value of FVOCI, net of tax effect, as at reporting date (see Note 10).

Foreign Currency Translation Reserve

The assets and liabilities of the subsidiary with transactions denominated in currencies other than Philippine peso are translated using the applicable closing exchange rates on the reporting date. The income and expenses of the subsidiary with transactions denominated in currencies other than Philippine peso are translated using the exchange rates at the date of transactions. Foreign currency differences are recognized in other comprehensive income and accumulated in the "Foreign currency translation reserve" account in the consolidated statements of financial position.

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.

Dividend distribution to the Group's shareholder is recognized as a liability in the consolidated financial statements in the period in which the dividends are approved and declared by the Group's BOD.

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 Group expects to be entitled in exchange for those goods or services, excluding amounts collected on behalf of third parties. The Group 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 except for some entities of the Group which act as agent in certain commission revenue arrangements.

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

Electronic Bingo. Revenue from these bingo games are satisfied at a point in time and are recognized upon conclusion of each game cycle. The revenues is net of payments and share of machine vendors.

Traditional Bingo, Rapid Bingo and Pull Tabs. Revenue from these bingo games are satisfied at a point in time and are recognized upon sale of bingo cards.

Service and Hosting Fees. Revenue from bandwidth and co-location services are satisfied over time and are recognized as the services are performed. Service fees are satisfied at a point in time and are recognized upon processing of locators' application for a franchise. Hosting fees are satisfied over time and are recognized upon accrual of the gaming levy to locators based on their reported revenue as defined in the license agreement.

One time set-up charges. The one time set-up charge is recognized over the term of the contract.

Commission Income. Commission income is satisfied over time and is recognized when the related services are rendered based on a percentage of each PeGs' casino winnings.and gross gaming revenue of the junket.

Other income. Other income comprises miscellaneous income from operations and recognized at a point in time.

The following revenue streams are outside the scope of PFRS 15:

Rent Income. Income is recognized based on the percentage of the net wins (gross wins less payouts).

Interest Income. Interest income is recognized as it accrues in profit or loss using the EIR method.

Contract Balances

Contract Assets. A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Trade receivable. A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract Liabilities. A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due, whichever is earlier. Contract liabilities are recognized as revenue when the Group performs under the contract.

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 Group 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 Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

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

Electronic Bingo. Revenue is recognized upon conclusion of the game. The revenue is net of payouts and share of machine owners.

Traditional Bingo. Revenue is recognized upon sale of bingo cards.

Rapid Bingo. Revenue is recognized upon sale of rapid bingo cards. The revenue is net of share of machine owners.

Pull Tabs. Pull tabs receipts are recognized upon the sale of the cards.

Service and Hosting Fees. Service fees are recognized upon processing of locators' application for a franchise. Revenue from bandwidth and co-location services are recognized as the services are performed. Hosting fees are recognized upon accrual of the gaming levy to locators based on their reported revenue as defined in the license agreement.

Share in Gaming Revenue of a Casino Project. Share in gaming revenue is recognized based on a percentage of Premium Leisure and Amusement, Inc.'s (PLAI) earnings before interest, taxes, depreciation and amortization, or a percentage of PLAI's Net Win in a Casino Project, whichever is higher as defined in the operating agreement.

Compensation Fee from a Casino Project. Compensation fee arising from the operating agreement is recognized based on a percentage of Belle Corporation's net lease income from a casino project.

Commission Income. Income is recognized based on a percentage of each PeGs' casino winnings. Commission income is recognized when the related services are rendered and income from junket operations is recognized upon conclusion of the game.

Rent Income. Income from slot machines is recognized based on a percentage of the net win (gross wins less payouts).

Interest Income. Interest Income is recognized as it accrues in profit or loss using the EIR method.

Costs and Expenses 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 decreases 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.

Payouts represent payments to winners of traditional bingo games. This is recognized as expense upon conclusion of the game.

Leases
Upon adoption of PFRS 16, the determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Group as a Lessee Upon Adoption of PFRS 16

Lease liabilities
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the IBR at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of equipment and other rentals (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in “Retail and others” account in the consolidated statement of comprehensive income. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Group as Lessor. Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising from operating lease is accounted for on a straight-line basis over the lease terms and is included in revenues in the statements of comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Group as a Lessee Prior to Adoption of PFRS 16
Leases where the lessor retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognized as expense in profit or loss in the consolidated statement of comprehensive income or capitalized in the consolidated statement of financial position (in case of leases directly related to construction) on a straight-line basis over the lease term.

Employee Benefits
Short-term Benefits
The Group recognizes a liability, net of amounts already paid, and an expense for services rendered by employees during the accounting period. Short-term benefits given by the Group to its employees include salaries and wages, social security contributions, and other short-term benefits.

Retirement Benefits Liability
The Group's net obligation in respect of its retirement plan is calculated separately by estimating the amount of future benefits that employees have earned in return for their services in the current and prior periods and the benefits are discounted to determine its present value. The discount rate is the yield at the reporting date of long-term government bonds that have maturity dates approximating the terms of the Group's liabilities. The calculation is performed by a qualified actuary using the projected unit credit method.

When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of reductions in future contributions to the plan.

Remeasurements of the net defined benefit obligation or asset, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (excluding interest), if any, are recognized immediately in other comprehensive income. The Group determines the net interest expense or income on the net defined benefit obligation or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit obligation or asset, taking into account any changes in the net defined benefit obligation or asset during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed, or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit retirement plan when the settlement occurs.

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the consolidated financial statements do not differ materially from the amounts that would be determined at reporting date.

Income Taxes

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.

Foreign Currency

Foreign Currency Translations

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the reporting date.

Nonmonetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Nonmonetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on retranslation of financial liability designated as a hedge of the net investment in a foreign operation that is effective, or qualifying cash flow hedges, which are recognized in other comprehensive income.

Foreign Operations

The assets and liabilities of foreign operations are translated to Philippine peso at exchange rates at the reporting date.

Foreign currency difference is recognized in other comprehensive income, and presented in the foreign currency translation gain (Foreign currency translation reserve) in equity. However, if the operation is not a wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in other comprehensive income related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, relevant proportion of the cumulative amount is reattributed to non-controlling interests.

When settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item a-re considered to form part of a net investment in a foreign operation and are recognized in other comprehensive income, and presented in “Foreign currency translation reserve” in equity.

Segment Reporting

For purposes of management reporting, the Group is organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit. Such business segments are the bases upon which the Group reports its primary segment information.

Financial information on business segments is presented in Note 23 to the consolidated financial statements. The Group has one geographical segment and derives substantially of its revenues from domestic operations.

Earnings Per Share (EPS)

Basic EPS is computed by dividing net income by the weighted average number of common shares outstanding during the year, after giving retroactive effect to any stock dividends declared during the year.

Diluted EPS is consistent with the computation of the basic earnings per share while giving effect to all dilutive potential common shares that were outstanding during the period. Net income attributable to common shareholders and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential common shares.

Provisions

Provisions are recognized when the Group 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. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the receipt of the reimbursement is virtually certain. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingencies

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

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

3. Significant Accounting Judgments, Estimates and Assumptions

Use of Estimates and Judgement
The preparation of the Group's consolidated financial statements in accordance with PFRSs requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the amounts reported in the consolidated financial statements. However, uncertainty about these estimates, judgments 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, judgments and assumptions.

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 ae 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 Group financial statements is as follows:

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements.

Fair Value Measurement. A number of the Group's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. The Chief Financial Officer (CFO) has the overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values. The CFO regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, then the CFO assesses the evidence obtained to support the conclusion that such valuations meet the requirements of PFRSs, including the level in the fair value hierarchy in which such valuations should be classified.

Fair Value of Investment Properties
The Group carries its investment properties at fair value, with changes in fair value being recognized in profit or loss. The Group engages independent valuation specialists to determine the fair value. For the investment properties, the appraisers used a valuation technique based on comparable market data available for such property.

The fair values of the investment properties were arrived at using the sales comparison approach for land and cost approach for buildings and land improvements.

The key assumptions used to determine the fair value of these properties and sensitivity analyses are provided in Note 8.

Investment properties amounted to ₱9,773,653,000 and ₱7,306,688,427 as at December 31, 2019 and 2018, respectively. Unrealized gains on changes in fair values of investment properties recognized in profit or loss amounted to ₱2,449,424,356 in 2019, ₱1,329,408,530 in 2018, and ₱256,852,850 in 2017 (see Note 8).

Determination of Lease Term of Contracts with Renewal and Termination Options – Group as a Lessee (Upon Adoption of PFRS 16). The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Group did not include any renewal and termination options in determining the lease term as these are not reasonably certain to be exercised.

Operating Lease Commitments (Applicable prior to adoption of PFRS 16). 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 the Group statement of comprehensive income on a straight-line basis over the lease term. Rent expense recognized amounted to ₱645,549,812 in 2018 and ₱672,978,405 in 2017, while rent income recognized amounted to ₱560,720,589 in 2018, ₱463,350,087 in 2017 (see Note 17).

Acquisition Accounting. The Group accounts for acquired businesses using the acquisition method of accounting which requires that the assets acquired and the liabilities assumed are recognized at the date of acquisition based on their respective fair values.

The application of the acquisition method requires certain estimates and assumptions concerning the determination of the fair values of acquired intangible assets and property and equipment, as well as liabilities assumed at the acquisition date. Moreover, the useful lives of the acquired intangible assets and property and equipment have to be determined. Accordingly, for significant acquisitions, the Group obtains assistance from valuation specialists. The valuations are based on information available at the acquisition date.

As at December 31, 2019 and 2018, the carrying amounts of goodwill arising from business combinations amounted to ₱1,493,884,695 and ₱1,502,067,704, respectively (see Note 10).

Determination and Classification of Joint Arrangement. The Group determines a joint arrangement in accordance with its control over the entity or joint operations rather than its legal form. The Group's investments in joint venture is structured in a separate incorporated entity. The joint venture agreement requires unanimous consent from all parties to the agreement for the relevant activities identified. The Group 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 Group has determined its involvement in joint arrangement and determined that its investment is classified as joint venture.

Hotel Enterprises of the Philippines, Inc. (HEPI) - Although the Group has 51% ownership in HEPI, the shareholders' agreement provides for equal representation in the board of directors which in substance is similar to a joint venture arrangement.

Distinction Between Investment Property and Property and Equipment. The Group determines whether a property qualifies as an investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by the Group. Property and equipment generate cash flows that are attributable not only to property but also to the other assets used for administrative purposes and rendition of services.

If the portion cannot be sold separately, the property is accounted for as an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as an investment property. The Group considers each property separately in making its judgment. The Group has determined that the land, land improvements and building are investment properties.

Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the financial reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of Goodwill. Goodwill is tested for impairment annually. 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 consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amounts and any resulting impairment losses could have a material adverse impact on the results of operations.

The impairment testing of goodwill utilized significant unobservable inputs (Level 3) to determine the value in use.

The Group performs impairment testing of goodwill annually. The recoverable amount of the cash generating units containing the goodwill is based on the value-in use which is determined on discounting the future cash flows to be generated from the continuing use of the cash generating units.

The following are the key assumptions used by the management in the estimation of the recoverable amount:

- *Gross Revenues*. Gross revenues of the Group over the next five (5) years are projected to grow in line with the economy or with the nominal Gross Domestic Product. This assumes that the market share of the subsidiaries in their respective territories will be flat on the assumption that it will also grow at par with the economy.

  The revenue growth rates used for the gross revenues are as follow:

	2019	2018
TGXI	**5%**	5%
BCGLC	**8%**	10%
ABLE and other units	**5%**	5%
FCLRC	**5%**	5%

- *Operating Expenses*. Operating expenses are projected to increase at a single-digit growth rate and at a slower pace than revenue.

- *Discount Rate*. Discount rates are derived from the Group's Weighted Average Cost of Capital (WACC) which is used by the management to assess operating performance and to evaluate future investment proposals. In determining appropriate discount rates, regard has been given to various market information, including, but not limited to, five-year government bond yield, bank lending rates and market risk premium. The pre-tax discount rates used are as follow:

	2019	2018
TGXI	**8.53%**	10.10%
BGCLC	**8.53%**	10.10%
ABLE and other units	**8.53%**	10.10%
FCLRC	**8.53%**	10.10%

- *Terminal Growth Rate*. The long-term rate used to extrapolate the cash flow projections of the acquired investments beyond the period covered by the recent budget excludes expansions and possible acquisitions in the future. Management also recognizes the possibility of new entrants, which may have significant impact on existing growth rate assumptions. Management however, believes that new entrants will not have a significant adverse impact on the forecast included in the cash flow projections. The terminal growth rates used in the cash flow projections for all cash generating units are 4.7% in 2019 and 4.5% in 2018.

In 2019, the Group recognized an allowance for impairment loss on the goodwill of one of its bingo units amounting to ₱8,183,009. As at December 31, 2019 and 2018, the carrying amounts of goodwill amounted to ₱1,493,884,695 and ₱1,502,067,704, respectively (see Note 10).

Definition of Default and Credit-Impaired Financial Assets
The Group 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 Group'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 Group, 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 Group 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 probability of default (PD), loss given default (LGD) and exposure at default (EAD) throughout the Group's ECL calculation.

Simplified Approach for Trade Receivables and Due from Related Parties
The Group 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 Group's historical observed default rates. The Group 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.

Grouping of instruments for losses measured on collective basis
For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous. The characteristics and any supplementary data used to determine groupings are outlined below.

Trade receivables and Due from Related Parties - Groupings for collective measurement

a. Currency
b. Type of patron

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 Group 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.

As at December 31, 2019 and 2018, the aggregate carrying amounts of receivables and due from related parties of the Group amounted to ₱1,856,975,196 and ₱1,113,018,829, respectively (see Notes 5, 17 and 20). As at December 31, 2019 and 2018, the related allowance for impairment losses on receivables and due from related parties amounted to ₱248,408,408 and ₱240,873,866, respectively (see Note 5).

Estimating Provisions and Contingencies. The Group, in the ordinary course of business, sets up appropriate provisions for its present legal or constructive obligations, if any, in accordance with its policies on provisions and contingencies. In recognizing and measuring provisions, management takes risk and uncertainties into account.

The Group has several tax cases at the Supreme Court and Court of Tax Appeals. The Group's estimates of the probable costs for the resolution of these cases have been developed in consultation with outside legal counsel handling the prosecution and defense of these matters and are based on an analysis of potential results. The Group currently does not believe that the cases will have a material adverse effect on its consolidated financial statements. It is possible, however, that the future consolidated financial statements could be materially affected by changes in the estimates or in the effectiveness of strategies relating to its proceeding. As such, the Group has not recognized any provision as at December 31, 2019 and 2018 (see Note 25).

Leases - Estimating the Incremental Borrowing Rate. The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

The Company's lease liabilities amounted to ₱781,776,527 as of December 31, 2019 (see Note 17).

Impairment Losses of Nonfinancial Assets Other than Goodwill
The Group assesses impairment on nonfinancial assets such as property and equipment, investments and advances, airstrip improvements and lease rights when events or changes in circumstances indicate that the carrying amount may not be recoverable.

The factors that the Group 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 consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amounts and any resulting impairment losses could have a material adverse impact on the results of operations.

There are no indicators of impairment on the Group's property and equipment, non-financial investments and advances, airstrip improvements and lease rights for the years ended December 31, 2019, 2018 and 2017.

As at December 31, 2019 and 2018, the following are the carrying amounts of the Group's nonfinancial assets other than goodwill:

	Note	**2019**	2018
Property and equipment - net	*7*	**₱1,964,516,238**	₱1,758,184,141
Investments and advances - net	*9*	**2,507,626,755**	4,573,784,614
Airstrip improvements - net*	*11*	**31,000,512**	34,093,504
Lease rights - net	*11*	**18,998,422**	19,000,000
Input VAT	*6, 11*	**23,297,299**	24,234,888

**Recorded under "Other noncurrent assets" account in the consolidated statement of financial position.*

As at December 31, 2019 and 2018, the related allowance for impairment loss on investments amounted to ₱225,218,314 and ₱122,336,875, respectively (see Note 9). As at December 31, 2019 and 2018, the Company recognized related allowance for input VAT amounted to ₱212,338,952 and ₱111,865,997, respectively (see Notes 6 and 11).

In 2019, the Group recognized impairment loss for CW, included in "Others" in amounting to ₱28,018,009 million (see Note 11).

Estimating Retirement Benefits Liability. The cost of defined benefit pension plans and other post-employment benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each financial reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

As at December 31, 2019 and 2018, retirement benefits liability amounted to ₱180,338,178 and ₱225,822,184, respectively (see Note 18).

Estimating Realizability of Deferred Tax Assets. The Group 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 Group also reviews the expected timing and tax rates upon reversal of the temporary differences and adjusts the impact of deferred tax accordingly. The Group'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 Group's past results and future expectations on revenues and expenses.

As at December 31, 2019 and 2018, the Group recognized deferred tax assets amounted to ₱20,476 and ₱107,415,716, respectively and the Group's unrecognized deferred tax assets amounted to ₱621,304,720 and ₱393,394,577 respectively (see Note 21).

4. Cash

	Note	**2019**	2018
Cash on hand and payout fund		**₱88,532,255**	₱88,151,817
Cash in banks	*12, 13*	**2,470,113,025**	353,978,398
		₱2,558,645,280	₱442,130,215

Cash in banks earn interest at the respective bank deposit rates. Interest income recognized amounted to ₱4,169,920 in 2019, ₱1,396,080 in 2018, and ₱6,969,655 in 2017 (see Note 19).

Payout fund pertains to the cash held by the cashier which is intended to pay for the prizes of the winners of each traditional bingo game. This is replenished on a daily basis.

5. Receivables - net

	Note	**2019**	2018
Trade receivables		**₱1,031,849,278**	₱755,183,221
Advances to third parties		**165,968,773**	169,351,047
Marketing support fund		**77,000,000**	44,980,435
Advances to stockholders		**54,599,862**	53,232,344
Receivables from concessionaires		**7,597,140**	12,237,394
Management fee and commission		**–**	89,113,657
Others		**75,415,519**	35,473,538
		1,412,430,572	1,159,571,636
Less allowance for expected credit loss		**248,408,408**	240,873,866
		₱1,164,022,164	₱918,697,770

The movements in allowance for ECL in 2019 and 2018 are as follows:

	Note	**2019**	2018
Balance at beginning of year		**₱240,873,866**	₱132,435,557
Provisions during the year		**7,534,542**	106,641,224
Effect of translation adjustment		**–**	1,797,085
Balance at end of year		**₱248,408,408**	₱240,873,866

As at December 31, 2019 and 2018, the Group has recognized the following allowance for ECL:

	2019	2018
Trade receivables	**₱105,180,218**	₱97,645,676
Advances to third parties	**121,886,548**	121,886,548
Other receivables	**21,341,642**	21,341,642
	₱248,408,408	₱240,873,866

Trade receivables

Trade receivables are unsecured, noninterest-bearing and collectible within 30 days.

Advances to third parties

Advances to third parties consist mainly of funds provided to a future project reimbursable from the project partner. These advances are noninterest-bearing, unsecured and collectible on demand.

Marketing support fund
Marketing support fund pertains to the reimbursable advances made by the Group for the promotional activities relating to e-bingo machine and e-games platform provider.

Advances to stockholders
Advances to stockholders are unsecured, noninterest-bearing advances and collectible on demand.

Management fee and commission
Management fee pertains to monthly recurring fees paid by Techzone Philippines Inc. (TPI) to LRLDI for the management services rendered for the construction and development of Techzone Building Project (the "Techzone Project"). There is no management fee charged in 2019 and 2018.

The commission pertains to LRLDI's commission on the sale of the condominium units from the Project.

The balance was fully collected in November 2019.

Other receivables
Other receivables include current portion of receivable from Total Consolidated Asset Management, Inc. (TCAMI) related to the sale of the Group's 50% shares in TechZone Philippines, Inc. amounting to ₱50,000,000 (see Notes 9 and 20).

Other receivables also include cash advances made to companies which are engaged in similar gaming and amusement activities as the Group. Receivables from these companies represent noninterest-bearing and unsecured advances for working capital purposes that are due within one year.

6. Prepaid Expenses and Other Current Assets

	2019	2018
Input value-added tax (VAT)	**₱204,737,480**	₱115,465,045
Prepaid expenses	**73,164,047**	68,204,203
Advances to officers and employees	**38,324,531**	40,696,316
Advances to contractors and suppliers	**25,251,951**	27,526,530
Creditable withholding tax	**16,357,496**	16,875,433
Office supplies inventory	**122,487**	28,715,463
Others	**13,489,119**	9,225,230
	371,447,111	306,708,220
Allowance for non-recoverable input VAT	**(201,540,955)**	(111,865,997)
Allowance for losses on advances to officers and employees	**–**	(1,375,257)
	₱169,906,156	₱193,466,966

Prepaid expenses consist of prepaid taxes, prepaid rent, prepaid insurance on property and equipment, health care benefits of employees and advances for consultancy and professional services.

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.

Advances to contractors and suppliers are down payment to vendors that will be applied against future deliveries of goods and performance of services.

7. Property and Equipment

	Land	Leasehold Improvements	Aircraft and Transportation Equipment (Notes 12 and 13)	Gaming Equipment	Office Furniture, Fixtures and Equipment	Network Equipment	Condominium Unit	Construction in Progress	Right-to-use Asset	Total
Cost										
December 31, 2017	₱282,227	₱1,279,520,568	₱510,582,253	₱907,126,798	₱661,963,898	₱331,962,073	₱7,146,816	₱3,052,032	₱–	₱3,701,636,665
Additions	531,773	89,756,875	17,371,373	91,405,131	20,399,595	16,784,898	–	–	–	236,249,645
Retirement/ reclassification	–	3,052,032	–	–	–	–	–	(3,052,032)	–	–
December 31, 2018	814,000	1,372,329,475	527,953,626	998,531,929	682,363,493	348,746,971	7,146,816	–	–	3,937,886,310
Effect of adoption of PFRS 16 (see Note 2)	–	–	–	–	–	–	–	–	619,549,380	619,549,380
December 31, 2018, as restated	814,000	1,372,329,475	527,953,626	998,531,929	682,363,493	348,746,971	7,146,816	–	619,549,380	4,557,435,690
Additions	–	61,079,064	–	84,659,710	42,257,744	203,882	–	–	252,163,382	440,363,782
Retirement/reclassification	–	–	(10,006,004)	–	–	–	–	–	–	(10,006,004)
December 31, 2019	**814,000**	**1,433,408,539**	**517,947,622**	**1,083,191,639**	**724,621,237**	**348,950,853**	**7,146,816**	–	**871,712,762**	**4,987,793,468**
Accumulated Depreciation and Amortization										
December 31, 2017	–	752,365,498	164,107,027	212,665,321	405,065,371	138,460,124	5,494,292	–	–	1,678,157,633
Depreciation and amortization	–	190,925,128	42,832,177	92,263,599	144,748,918	30,572,987	201,727	–	–	501,544,536
December 31, 2018	–	943,290,626	206,939,204	304,928,920	549,814,289	169,033,111	5,696,019	–	–	2,179,702,169
Effect of adoption of PFRS 16 (see Note 2)	–	184,479,694	–	–	–	–	–	–	–	184,479,694
December 31, 2018, as restated	–	1,127,770,320	206,939,204	304,928,920	549,814,289	169,033,111	5,696,019	–	–	2,364,181,863
Depreciation and amortization	–	154,476,178	42,252,211	102,769,209	97,443,036	29,323,230	201,727	–	237,323,836	663,789,427
Retirement/reclassification	–	–	(4,694,060)	–	–	–	–	–	–	(4,694,060)
December 31, 2019	–	**1,282,246,498**	**244,497,355**	**407,698,129**	**647,257,325**	**198,356,341**	**5,897,746**	–	**237,323,836**	**3,023,277,230**
Net Book Value										
December 31, 2018	₱814,000	₱429,038,849	₱321,014,422	₱693,603,009	₱132,549,204	₱179,713,860	₱1,450,797	₱–	₱–	₱1,758,184,141
December 31, 2019	**₱814,000**	**₱151,162,041**	**₱273,450,267**	**₱675,493,510**	**₱ 77,363,912**	**₱150,594,512**	**₱1,249,070**	**₱–**	**₱ 634,388,926**	**₱1,964,516,238**

Certain assets are mortgaged to loans as disclosed in Note 12.

8. Investment Properties

	Land	Land Improvements	Building	Right-of-Use Asset	Total
December 31, 2017	₱5,773,327,999	₱14,400,000	₱250,214,000	₱–	₱6,037,941,999
Additions	28,167,937	4,494,469	1,142,222	–	33,804,628
Impairment	(141,726,000)	–	–	–	(141,726,000)
Unrealized gains on changes in fair values of investment properties	1,391,726,269	(2,549,469)	(12,509,000)	–	1,376,667,800
December 31, 2018	7,051,496,205	16,345,000	238,847,222	–	7,306,688,427
Effect of adoption of PFRS 16 (Note 2)	–	–	–	125,628,015	125,628,015
January 1, 2019, as restated	7,051,496,205	16,345,000	238,847,222	125,628,015	7,432,316,442
Additions	17,442,217	98,000	–	–	17,540,217
Amortization of right-of-use assets	–	–	–	(1,709,517)	(1,709,517)
Derecognition (Note 17)	–	–	–	(123,918,498)	(123,918,498)
Unrealized gains (loss) on changes in fair values of investment properties	2,458,640,578	(346,000)	(8,870,222)	–	2,449,424,356
December 31, 2019	**₱9,527,579,000**	**₱16,097,000**	**₱229,977,000**	**₱–**	**₱9,773,653,000**

In November 2017, the Group acquired parcels of land in Boracay, Aklan for future project use. As at December 31, 2019 and 2018, the estimated fair value of land in Boracay amounted to ₱8,516,258,000 and ₱6,110,953,258, respectively. Unrealized gains on changes in fair values of investment properties recognized amounted to ₱2,449,424,356 in 2019, ₱1,376,667,800 in 2018 and ₱256,852,850 in 2017.

In 2017, the land transferred from property and equipment to investment property represents land rights in CSEZFP. In the same year, management reassessed the use of the assets and plans to use the land for capital appreciation.

In 2010 and 2012, the Group purchased these from landowners who were granted free patent by the government in accordance with Republic Act (RA) 10023, also known as the Free Patent Act. Legal ownership is yet to be transferred after the prohibition period of five (5) years in accordance with the said RA. While the legal ownership is not yet transferred, the rights of ownership is already with the Group at the time of the execution of the transaction.

Right to transfer ownership for land rights acquired in 2010 and 2012 amounting to ₱140,967,803 is exercisable as at 2013. In 2017, the legal ownership of the parcel of land in Brgy. Rapuli, Sta. Ana, Cagayan and Brgy. San Vicente were transferred to the Group.

The estimated fair value of the parcels of land in CSEZFP amounted to ₱1,011,321,000 and ₱940,542,947 as at December 31, 2019 and 2018, respectively.

The following table provides the fair value hierarchy of the Group's investment properties as at December 31, 2019 and 2018:

	Fair value Hierarchy	2019	2018
Land	Level 3	**₱9,527,579,000**	₱7,051,496,205
Building	Level 3	**229,977,000**	238,847,222
Land improvements	Level 3	**16,097,000**	16,345,000
		₱9,773,653,000	₱7,306,688,427

The Group's investment properties are stated at fair value, which has been determined based on valuations performed by an accredited independent appraiser.

Valuation Techniques and Significant Unobservable Inputs. The fair values of the investment properties were arrived at using the sales comparison approach for land in Cagayan, market approach for land in Boracay and cost approach for buildings and land improvements.

Sales comparison approach is an approach that considers available market evidences. The aforesaid approach is based on sales and listings of comparable property registered within the vicinity. The technique of this approach requires the establishment of comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject property. The unobservable inputs to determine the market value of the property are the following: location characteristics, size, improvements and developments, and time element.

Market approach is an approach that considers the value of the land based on sales and listings of comparable property registered within the vicinity. The technique of this approach requires the adjustments of comparable property by reducing reasonable comparative sales and listings to a common denominator. This was done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity of the subject property. The appraiser's comparison was premised on the factors of location, size and shape of the lot, time element, and others.

Cost approach is an approach that considers as a substitute for the purchase of a given property, the possibility of constructing another property that is an equivalent to the original or one that could furnish equal utility with no undue cost resulting from delay. The appraiser particularly used the reproduction cost (New) less depreciation. In the context of the valuation, the depreciation refers to the adjustments made to the cost of reproducing or replacing the asset to reflect physical deterioration and functional, and economic obsolescence in order to estimate the value of the asset in a hypothetical exchange in the market when there is no direct sales evidence available.

Management believes that any reasonably possible change in any of the key assumptions would not cause the carrying amount of the investments properties to exceed the recoverable amount.

Rental income from investment properties which are included under "Rent income" account in profit or loss amounted to ₱26,121,174 in 2019, ₱25,416,844 in 2018, and ₱17,984,919 in 2017 (see Note 17). Direct costs attributable to rental income on investment properties arising from amortization, repairs and maintenance, real property tax and rent expense amounted to ₱10,644,014 in 2019, ₱24,889,917 in 2018, and ₱18,481,665 in 2017.

Noncash Investing Activity
The Company has unpaid acquisitions of investment properties amounting to ₱33,369,120 and ₱105,106,426 as at December 31, 2019 and 2018, respectively, which are included under "Trade and other payables" account in the consolidated statement of financial position.

9. Investments and Advances, and FVOCI

Investments and Advances

	Percentage of Ownership	**2019**	Percentage of Ownership	2018
Investments				
Associates:				
Binondo Leisure Resources, Inc. (BLRI)				
Preferred shares		**₱20,000,000**		₱20,000,000
Common shares	**30%**	**1,200,000**	30%	1,200,000
Techzone Philippines, Inc. (Techzone)				
Common shares	**0%**	**–**	50%	250,000,000
Insular Gaming Corp. (Insular)				
Common shares	**40%**	**199,800**	40%	199,800
		21,399,800		271,399,800
Accumulated equity in net earnings:				
Balance at beginning of year		**1,958,976,426**		1,888,554,532
Share in net earnings of associates		**91,601,846**		70,421,894
Sale of investment in TechZone		**(2,049,629,770)**		–
		948,502		1,958,976,426
Balance at end of year		**22,348,302**		2,230,376,226
Joint Ventures				
HEPI	**51%**	**750,938,000**	51%	750,938,000
Accumulated equity in net income:				
Balance at beginning of year		**300,107,396**		185,241,238
Share in net income from HEPI		**149,007,689**		114,866,158
		449,115,085		300,107,396
Balance at end of year		**1,200,053,085**		1,051,045,396
Advances				
Cagayan Premium Ventures Development Corporation (CPVDC) and Cagayan Land Property Development Corporation (CLPDC)		**₱1,017,390,583**		₱1,010,831,006
BLRI		**124,371,498**		134,333,058
Pacific Visionary		**94,139,697**		94,139,697
Land owners		**35,570,338**		35,570,338
AB Fiber Corp.		**31,696,665**		31,696,665
Eco Leisure		**26,136,049**		26,136,049
Others		**180,582,152**		81,436,354
		1,509,886,982		1,414,143,167
Allowance for impairment losses		**(225,218,314)**		(122,336,875)
		1,284,668,668		1,291,806,292
		2,507,070,055		4,573,227,914
Other investments - at cost		**556,700**		556,700
		₱2,507,626,755		₱4,573,784,614

BLRI

BLRI is a 30%-owned associate of LRWC. BLRI was incorporated in the Philippines and is engaged in the hotel and recreation business. It started commercial operations in August 2003.

On January 31, 2008, a provisional Grant of Authority was received by BLRI from PAGCOR to operate a Bingo Boutique to cover traditional, electronic and new rapid bingo operations and distribution/selling of pull tabs or break-open cards at the Binondo Suites Manila. On October 24, 2008, BLRI's bingo boutique started its commercial operations. In 2010, BLRI ceased its bingo boutique operations and entered into an operating lease agreement with PAGCOR as a lessor for the use of its gaming facilities and to Dragon Enterprises, Inc. for its store space. In 2014, BLRI ceased its hotel operations and entered into an additional operating lease agreement as a lessor with Chinatown Lai Lai Hotel, Inc.

LRWC 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 ₱27,065,669 and ₱27,965,303 as at December 31, 2019 and 2018, respectively.

On March 30, 2012, the Group and BLRI entered into a restructuring agreement for the payment of the latter's advances. The agreement provides for, among others, the commitment of BLRI to pay the carrying amount in five annual installments. The agreement also provides for the assignment of future rent income of BLRI from PAGCOR to the Group. Collections amounting to ₱25,183,883 were made in 2013 pertaining to the currently payable balance pursuant to the restructuring agreement.

In February 2015, the Group and BLRI entered into a new restructuring agreement for the remaining advances. BLRI committed to pay the amount of ₱15,000,000 per year thereafter until all advances are fully settled. The Group received payment of ₱5,000,000 in 2019 and ₱11,015,846 in 2018.

The investment and advances to BLRI was provided with a valuation allowance amounting to ₱61,200,000 as at December 31, 2017. In 2018, valuation allowance amounting to ₱40,000,000 was reversed. As at December 31, 2019 and 2018, valuation allowance amounted to ₱21,200,000

The summarized financial information of BLRI and the reconciliation of the presented summary of information to the carrying amounts of its interest in an associate are as follows:

	2019	2018
Current assets	**₱29,910,092**	₱20,696,705
Noncurrent assets	**14,322,996**	26,862,466
Current liabilities	**(170,258,018)**	(176,582,852)
Noncurrent liabilities	**(10,860,633)**	(10,860,663)
Total net liabilities	**(136,885,563)**	(139,884,344)
Investment in preferred shares	**20,000,000**	20,000,000
Equity attributable to common shares	**(156,885,563)**	(159,884,344)
Group's share in net assets	**(47,065,669)**	(47,965,303)
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	**27,065,669**	27,965,303
Carrying amount of interest in an associate	**₱–**	₱–

	2019	2018
Net income/total comprehensive income	**₱2,998,779**	₱4,282,870
Group's unrecognized share of total comprehensive income	**899,634**	1,284,861

Techzone

Techzone is a 50%-owned associate of LRLDI. Techzone was incorporated in the Philippines on April 16, 2012 and started its commercial operation on the same date. Techzone is engaged in the acquisition, lease, donation, etc. of real estate of all kinds.

On November 4, 2019, the Group entered in a Deed of Absolute sale with TCAMI (see Note 20) for the sale of the Group's 50% share in TechZone Philippines, Inc. for a total consideration of ₱1,750,000,000 of which ₱1,000,000,000 was paid in cash while the remaining balance of ₱750,000,000 is payable in 10 years with no interest. This transaction resulted to the derecognition of the Group's investment in TechZone and recognition of loss on sale of an investment amounting to ₱741,480,264 in the 2019 consolidated statement of comprehensive income.

The receivable from TCAMI of ₱700,000,000, net of current portion amounting ₱50,000,0000, was discounted using risk free rate of 4.63% (see Note 5). As at December 31, 2019, the present value of the receivable from TCAMI amounted to ₱508,149,507 and is shown separately in the 2019 consolidated statement of financial position of the outstanding amount is recorded under "Noncurrent asset" in the consolidated statement of financial position.

Insular

Insular is a 40%-owned associate of ABLE. Insular was incorporated in the Philippines and is engaged in providing amusement and recreation to the public in such forms as, but not limited to, traditional, electronic and rapid bingo games.

HEPI

HEPI is a 51%-owned joint venture between LRWC and Eco Leisure. HEPI is engaged in the hotel and recreation business. The management, supervision and control of the operations, property and affairs of HEPI are vested in its BOD which consists of three (3) directors each from LRWC and Eco Leisure, and one (1) independent director nominated by both parties. Any decision is subject for approval of LRWC and Eco Leisure, and each party cannot direct decision on their own.

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 and the reconciliation of the presented summary of information to the carrying amounts of its interest in a joint venture are as follows:

	2019	2018
Current assets***	**₱748,731,152**	₱774,712,300
Noncurrent assets	**3,009,414,434**	2,890,819,062
Current liabilities**	**(856,281,907)**	(1,187,472,221)
Noncurrent liabilities*	**(1,014,649,205)**	(883,016,606)
Total net assets	**1,887,214,474**	1,595,042,535
Other comprehensive income	**(1,152,718,137)**	(1,152,718,136)
Total net assets after adjustment	**734,496,337**	442,324,399
Share in net assets	**374,593,132**	225,585,443
Premium on acquisition	**825,459,953**	825,459,954
Carrying amount of interest in a joint venture	**₱1,200,053,085**	₱1,051,045,397

	2019	2018
Revenues	**₱747,101,225**	₱726,815,182
Net income/total comprehensive income	**292,171,939**	225,227,761
Parent Company's share of total comprehensive income	**149,007,689**	114,866,158

**Including noncurrent financial liabilities of ₱556,948,400 in 2019 and ₱722,041,352 in*
***Including current financial liabilities excluding trade and other payables of ₱234,166,313 in 2019 and ₱623,642,059 in 2018*
****Including cash of ₱56,285,665 in 2019 and ₱120,456,974 in 2018*

Advances to Eco Leisure
The advances is 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.

The advances to Eco Leisure was fully provided with a valuation allowance amounting to ₱26,136,049 as at December 31, 2019 and 2018.

FCCDCI
FCCDI is a joint venture corporation was formed to engage in the business of information technology such as IP communication, co-location, bandwidth, disaster recovery services, software development, internet merchant payment processing and payment solution, premium dial up access, voice over internet protocol, IP-wide area network services and other value-added services. Presently, FCCDCI provides a range of services to Internet Gaming Operators at the CSEZFP for a fee.

FCCDCI commenced its commercial operations on January 1, 2008, thus, since then, FCLRC's statement of income includes 60% equity in net earnings from FCCDCI.

On January 1, 2017, IPVI entered into a Deed of Absolute Sale of Share of Stock with LRDCSI, whereby IPVI assigned its rights, interest and participation to its 5,000,000 shares of stock or 20% ownership in FCCDCI with a par and issue value of P1 for a total consideration of P16,400,000 to LRDCSI.

In prior years, the management of the Group believes that it has control over FCCDCI, however, the Group's interests in unconsolidated investment in FCCDCI is determined to be immaterial in the consolidated financial statements. The Group consolidated FCCDCI effective January 1, 2017 following the acquisition of LRDSCI of 20% ownership in FCCDCI. As a result, the Group's ownership interest in FCCDCI increased to P57.81% and total investments in joint ventures amounting to ₱67,858,127 were derecognized. The consolidation of FCCDCI in the Group resulted in recognition of non-controlling interest amounting to ₱39,656,055.

FCCDCI and LRDCSI provide advanced information technology infrastructure services for businesses such as co-location, internet services, connectivity, business continuity and disaster recovery, and managed professional services. Service agreements with the customers are renewable annually, and require a security deposit equivalent to one to two months of current service or recurring fees. The security deposit is forfeited in favor of FCCDCI and LRDCSI in the event the customer pre-terminates the agreement without cause or when FCCDCI and LRDCSI exercise its right to terminate the agreement.

The Group recognized service fees from FCCDCI and LRDCSI amounting to ₱621,372,578 in 2019 ₱658,865,730 in 2018 and ₱664,780,103 in 2017, which is included under "Service and hosting fee" account in the consolidated statement of income. As at December 31, 2019 and 2018, customers' deposits from FCCDCI and LRDCSI included under "Deposits" and "Trade and other Payables" accounts in the consolidated statements of financial position amounted to ₱97,032,800 and ₱90,229,105, respectively.

FCCDCI and LRDSCI have a service agreement for bandwidth and co-location, including hosting and internet connection with IPCDCC. The Group recognized the amount of bandwidth and co-location in profit or loss amounted to ₱493,383,741 in 2019, ₱563,002,838 in 2018, and ₱475,211,023 in 2017.

<u>Advances to CPVDC and CLPDC</u>
This account pertains to the noninterest-bearing, demandable advances made by LRLDI to CPVDC and CLPDC to finance the construction and development of the Cagayan Special Economic Zone and Freeport (CSEZFP) Airport in Cagayan. CPVDC is a joint venture formed by CLPDC and Cagayan Economic Zone Authority (CEZA). CPVDC and CLPDC are incorporated in the Philippines.

The agreement among LRLDI, CPVDC and CLPDC provides for the following terms and conditions:

a. LRLDI agrees to invest funds or make advances into the Lal-lo Airport Project of CPVDC through a convertible loan in favor of CLPDC of a maximum amount of ₱700,000,000. CPVDC shall only use the advances to finance its capital expenditures and working capital requirements related to the construction, development of the airport;

b. LRLDI shall have the right to convert, in whole or in part, the outstanding amount of the advances at the time of the conversion, into new, unissued common shares of CLPDC subject to mutually agreed conversion price per conversion share;

c. CLPDC acknowledges and agrees that the advances will be directly received by CPVDC; and

d. CLPDC shall execute a separate agreement with LRLDI which provides for the specific procedures and details of borrowing, execution of the conversion and or repayment.

The construction of the airport is in line with the Master Development Plan with CEZA within the CSEZFP. LRLDI and FCLRC have significant operations within the CSEZFP which will benefit from the construction of the airport.

The construction of the airport was completed in 2014 and was upgraded in 2017. Upon submission of all the requirements needed by the Civil Aviation Authority of the Philippines, the airport received its first commercial flight in March 2018.

As at December 31, 2019, CLPDC and LRLDI have not executed the separate agreement mentioned above. The Group intends to convert the advances into shares of stocks upon consolidation and issuance of land titles.

The advances to CLPDC and CPVDC, including the land transferred to investment properties account and the land committed where the airport was built, is part of the investments committed in the Master Development Plan under the license agreement (see Note 16). The recent regulatory developments indicate potential impairment indicators which triggered an impairment testing using fair value less cost sell. There is no impairment loss recognized in 2019, 2018 and 2017.

As at December 31, 2019, the recoverable amount of advances to CLPDC and CPVDC was based on the Group's share in fair value less costs of disposal of the investments. The management determined the recoverable amount of the significant assets based on the valuations performed by an accredited independent appraiser and categorized as Level 3 fair value based on the inputs. The fair values of the investments were arrived using the Market Data Approach for land and Cost Approach for buildings and improvements. The valuation techniques and significant unobservable inputs of the two methods are discussed in Note 8.

Management believes that any reasonable possible change in any of the key assumptions would not cause the carrying amount of the investment in FCLRC would exceed the recoverable amount.

Advances to AB Fiber Corp.
On December 8, 2011, the Group entered into an agreement with AB Fiber Corp. for the subscription of 90,000 shares. In relation to this, deposits for future stock subscriptions were made by FCLRC amounting to ₱9,000,000 as at December 31, 2019 and 2018.

Advances to Pacific Visionary (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 which was initially due on or before December 31, 2019. The parties subsequently agreed to extend loan repayment for an additional period of one (1) year from December 31, 2019, or until December 31, 2020.

Others
In 2019, the Group recognized additional ₱102,881,439 impairment loss for advances to others.

Fair Value through Other Comprehensive Income (FVOCI)

	2019	2018
Balance at beginning of year	**₱168,180,654**	₱153,309,029
Unrealized gain (loss) during the year	**(61,454,830)**	14,871,625
Balance at end of year	**₱106,725,824**	₱168,180,654

The market prices of DFNN common shares as at December 31, 2019 and 2018 is ₱4.88 and ₱7.69, respectively.

On August 13, 2015, the LRWC'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 management does not intend to hold the investment for trading, the total converted amount of ₱98,690,971 has been classified as "financial assets at FVOCI" account in the consolidated statements of financial position as at December 31, 2019 and 2018.

10. Business Combination and Goodwill

Goodwill from business acquisitions within the Group amounted to ₱1,493,884,695 and ₱1,502,067,704 as at December 31, 2019 and 2018, respectively.

	2019	2018
TGXI	**₱598,273,933**	₱598,273,933
ABLE and other bingo units:		
ABLE Parent	**415,723,887**	415,723,887
Topnotch	**163,835,800**	163,835,800
Others*	**145,701,876**	145,701,876
BCGLC	**149,858,702**	149,858,702
FCLRC	**28,673,506**	28,673,506
Total	**1,502,067,704**	1,502,067,704
Less accumulated impairment losses	**8,183,009**	–
	₱1,493,884,695	₱1,502,067,704

**Various bingo entities which the goodwill is individually insignificant.*

In 2019, the Group recognized an allowance for impairment loss on the goodwill of one of its bingo units amounting to ₱8,183,009.

11. Other Noncurrent Assets

	Note	**2019**	2018
Rental deposits	*17*	**₱432,823,436**	₱436,816,153
Cash performance bonds	*15*	**298,950,000**	287,205,000
Cash in bank - restricted	*12*	**69,092,789**	69,727,993
Premium on group pension plan		**42,336,018**	20,762,614
Airstrip improvements - net	*16*	**31,000,512**	34,093,504
Performance cash deposits and betting credit funds		**32,450,000**	27,650,000
Input VAT		**20,100,774**	20,635,840
Lease rights		**18,998,422**	19,000,000
Utility and construction bond		**4,153,613**	2,872,486
Others		**49,135,604**	3,712,619
		₱999,041,168	₱922,476,209

Airstrip Improvements
The movements in this account are as follows:

Cost	**₱103,099,734**
Accumulated Depreciation	
January 1, 2018	65,913,238
Depreciation	3,092,992
December 31, 2018	69,006,230
Depreciation	3,092,992
December 31, 2019	**72,099,222**
Carrying Amount	
December 31, 2018	₱34,093,504
December 31, 2019	**₱31,000,512**

Cash Performance Bonds
Cash performance bonds pertain to surety bonds deposited with PAGCOR which are refundable at the end of the period covered by the License (see Note 15).

Performance Cash Deposits and Betting Credit Funds
PAGCOR granted TGXI the privilege to establish, install, maintain, and operate PeGS. For each PeGS, TGXI has a performance cash deposits with PAGCOR amounting to ₱100,000 and maintains betting credit funds amounting to ₱100,000. Performance cash deposits and betting credit funds are posted through Philweb Corporation (Philweb).

As at December 31, 2019 and 2018, performance cash deposits and betting credit funds amounting to ₱31,250,000 and ₱7,600,000 are reimbursable to Inter-active Entertainment Solutions Technology (IEST), one of TGXI's existing service provider.

Others
Others consist of land held for contribution, Input VAT and Creditable Withholding Tax. Land held for contribution pertains to parcels of land named to the Group where the CZEZFP Airport in Cagayan will be built. The Group intends to convert its advances to CLPDC which it will eventually contribute the parcels of land to CPVDC.

In 2019, the Group recognized impairment on input VAT and CWT amounting to ₱10,797,997 and ₱28,018,009, respectively.

Lease rights pertain to costs incurred in acquiring the properties under a sublease arrangement at Subic Bay Freeport Zone and San Pedro Laguna. Lease rights are amortized over the lease term.

The movements in lease rights are as follows:

Cost	
December 31, 2018	₱35,000,000
Additions	7,340,000
December 31, 2019	**₱42,340,000**

Accumulated Amortization	
January 1, 2018	₱11,000,000
Amortization	5,000,000
December 31, 2018	16,000,000
Amortization	7,341,578
December 31, 2019	**₱23,341,578**
Carrying Amount	
December 31, 2018	₱19,000,000
December 31, 2019	**₱18,998,422**

12. Loans Payable

					Long Term Loan			
Entity	**Note**	**Lender**	**Year**	**Short Term Loan**	**Current Portion**	**Noncurrent Portion**	**Interest**	**Maturity**
AB Leisure Global, Inc. (ABLGI)	a	**BDO**	**2019**	**₱–**	**₱–**	**₱2,467,530,914**	**6.12%**	**November 2017 – January 2022**
			2018	–	–	2,456,398,656	5.75%	
	b	**Classic Finance**	**2019**	**–**	**–**	**–**	**–**	
			2018	–	–	546,299,444	7% - 12%	November 2018 – May 2020
	b	**Fortunegate**	**2019**	–	**–**	**–**	**–**	
			2018	516,344,000	–	–	7% - 12%	November 2017 -April 30, 2018
First Cagayan Leisure and Resort Corporation (FCLRC)	**f**	**BDO**	**2019**	**–**	**35,088,186**	**–**	**6%**	**September 2015 – November 2020**
			2018	–	39,128,991	35,086,315	6%	September 2015 – November 2020
Leisure and Resorts World Corporation (LRWC)	**e**	**FHPI**	**2019**	–	**–**	**–**	–	
			2018	500,000,000	–	–	12%	November 2018 – February 2019
	c, d	**AUB**	**2019**	**140,500,000**	**142,396,435**	**37,266,595**	**6.25%**	**February 2019 - February 2021**
			2018	143,500,000	72,503,637	179,663,030	6.18%	June 2015 – May 2020
AB Leisure Exponent, Inc. (ABLE)	**h**	**UBP**	**2019**	**–**	**350,203**	**–**	**8.11%**	**August 2017 – August 2020**
			2018	–	3,441,000	480,418	8.11%	September 2018 – December 2019
	h	**BDO**	**2019**	**303,392,480**	**481,040**	**–**	**6.5%**	**August 2017 – October 2020**
			2018	397,004,980	1,446,400	636,899	8.60% - 9.23%	September 2019 – May 2020
	h	**AUB**	**2019**	**–**	**2,278,561**	**1,487,167**	**8.75%**	**May 2018 – August 2021**
			2018	–	1,495,553	3,715,949	8.75%	January 2018 – August 2021
	i	**UCPB**	**2019**	**450,000,000**	**–**	**–**	**7.5%**	**December 2019 – June 2020**
			2018	645,000,000	–	–	7.5%	October 2018 – March 2019

(Forward)

Entity	Note	Lender	Year	Short Term Loan	Long Term Loan Current Portion	Long Term Loan Noncurrent Portion	Interest	Maturity
	i	**PBB**	**2019**	**₱–**	**₱–**	**₱–**	**–**	
			2018	85,000,000	₱–	₱–	9.00%	October 2018 – January 2019
	i	**PBCOM**	**2019**	**–**	**–**	**–**	**–**	
			2018	67,629,440	–	–	8.5%	December 2018 – April 2019
Blue Chip Gaming Leisure Corporation (BCGLC)	j	**AUB**	**2019**	**–**	**135,503,427**	**170,357,584**	**8.42%**	**February 2019 – January 2022**
			2018	–	46,341,374	303,658,626	6.22%	December 2017 - 2020
	k	**UBP**	**2019**	**–**	**840,873**	**–**	**8.11%**	**August 2017 – July 2020**
			2018	–	1,168,568	840,873	8.11%	August 2017 – July 2020
	k	**BDO**	**2019**	**–**	**551,017**	**–**	**8.6%**	**July 2017 – 2020**
			2018	–	1,033,819	551,744	8.6%	July 2017 – 2020
First Cagayan Converge Data Center (FCCDCI)		**AUB**	**2019**	**–**	**1,679,536**	**146,427**	**8.50%**	**February 2018 – January 2021**
			2018	–	1,543,137	1,825,965	8.50%	February 2018 – January 2021
TOTAL			**2019**	**₱893,892,480**	**₱319,169,278**	**₱2,676,788,687**		
			2018	₱2,354,478,420	₱168,102,479	₱3,529,157,919		

a. In May 2013, ABLGI entered into a financing agreement with BDO Unibank, Inc. (BDO) for the purpose of funding ABLGI's contribution pursuant to the Operating Agreement with Belle Corporation (see Note 24). The loan amounted to ₱4,000,000,000 which is payable in 20 equal consecutive quarterly installments on its respective repayment dates up to February 20, 2019. Annual interest rate approximates 5.75% which is subject to change depending on the prevailing Bangko Sentral ng Pilipinas (BSP) thirty (30) day Reversed Repurchase Agreement Rate plus applicable spread of 225 basis points.

   On December 1, 2015, the maturity date of the financing agreement with BDO was extended from February 20, 2019 to May 21, 2021. BDO also extended an additional loan facility to ABLGI amounting to ₱1,100,000,000 for the purpose of financing the additional capital call of Belle Corporation and repayment of advances made by the stockholders of ABLGI. This loan shall be payable in 22 consecutive equal quarterly installments beginning February 20, 2016 until May 21, 2021. Annual interest rate approximates 6.25% which is subject to change depending on the prevailing BSP-30 day Reversed Repurchase Agreement Rate plus applicable spread of 225 basis points.

   Among the provisions of the loan contract, ABLGI is mandated to establish two bank accounts, a Debt Service Revenue Account (DSRA) and a Borrower Revenue Account (BRA). The DSRA is to be maintained at a certain level of funding to facilitate ABLGI's loan and interest payments to BDO. The BRA is established to accommodate the receipt of Belle payments, wherein BDO is authorized to directly debit the BRA to maintain the level of funding required by the DSRA.

   In consideration of the commitment of BDO to fund the ABLGI's equity investment, ABLGI, GL-JV, ABLAHI and ABLHPC has assigned to BDO in respective rights, titles and interest to all monies standing in the DSRA and DSPA, and other bank accounts created for this particular purpose, project receivables (collectively termed as "Assigned Collaterals"), as well as the proceeds, products, fruits of the aforementioned Assigned Collaterals.

   On November 4, 2016, ABLGI entered into a termination agreement with Belle Corporation in relation to the MOA and its implementing agreements for the casino project effective March 31, 2017 (see Note 24).

   On March 31, 2017, the Group fully paid the remaining loan balance out of the proceeds from Belle's payment of the Group's interest in the Project.

   On November 29, 2017, ABLGI executed an Omnibus Loan and Security Agreement (OLSA) with BDO to partially finance the equity investment which GL-JV has undertaken to use for the purpose of acquiring land in Boracay. The loan amounted to ₱2,500,000,000, which is payable in full on the final repayment date in November 2022. Interest rate approximates 5.66% per annum and is subject to change depending on the higher of (a) three (3) month Philippine Dealing System Treasury Reference Rate (PDST-R2) plus applicable spread of 2.5% divided by 0.95 or (b) 28-day Time Deposit Facility Rate plus applicable spread of 1% divided by 0.95. Interest is payable on a quarterly basis.

   Among the provisions of the agreement, ABLGI is mandated to establish two bank accounts, a DSRA and a Debt Service Payment Account (DSPA). Both accounts are to be maintained at a certain level of funding to facilitate ABLGI's loan and interest payments to BDO. In the event that funding in the DSPA is insufficient to cover payments of interest, BDO is authorized to directly debit the DSRA to maintain the required funding level. ABLGI is required to pay a front-end fee equivalent to zero point seventy-five percent (0.75%) of the total amount of loan. Transaction costs that are directly attributable on the issuance of loan amounted to ₱44,024,948 which were amortized over the life of the loan. Outstanding balance of the loan as at December 31, 2019 and 2018 amounted to ₱2,467,530,914 and ₱2,456,398,656.

In consideration of the commitment of BDO to fund the ABLGI's equity investment, ABLGI, GL-JV, ABLAHI and ABLHPC has assigned to BDO its respective rights, titles and interest to all monies standing in the DSRA and DSPA, and other bank accounts created for this particular purpose, project receivables (collectively termed as "Assigned Collaterals"), as well as the proceeds, products, fruits of the aforementioned Assigned Collaterals. The Group has classified its cash included under the DSRA and DSPA as "Cash in bank - restricted" account under other noncurrent assets in the consolidated statements of financial position amounting to ₱52,385,126 and ₱53,020,330 in 2019 and 2018, respectively (see Note 11).

As a part of the loan agreement with BDO, the Group is required to comply with affirmative financial ratios such as debt-to-equity which the Group complied with as at December 31, 2019 and 2018.

In addition, the loan is guaranteed by the following entities, (1) GL-JV, (2) ABLAHI, (3) ABLHPC, (4) LRWC, (5) ABLE, (6) TGXI, (7) PIKI, (8) BCGLC and (9) FCLRC.

The loan is likewise secured by project agreements, chattels and real assets owned by either one of the parties to the agreement. Mortgaged properties and mortgaged shares are as follows:

Mortgaged Properties	*Note*	Carrying Amount
Land	*8*	₱8,516,160,000
Investment property	*8*	141,411,000
		₱8,657,571,000

Mortgaged Shares	Shareholder	No of Shares	Carrying Amount
GL-JV	ABLHPC	5,000,000	₱500,000,000
ABLHPC	ABLAHI.	3,750,000	375,000,000
GBLHI	ABLGI	3,000,000	300,000,000
TGXI	LRWC	930,000	93,000,000
			₱1,268,000,000

b. In November 2017, ABLGI entered into short-term loan agreements with local finance companies, namely, Classic Finance Inc. (CFI) and Fortune Gate Holiday Philippines Inc. (FHPI), to partially finance the acquisition of land in Boracay by GL-JV. The loans amounting to ₱999,580,000 shall be payable in one year. Annual interest rate ranges from 7%-12% subject to change depending on the prevailing financial and monetary conditions. In consideration of the loan from FHPI, ABLGI pledged 47,801 shares of stock of HEPI, which is owned by LRWC, for a total amount of ₱47,801,000.

   On November 9, 2018, CFI extended the maturity of its loan until May 8, 2020. The unpaid interest and penalties amounting to ₱46,299,444 were added to the principal amount of the loan. As at December 31, 2018, the outstanding balance of the loan to CFI amounted to ₱546,299,444.

   On May 20, 2019, the ABLGI has settled the loan to FHPI amounting to ₱516,344,000. On October 31, 2019, ABLGI has fully paid the long term loan to CFI amounting to ₱546,299,444.

c. 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 upon request and submission of a promissory note to the bank.

   In 2015, LRWC converted this 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 is approximately 6.18%.

   As a part of the loan agreement with AUB, the Group is required to comply with affirmative financial ratios such as debt-to-equity and debt service coverage ratio which the Group complied with as at December 31, 2019 and 2018. 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. The fair value of the mortgaged shares of stocks amounted to ₱229,754,400 and ₱427,206,75 as at December 31, 2019 and 2018, respectively.

   On February 1, 2019, the LRWC 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.

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

e. In November 2018, the LRWC 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 LRWC's request to extend the loan repayment date to April 30, 2019. In April 2019, the Parent Company's loan to Fortunegate was paid in full.

f. In 2015, FCLRC entered into two loan agreements with BDO for the purchase of two (2) aircrafts. The loans were secured by the aircrafts as chattel mortgage.

   The first financing agreement amounted to ₱133,163,975 payable in 60 monthly installments beginning December 6, 2015 to November 6, 2020. Annual interest rates approximate 6% which are subject to change depending on the prevailing cost of money or effective value of the purchasing power of the Philippine peso.

   The second financing agreement amounted to ₱50,132,320 payable in 60 monthly installments beginning September 25, 2015 to August 25, 2020. Annual interest rate is approximately 6%, which is subject to change depending on the prevailing cost of money or effective value of the purchasing power of the Philippine peso. The carrying amounts of the aircraft amounted to ₱208,228,135 and ₱225,014,196 as at December 31, 2019 and 2018, respectively.

g. In 2016, FCLRC entered into auto loan agreement with chattel mortgage with United Coconut Planters Bank (UCPB) for the purchase of a vehicle. The loan amounted to ₱2,613,600 payable in 24 monthly installments beginning November 25, 2016 to October 25, 2018. The carrying amount of the vehicle amounted to ₱1,258,100 and ₱1,914,500 as at December 31, 2019 and 2018, respectively.

h. In 2016, ABLE entered into long-term loan agreements with Unionbank of the Philippines (Unionbank) and BDO for the purchase of transportation equipment amounting to ₱18,987,600. The loans are secured by the transportation equipment as chattel mortgage.

   In 2018, ABLE entered into long-term agreements with AUB for the purchase of transportation equipment amounting to ₱6,671,200. The carrying amounts of transportation equipment amounted to ₱4,879,333 and ₱7,357,333 as at December 31, 2019 and 2018, respectively.

i. Short-term loans of ABLE have maturity dates of up to May 28, 2018. The short-term loans are from the credit facility with BDO, Philippine Bank of Communications (PBCOM), UCPB and Philippine Business Bank (PBB). The loan from BDO are secured by LRWC's shares of stock and real property owned by an individual stockholder of LRWC. The loan from PBCOM and UCPB are unsecured. The interest rates of short-term loans are 7% and 5% for BDO, 7.5% and 4.75% for UCPB, 8.5% and 5.5% for PBCOM and 9% for PBB as at December 31, 2018 and 2017, respectively.

   The covenant requires ABLE and its sureties to provide BDO with the required documents within the period prescribed by BDO, particularly copies of their income tax return or audited financial statements within 120 days from the end of their fiscal year.

   As at December 31, 2019 and 2018, the carrying amount of LRWC's shares of stock held by ABLE used as collateral for the loan from BDO amounted to ₱67,458,323. The fair value of the collateral amounted to ₱197,657,025 and ₱268,484,126 as at December 31, 2019 and 2018, respectively.

j. In December 2017, BCGLC obtained a long-term loan facility from AUB to partially finance its capital expenditures and to pay advances from related parties used for expansion projects. The maximum loanable amount is ₱500,000,000 available in lump sum or staggered releases. The loan is payable in thirty-six (36) equal monthly payments based on initial drawdown. Annual interest rate is the higher of (a) the sum of one-year PDST-R2 plus a spread of 3.0% or (b) 5.875% floor rate, subject to annual repricing. Interest is payable monthly based on the carrying amount of the loan. The loan is secured by (a) Comprehensive Surety Agreement by the Parent Company, (b) 60% ownership in BCGLC's shares of stocks, (c) Assignment of accounts wherein BCGLC is mandated to establish two bank accounts, Revenues, Proceeds, and Disbursement Account (RPDA) and DSRA. The RPDA is established to accommodate the revenues, proceeds and disbursement related to the loan availed. The DSRA is to be maintained at a certain level of funding equivalent to one (1) month of amortization. BCGLC has no financial covenants to maintain.

   Initial drawdown was made in December 2017 amounting to ₱350,000,000. Additional drawdown with the remaining loanable amounting to ₱150,000,000 was made in April 2018.

   Cash in the DSRA is classified as "Cash in bank - restricted" account under other noncurrent assets in the consolidated statements of financial position amounted to ₱16,707,663 as at December 31, 2019 and 2018 (see Note 11).

On February 1, 2019, the BCGLGC entered into restructuring agreement with AUB for the extension of the maturity period of the loans subject to amendment of the terms of principal repayment an interest payment, which will be repaid quarterly.

k. In 2017, BCGLC entered into auto loan agreements with chattel mortgage with Unionbank and BDO Unibank, Inc. for the purchase of service vehicles. The loans amounted to ₱6,421,600 payable in 36 monthly installments beginning July 2017 until 2020. The carrying amount of the vehicles amounted to ₱4,243,751 and ₱5,699,151 as at December 31, 2019 and 2018, respectively.

   Interest expense on loans payable recognized in profit or loss amounted to ₱436,612,672 in 2019, ₱422,773,300 in 2018 and ₱166,534,829 in 2017 (see Note 19).

The reconciliation of movements of loans payable to cash flows arising from financing liabilities are as follows:

	January 1, 2019	**Cash Flows**	**Noncash Changes**	**December 31, 2019**	December 31. 2018
Short term loans	**₱2,354,478,420**	**(₱1,460,585,940)**	**₱–**	**₱893,892,480**	₱2,354,478,420
Long term loans	**3,697,260,398**	**(838,002,433)**	**136,700,000**	**2,995,957,965**	3,697,260,398
Total liabilities and equity from financing activities	**₱6,051,738,818**	**(₱2,298,588,373)**	**₱136,700,000**	**₱3,889,850,445**	₱6,051,738,818

Interest expense on loans payable in 2019 and 2018 amounting to ₱498,952,982 and ₱428,176,343, respectively, was paid on their respective years.

13. Trade and Other Payables

	Note	**2019**	2018
Payable to:			
Suppliers		**₱322,759,346**	₱447,307,287
PAGCOR	*15*	**151,475,976**	105,577,569
Government agencies		**138,630,807**	128,806,945
CEZA	*16*	**73,171,343**	124,421,888
Rent payable		**49,215,887**	18,244,165
Output VAT		**3,191,249**	–
Unearned revenues	*16*	**1,558,244**	44,532,139
Finders' fee	*8*	–	105,106,426
Accrued expenses and other payables:			
Payable to machine owners		**558,062,495**	358,806,664
Dividends payable	*14*	**248,444,725**	289,613,319
Contracted services		**173,257,984**	97,960,114
Payable to site owner		**70,245,027**	–
Salaries, wages and benefits		**52,640,305**	89,196,259
Interest payable		**46,763,344**	53,035,566
Customer deposit		**11,235,392**	834,239
Utilities		**7,701,372**	3,690,579
Professional fees		**7,354,828**	1,251,916
Others		**64,183,933**	58,900,961
		₱1,979,892,257	₱1,927,286,036

Payable to government agencies pertain to payments for final withholding taxes and other regulatory agencies that are expected to be settled with one year.

Payable to PAGCOR includes franchise fees that are remitted twice weekly.

Payable to machine owners pertains to owners' share for the use of bingo machines and are payable on a 30-day credit terms.

14. **Equity**

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

	2019		2018		2017	
	Amount	**Number of Shares**	Amount	Number of Shares	Amount	Number of Shares
CAPITAL STOCK						
Authorized:						
Common shares – P1 par value	**₱2,500,000,000**	**2,500,000,000**	₱2,500,000,000	2,500,000,000	₱2,500,000,000	2,500,000,000
Balance at beginning of year	**₱1,199,852,512**	**1,199,852,512**	₱1,199,852,512	1,199,852,512	₱1,199,852,512	1,199,852,512
Issued during the year	**1,217,647,488**	**1,217,647,488**	–	–	–	–
Balance at end of year	**₱2,417,500,000**	**2,417,500,000**	₱1,199,852,512	1,199,852,512	₱1,199,852,512	1,199,852,512
Authorized:						
Preferred shares – P1 par value	**₱2,500,000,000**	**2,500,000,000**	₱2,500,000,000	2,500,000,000	₱2,500,000,000	2,500,000,000
Balance at beginning and end of year	**₱1,650,000,000**	**1,650,000,000**	₱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 Commission

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 LRWC were registered and may be offered for sale at an offer price of ₱1.33 per common share. As at December 31, 2019 and 2018, the Parent Company has issued and outstanding common shares totaling 2,417,500,000 and 1,199,852,512, respectively. In 2019 and 2018, the Company has 1,823 and 1,833 common stockholders, respectively.

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.

On January 11, 2019, the Group called for a Special Stockholders' 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 LRWC'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 LRWC with its investors. The proceeds from the issuance of will be used to refinance LRWC's existing obligations, for expansion programs and working capital requirements. Transactions costs related to the share issuance amounting to ₱16,603,840 are recognized as deduction to additional paid-in capital.

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, 2019, the Parent Company has a total of 1,650,000,000 issued and outstanding preferred shares and five (5) stockholders.

Declaration of Cash Dividends
Cash dividends declared by the BOD to preferred stockholders of the Parent Company in 2019 and 2018 as follows:

Date of Declaration	Date of Record	Amount	Amount Per Share
October 24, 2019	December 31, 2019	₱77,715,000	₱0.0471
July 19, 2019	August 2, 2019	155,430,000	0.0942
June 5, 2018	June 20, 2018	70,125,000	0.0425

There were no cash dividends declared by the BOD to common stockholders of the Parent Company in 2018 and 2019.

As at December 31, 2019 and 2018, unpaid dividends, included under "Trade and other payables" account in the consolidated statements of financial position, amounted to ₱248,444,725 and ₱289,613,319, respectively (see Note 13).

Acquisition of LRWC Shares by ABLE
On July 29, 2013, LRWC erroneously disclosed a cash dividend of ₱0.40 instead of ₱0.04 as approved by the BOD of LRWC. As a result, the PSE suspended trading of LRWC's shares for three days pending resolution of the problem. As a sign of good faith, the LRWC through ABLE offered to buy-back and sell-back to those who traded their shares on the same day the error was made. ABLE bought 1,959,700 shares of LRWC at a total cost of ₱15,949,947 and sold at cost 125,500 shares amounting to ₱1,015,330.

On June 27, 2013, the BOD of ABLE approved the subscription to the preferred shares of LRWC in the total amount of ₱200,000,000 and authorized the Philippine Business Bank as the investment manager. In December 2013, ABLE sold the ₱2,163,500,000 worth of preferred shares.

ABLE acquired additional 245,000 common shares at cost amounting to ₱21,005,929 in 2018 and 2,142,000 common shares of LRWC at cost amounting to ₱9,541,081 in 2017.

As at December 31, 2019 and 2018, ABLE has a total of 24,067,100 (at cost of ₱53,911,276) common shares of LRWC. These are accounted as treasury shares in the consolidated financial statements.

LRWC declared dividends to preferred stockholders of the Group. In 2019 and 2018, ABLE received dividends amounting to ₱3,092,586 and ₱1,505,625, respectively, which are eliminated in the consolidated financial statements.

15. **Gaming Licenses to Operate Bingo Games**

a. Operation of Traditional Bingo Games

PAGCOR awarded ABLE and its subsidiaries the authority to operate and conduct traditional bingo games, as well as the betting aspect thereof, within the confines of the game sites. The Licenses for various periods ranging from October 2014 to September 2019 are subject to renewal after one (1) to (2) two years upon mutual agreement of both parties.

ABLE and its subsidiaries pay PAGCOR 15% of its gross bingo card sales as franchise fee.

Revenue from traditional bingo games amounted to ₱2,216,155,056 in 2019, ₱2,106,084,940 in 2018, and ₱2,203,605,691 in 2017.

As at December 31, 2019 and 2018, ABLE and its subsidiaries deposited cash performance bonds with PAGCOR totalling ₱44,250,000, to ensure due observance of and faithful compliance with the terms and conditions of the License (see Note 11).

b. Operation of Electronic Bingo Games

PAGCOR awarded ABLE and its subsidiaries the authority to operate and conduct electronic bingo games, as well as the betting aspect thereof, within the confines of the game sites. The Licenses for various periods ranging from October 2014 to September 2018 are subject to renewal after one (1) to (2) two years upon mutual agreement of both parties.

ABLE and its subsidiaries pay PAGCOR 50% of its revenue less payouts as franchise fee.

Revenue from electronic bingo games amounted to ₱5,289,230,260 in 2019, ₱4,754,906,261 in 2018, and ₱4,335,682,089 in 2017.

As at December 31, 2019 and 2018, ABLE and its subsidiaries deposited cash performance bonds with PAGCOR totalling ₱253,800,000 and ₱242,055,000, respectively, to ensure due observance of and faithful compliance with the terms and conditions of the License (see Note 15).

c. Operation of New Rapid Bingo System (NRBS)

On September 27, 2005, PAGCOR granted ABLE the authority to operate and conduct rapid bingo games, subject to the approved terms and conditions of NRBS operations and the use of the prescribed NRBS card format. ABLE pays PAGCOR 15% of its gross sales (total amount wagered or bets) from the NRBS operations, which shall be remitted twice weekly.

Revenue from rapid bingo amounted to ₱284,212,205 in 2019, ₱230,386,430 in 2018, and ₱231,344,036 in 2017.

As at December 31, 2019 and 2018, ABLE deposited cash performance bonds amounting to ₱900,000, with PAGCOR to ensure due observance of and faithful compliance with the terms and conditions of the License (see Note 11).

d. Distribution and Sale of Pull-tabs or Break-open Cards

On August 3, 2005, PAGCOR granted ABLE the authority to distribute and sell pull-tabs or break-open cards in all of the branches of ABLE and its subsidiaries. In consideration of the Grant, ABLE shall pay PAGCOR 15% of gross card price which shall be remitted to PAGCOR by ABLE upon draw-down of cards from the supplier, regardless of quantity of cards sold.

Revenue from distribution of sale of pull-tabs or break-open cards amounted to ₱19,009,330 in 2019, ₱20,111,861 in 2018, and ₱15,644,756 in 2017.

Franchise fees included in "Franchise fees and taxes" account in the consolidated statement of comprehensive income amounted to ₱4,625,303,082 in 2019, ₱4,429,428,116 in 2018, and ₱3,887,880,592 in 2017.

16. License Agreement

CEZA is authorized under Section 6f of R.A 7922, "An Act Establishing a Special Economic Zone and Free Port in the Municipality of Santa Ana and the Neighboring Islands in the Municipality of Aparri, Province of Cagayan, Providing Funds Therefore, and for Other Purposes", to operate on its own, either directly or through a subsidiary entity, or license to others, tourism-related activities, including games, amusements, recreational and sport facilities, such as horse racing, gambling casinos, golf courses, and others, under priorities and standards set by CEZA in CSEZFP.

On February 2, 2001, FCLRC and CEZA entered into a license agreement authorizing FCLRC to set up a network operation/hub with its internet server including web sites, gaming software, application programs, administrative software, hardware, internet, as well as telecommunication connections, collection and payment system and toll-free telephone operations, all in connection with the development, operation and conduct of internet and gaming enterprises and facilities in CSEZFP. In line with this mandate, FCLRC was also authorized and licensed to conduct interactive games as defined in the license agreement.

Subsequent to the signing of the license agreement, FCLRC and CEZA signed a supplemental agreement which provides for the following:

1. Appointment of FCLRC as Master Licensor for internet gaming activities and shall be responsible for monitoring all activities pertaining to the licensing and operation of interactive games in CSEZFP;

2. FCLRC is authorized to assist CEZA in its functions as a regulator for interactive gaming activities on behalf of CEZA in accordance with Part 5 of CSEZFP Interactive Gaming Rules and Regulations;

3. The authorization of FCLRC as Master Licensor shall be exclusive for twenty-five years starting from November 7, 2006 or until 2031;

4. FCLRC is authorized to collect a sub-license fee of two percent of the gross winnings from the internet casino, in accordance with an agreed formula. Also, FCLRC is authorized to collect from sub-licenses an annual fixed amount for the first year of operations and thereafter, from sportsbook operators. The amount collected is recognized by FCLRC as unearned fees and recognized the revenue . Unearned fees included under "Trade and other payables" account in the consolidated statements of financial position amounted to ₱1,003,793 and ₱12,035,050 as at December 31, 2019 and 2018, respectively (see Note 13); and

5. FCLRC must pay CEZA, on a monthly basis to commence upon the start of actual operations of FCLRC, an amount equivalent to one percent (1%) of the monthly gross winnings payable not later than the seventh (7^{th}) day of the subsequent month. Starting on the sixth (6^{th}) year after the start of FCLRC's operation, FCLRC shall pay a minimum guaranteed amount of $250,000 each month. Unpaid CEZA fees are charged with interest of 12% per annum. CEZA fees included in "Franchise fees and taxes" account in the profit or loss amounted to ₱222,292,921, ₱199,875,763, and ₱196,058,813 in 2019, 2018 and 2017, respectively. Interest expense on unpaid CEZA fees recognized in the consolidated statement of comprehensive income amounted to ₱6,828,032 in 2019, ₱5,403,043 in 2018, and ₱3,325,947 in 2017 (see Note 19). The Group's revenues from FCLRC's service and hosting fees amounted to ₱434,004,338 in 2019, ₱395,499,397 in 2018, and ₱423,284,360 in 2017.

FCLRC is entitled to tax incentives under Section 4c of RA No. 7922 (CEZA law). No taxes, local, and national, shall be imposed on business establishments operating within the CSEZFP. In lieu of paying taxes, FCLRC shall pay and remit to the national government five percent (5%) of locators' gross income less allowable deductions. FCLRC's gross income tax amounted to ₱10,385,407, in 2019, ₱9,071,403 in 2018 and ₱13,174,114 in 2017 (see Note 21).

FCLRC proposed a Master Development Plan in keeping its authority under the license agreement. The Master Development Plan proposed by FCLRC will accordingly create a self-sustaining industrial zone and mixed-use new township in the CSEZFP with tourism and leisure as the lead sector to be developed. The Master Development Plan envisaged by FCLRC shall comprise of the three (3) phases with time frame of completion as follows:

- Phase I supposedly completed in 2009 after authorization of the CEZA BOD which includes telecommunication connectivity via microwave radio; upgrading of the existing internet data center; conversion of the CEZA Complex into a gaming facility; upgrading of the San Vicente Naval Airport; and Construction of a new CEZA Administration Office. Phase 1 was completed in January 2011.

  In August 2007, FCLRC and CEZA entered into an agreement with A.G. Pazon & Associates and CAMJ Construction Corporation, both third parties, to start the development of the Cagayan Business Park (CBP), part of Phase I of the Master Development Plan. The proposed CBP has a total lot area development of 90,005 square meters. The site development plan includes the construction of buildings with a total floor area of 2,400 square meters. The project also includes the construction of an administration building, commercial center, cable center, sub-station and parking spaces. It also includes the installation of an underground power/communication cabling system and an overhead water tank. The development of the CBP was completed in January 2011.

Another infrastructure required in Phase I of the Master Development Plan is the rehabilitation of the San Vicente Naval Airport (the Airport). On September 1, 2006, FCLRC entered into a contract for the airstrip rehabilitation with the same contractors for the CBP to undertake the expansion, paving and overlaying of the runway of the airport and the provision of basic airport amenities. The rehabilitation of the San Vicente Naval Airport was completed on December 8, 2006 (see Note 11).

As an initial project to establish the internet and telecommunication infrastructure, FCLRC entered into an Agreement with IPCDCC on March 1, 2007, incorporating FCCDCI. The parties shall infuse the necessary capital to fund the required infrastructure requirements of the Master Development Plan.

- Phase II shall be completed after three (3) years of completion of Phase I and shall include the telecommunication connectivity via fiber optic; redundant telecommunication connectivity; and construction of a leisure and resort complex.

- Phase III shall be completed three (3) years after completion of Phase II and shall include the implementation of the Comprehensive Feasibility Study that will provide a complete telecommunication infrastructure for the whole of the CSEZFP; and development of a beach front property into a leisure and gaming facility.

On September 15, 2006, the parties have extended the term of the license agreement from two (2) years to twenty five (25) years from the date of approval by the CEZA BOD of the Master Development Plan. The 25 years extension of the authority of FCLRC as Master Licensor commenced on November 7, 2006 and will end on November 7, 2031.
On November 24, 2017, FCLRC and CEZA signed a supplemental agreement which provides for the following:

- CEZA retains the 25-year appointment of FCLRC as a non-exclusive Licensor for interactive gaming;
- CEZA shall also grant appointment of FCLRC for land-based gaming after it has complied with all requirements;
- To protect FCLRC's interest and investment as the pioneer Licensor, CEZA effectively restricted itself from directly issuing Gaming Licenses to FCLRC's current and previous licensees; and
- All applicants for gaming licenses from CEZA shall post the amount of USD100 million as an investment commitment. In consideration of the significant actual and future investments attributable to FCLRC, CEZA shall credit such investments towards the investment commitment compliance of applications for gaming licenses coursed through FCLRC.

17. **Lease Agreements**

Group as a Lessee
The Group has lease contracts for various site spaces for its operations. Leases of sites generally have lease terms between 1 and 25 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets.

The Group also has certain leases of site spaces with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the "short-term lease" and "lease of low-value assets" recognition exemptions for these leases.

The following are the amounts recognized in statement of income:

	2019
Depreciation and amortization expense of right-of-use assets included in property and equipment and investment properties (see Notes 7 and 8)	₱239,033,352
Interest expense on lease liabilities (see Note 19)	51,323,077
Expenses relating to short-term leases	275,775,477
Expenses relating to leases of low-value assets	14,636,989
Total amount recognized in statement of income	₱580,768,895

The rollforward analysis of lease liabilities follows:

	2019
As at January 1, 2019, as previously reported	₱–
Effect of adoption of PFRS 16 (see Note 2)	747,967,120
At January 1, 2019, as restated	747,967,120
Additions	250,882,302
Interest expense	51,323,077
Payments	(268,395,972)
As at December 31, 2019	₱781,776,527

	2019
As at January 1, 2019, as previously reported	₱–
Effect of adoption of PFRS 16 (see Note 2)	630,601,771
At January 1, 2019, as restated	630,601,771
Additions	368,247,651
Interest expense	51,323,077
Payments	(268,395,972)
As at December 31, 2019	₱781,776,527

i. ABLE Group entered into several lease agreements for office space, warehouse and spaces where ABLE Group's sites conduct their bingo operations. The term of the lease agreements with various lessors varies from two (2) to three (3) years with escalation clauses ranging from 3% to 5%. The lease amounts are computed based on certain percentages of gross revenues or on a fixed rate per square meter which are generally determined on an annual basis. The lease period ranges from one (1) to seven (7) years with approximate annual escalation rates ranging from 5% to 10%.

ii. FCLRC entered into 25-year lease agreements with the Municipality of Cagayan up to December 7, 2031, and with CEZA up to June 30, 2031, respectively, or until FCLRC serves as its Master Licensor. The lease amounts are computed on a fixed rate per square meter subject to 5% escalation every three years. FCLRC also entered into other lease contracts with various lessors up to a term of one (1) year which are renewable. The lease amounts are generally determined on an annual basis.

iii. BCGLC Group entered into various lease agreements for its PAGCOR VIP Clubs where it conducts its operations. The lease agreements are renewable by mutual agreement of both parties generally under same terms and conditions. The lease period ranges from three (3) to ten (10) years with annual escalation clauses ranging from 5% to 11%.

iv. LRWC entered into several lease agreements for its office spaces. The term of the lease agreements with various lessors varies from three (3) to five (5) years with escalation ranging from 3% to 5%. The lease amounts are computed on a fixed rate per square meter which are generally determined on an annual basis.

v. TGXI entered into several lease agreements for the PeGS' locations and office space renewable by mutual agreement of both parties generally under the same terms and conditions. The lease period ranges from one (1) to five (5) years with annual escalation clauses ranging from 3% to 10%.

vi. ABLGI entered into a 25-year lease agreement for a parcel of land in Sta. Cruz, Manila from January 1, 2015 to December 31, 2039. The lease amount is computed on a fixed rate per square meter subject to 5% escalation every two years.

The lease agreements are non-cancellable and provide for, among others, rental deposits which are refundable upon termination of the lease. The rental deposits recognized in the consolidated statements of financial position as at December 31, 2019 and 2018 amounted to ₱432,823,436 and ₱436,816,153, respectively (see Note 11).

Prior to adoption of PFRS 16, rent expense recognized in the consolidated statement of ₱645,549,812 in 2018, and ₱672,978,405 in 2017. Rent expense in 2019 amounting to ₱413,274,565 includes the expense from short-term and low value leases.

Group as Lessor

<u>Rent Income Recognized as Revenue</u>

a. As an authorized representative of Munich Management Limited, a foreign corporation duly organized and registered in British Virgin Islands, BCGLC entered into an agreement with the PAGCOR for the sublease of the slot machines owned by Entertainment Gaming (Philippines), Inc., including the proprietary system of linking and networking of individual units of slot machine within the PAGCOR Club - Leisure World Bacolor located at King's Royal Hotel and Leisure Park, Bacolor, Pampanga. The lease is for the period of three (3) years until June 30, 2016. The Company renewed the lease contract with PAGCOR until December 31, 2017. In November 2017, the lease contract was renewed until June 30, 2023 or upon exhaustion of the contract amount based on the income sharing scheme, whichever comes first. In 2015, BGLC acquired slot machines from four (4) PAGCOR clubs with existing lease agreements with PAGCOR.

   As a consideration, PAGCOR shall pay BCGLC monthly rent equivalent to a percentage of the slot machines' gross revenues after deducting the players' winnings/prizes and related taxes thereof.

b. LRLDI leases its investment properties under non-cancellable operating lease agreements. The leases are for a period ranging from two (2) to five (5) years with escalation rate ranging from 5% to 10%.

c. ABLGI leases its investment property for a period of twenty (20) years until December 31, 2034 with escalation rate of 3% every three years. The lessee may pre-terminate the lease agreement without obligation to pay termination costs.

d. FCLRC and LRLDI sublease its lease contracts for land properties with Municipality of Cagayan and CEZA to a locator under a 12-year sublease agreement commencing in July 2006, and office spaces to a customer under a 2-year sublease agreement commencing in July 2019, respectively. Upon adoption of PFRS 16 for FCLRC and inception of the sublease contract for LRLDI, these subleases were classified as finance leases and the related ROU assets were derecognized. At inception of LRLDI's sublease contract, carrying amount of the ROU asset derecognized amounted to ₱6,553,149 (see Note 8). Rental income on sublease were recognized in the consolidated statement of comprehensive income amounting to ₱45,014,496 and loss on sublease amounting to ₱123,918,498 (see Note 19). As at December 31, 2019, lease receivables amounted to ₱29,803,525.

Total rent income recognized in the statement of consolidated comprehensive income amounted to ₱661,638,350 in 2019, ₱560,690,470 in 2018, and ₱463,350,087 in 2017.

Rent deposits refundable to the lessee included under "Deposits" account in the consolidated statements of financial position amounted to ₱6,337,611 as at December 31, 2019 and 2018.

Minimum lease receivables as at December 31 are as follows:

	2019	2018
Within one year	**₱34,686,567**	₱21,602,354
Between one and five years	**82,912,511**	94,262,828
More than five years	**110,332,827**	89,137,677
	₱227,931,905	₱205,002,859

Rent Income Recognized as Other Income
FCLRC has several lease agreements, renewable annually, with the locators for the use of the FCLRC's gaming facility and equipment in the CSEZFP.

Rent income recognized in the consolidated statement of comprehensive income amounted to ₱306,620 in 2019, ₱4,290,000 in 2018, and ₱54,993,871 in 2017 (see Note 19).

18. **Retirement Benefits**

The Group's actuarial valuations are obtained on a periodic basis. The retirement benefits are determined using the projected unit credit method.

The retirement benefits of ABLE are primarily based on the number of years of service of covered employees, as well as their fixed monthly salary. Under the provisions of the retirement plan, the mandatory retirement age is sixty-five (65), with at least five (5) years of service and the retirement benefit is equal to two hundred percent (200%) of the plan salary per year of service. The retirement benefits of FCLRC are equivalent to one-half month's salary for every year of service with six months or more of service considered as one year.

The Group's latest actuarial valuation reports are dated December 31, 2019. The following tables summarize the components of retirement expense recognized in the consolidated statement comprehensive income of ABLE and FCLRC:

Retirement Expense

	ABLE			FCLRC		
	2019	2018	2017	**2019**	2018	2017
Current service cost	**₱16,366,331**	₱16,830,418	₱13,049,647	**₱1,548,521**	₱1,711,041	₱1,387,875
Past service cost	**–**	–	146,243,252	**–**	–	4,252,370
Interest cost on defined benefit obligation	**15,908,679**	12,468,696	6,917,162	**591,109**	435,504	495,285
Net retirement expense	**₱32,275,010**	₱29,299,114	₱166,210,061	**₱2,139,630**	₱2,146,545	₱6,135,530

Changes in the Present Value of Defined Benefit Obligation

	ABLE		FCLRC	
	2019	2018	**2019**	2018
Present value of defined benefit obligation at beginning of year	**₱217,596,818**	₱217,210,863	**₱8,225,366**	₱8,068,319
Actuarial loss/(gain)	**(26,029,168)**	(26,740,730)	**803,277**	(1,207,677)
Current service cost	**16,366,331**	16,830,418	**1,548,521**	1,711,041
Interest cost	**15,908,679**	12,468,696	**591,109**	435,504
Net acquired/(released) obligation due to employee transfers	**133,668**	–	**(29,731)**	–
Benefits paid	**(54,776,692)**	(2,172,429)	**–**	(823,896)
Present value of defined benefit obligation at end of year	**₱169,199,636**	₱217,596,818	**₱11,138,542**	₱8,225,366

The movement in retirement benefits reserve taken up under other comprehensive income and consolidated statements of changes in equity are as follows:

	ABLE			FCLRC		
	2019	2018	2017	**2019**	2018	2017
Actuarial loss (gain) from:						
Financial assumptions	**₱48,586,288**	(₱47,832,203)	(₱3,264,813)	**₱2,008,719**	(₱1,207,677)	(₱1,220,661)
Experience adjustments	**(68,158,463)**	21,091,473	45,460,832	**(1,205,442)**	42,075	6,022,049
Demographic assumptions	**(6,456,993)**	–	(47,892,720)	**–**	–	(2,066,646)
	(₱26,029,168)	(₱26,740,730)	(₱5,696,701)	**₱803,277**	₱1,165,602	₱2,734,742

The principal assumptions used in determining defined benefit obligations for the Group's plans are shown below:

	ABLE		FCLRC	
	2019	2018	**2019**	2018
Discount rate at end of year	**5.25%**	7.38%	**4.86%**	7.26%
Future salary increases	**4.00%**	4.00%	**4.00%**	4.00%

The weighted average duration of defined benefit obligation is as follows:

	ABLE		FCLRC	
	2019	2018	**2019**	2018
Average expected future service years	**7.00**	11.00	**11.00**	11.00

Sensitivity Analysis

Reasonable possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	ABLE		FCLRC	
	1% Increase	1% Decrease	1% Increase	1% Decrease
Discount rate	(₱25,300,513)	₱30,756,418	(₱914,402)	₱1,049,479
Future salary growth	31,797,886	(26,491,665)	1,102,954	(976,629)

Assumptions for mortality rate are based on the 2017 Philippine Intercompany Mortality Table. Assumptions for disability rates are based on the 1952 Disability Study, Period 2, Benefit 5.

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

The defined benefit obligation is exposed to actuarial risks such as longevity risk and interest rate risk.

Funding

The Group does not have a formal retirement plan. Benefit claims under the retirement obligation are paid directly by the Group when they become due.

Asset-liability Matching

The Group has no plan assets to match against liabilities under the retirement obligation.

Maturity analysis of the benefit payments:

	2019				
	Carrying Amount	**Contractual Cash Flows**	**Within 1 Year**	**Within 1-5 Years**	**More than 5 Years**
ABLE	**₱169,199,636**	**₱1,235,761,127**	**₱38,485**	**₱7,253,005**	**₱1,228,469,637**
FCLRC	**11,138,542**	**50,601,706**	**163,164**	**3,010,427**	**47,428,115**
	₱180,338,178	**₱1,286,362,833**	**₱201,649**	**₱10,263,432**	**₱1,275,897,752**

	2018				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1-5 Years	More than 5 Years
ABLE	₱217,596,818	₱1,701,214,931	₱4,064,124	₱31,565,628	₱1,665,585,179
FCLRC	8,225,366	51,488,921	166,749	1,841,245	49,480,927
	₱225,822,184	₱1,752,703,852	₱4,230,873	₱33,406,873	₱1,715,066,106

19. **Finance Income/Finance Expense/Other Income**

Finance income

	Note	**2019**	2018	2017
Interest income on cash in banks	*4*	**₱4,169,920**	₱1,396,080	₱6,969,655
Interest income on advances to a casino project	*24*	**–**	–	37,620,000
		₱4,169,920	₱1,396,080	₱44,589,655

Finance expense consists of:

	Note	**2019**	2018	2017
Interest expense on loans payable	*12*	**₱436,612,672**	₱422,773,300	₱166,534,829
Interest expense on unpaid CEZA fees	*16*	**6,828,032**	5,403,043	3,325,947
Interest expense on lease liabilities	*17*	**51,323,077**	–	–
Interest expense on late payments		**55,512,277**	–	–
		₱550,276,058	₱428,176,343	₱169,860,776

Other income - net consists of:

	Note	**2019**	2018	2017
Loss on sublease	*17*	**(₱123,918,498)**	₱–	₱–
Finance charges		**(21,674,258)**	–	–
Marketing allowance		**42,000,000**	60,000,000	–
Management fee	*5*	**951,370**	–	12,000,000
Rent income	*17*	**306,620**	4,290,000	54,993,871
Consultancy fees		**–**	168,675,000	–
Commission income		**–**	13,770,722	–
Gain on termination of contract	*24*	**–**	–	199,494,851
Others - net		**(5,019,719)**	(8,402,699)	(17,722,033)
		(₱107,354,485)	₱238,333,023	₱248,766,689

Marketing allowance refers to the payments made by e-bingo machine vendors to the Group used to finance marketing expenses of the Group (e.g. advertisement, etc.)

Consultancy fees pertain to fees received from third parties for its projects.

20. Related Party Disclosures

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or under common control with the Group, including holding companies, and fellow subsidiaries are related entities of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Group and close members of the family of these individuals and companies associated with these individuals also constitute related entities.

All publicly-listed and certain members of the companies of the Group have Material Related Party Transaction Policies containing the approval requirements and limits on amounts and extent of related party transactions in compliance with the requirements under the Revised SRC Rule 68 and SEC Memorandum Circular 10, series of 2019.

Other than those disclosed in Notes 5 and 10, the Group's significant transactions and balances with related parties follow:

				Outstanding Balance				
Categories	**Nature of Transaction**	**Year**	**Amount of Transactions for the Year**	**Receivable** (Notes 5 and 9)	**Due from Related Parties**	**Due to Related Party**	**Terms**	**Conditions**
TCAMI – Joint Venture Partn	Sale of Techzone shares	**2019**	**₱1,750,000,000**	**₱558,149,507**	**₱–**	**₱–**	Payable in 10 years; non-interest bearing;	
		2018	–	–	–	–	to be settled in cash	
Longview Holdings Corporation	Cash advances	**2019**	**–**	–	**–**	**–**	Demandable; non-interest bearing;	Unsecured
		2018	(9,070,691)	–	–	**–**	to be settled in cash	
Individual stockholder	Cash advances	**2019**	–	–	**5,000,000**	**–**	Demandable; non-interest bearing	Unsecured; no impairment
		2018	–	–	5,000,000	–	to be settled in cash	
Advances to affiliates	Cash advances	**2019**	**–**	–	**150,000,000**	**–**	Demandable; non-interest bearing	Unsecured; no impairment
		2018	–	–	150,000,000	–	to be settled in cash	
Total		**2019**		**₱558,149,507**	**₱155,000,000**	**₱–**		
Total		2018		₱–	₱155,000,000	₱–		

Advances to affiliates consist mainly of advances to Cyberpoint Holdings and Management Corporation (CHMC), a holding company which owns 3.7% of LRWC's outstanding shares, for working capital requirements.

All intra-group balances, transactions, including income and expenses and profits and losses resulting from intra-group transactions are eliminated. Intergroup balances and transactions before eliminations amounted to ₱2,588,239,893 and ₱670,147,428 as at December 31, 2019 and 2018, respectively.

All intragroup transactions are eliminated during consolidation are unsecured, non-interest bearing and payable on demand. Related party transactions are to be settled in cash.

For each of the years in the period ended December 31, the details of key management and directors' compensation representing short-term benefits are as follows:

	2019	2018	2017
Salaries and employee benefits	**₱66,304,834**	₱34,644,203	₱29,320,544
Directors' fees	**5,830,000**	10,000,000	15,535,000

21. **Income Taxes**

The components of the Group's income tax expense are as follows:

	Note	**2019**	2018	2017
Current tax expense	*16*	**₱32,792,120**	₱26,168,752	₱93,352,092
Deferred tax expense (benefit)		**835,201,656**	522,973,342	162,721,109
		₱867,993,776	₱549,142,094	₱256,073,201

The Group's income tax expense consists of the 30% regular corporate income tax and the 5% gross income tax on FCLRC and FCCDCI's operations with CSEZFP and LRLDI operations (see Note 16).

Reconciliation between income tax expense in the Group's profit or loss and the income tax computed at statutory income tax rate follows:

	2019	2018	2017
Income before income tax	**₱975,096,352**	₱1,061,484,213	₱742,889,951
Income tax using statutory tax rate of 30%	**₱292,528,906**	₱318,445,264	₱222,866,985
Additions to (reductions in) income taxes resulting from tax effects of:			
Change in unrecognized deferred tax assets	**227,910,143**	295,186,670	198,001,204
Income exempt from income tax	**(218,966,639)**	(93,508,156)	(158,471,648)
Equity in net earnings of associates	**(27,480,554)**	(21,126,568)	(134,019,147)
Nondeductible operating expenses	**501,430,010**	73,091,246	107,597,140
Equity in net earnings of joint ventures	**(44,702,307)**	(34,459,847)	(18,300,201)
Expired NOLCO	**138,525,193**	11,931,047	40,489,765
Interest income subject to final tax	**(1,250,976)**	(417,562)	(2,090,897)
	₱867,993,776	₱549,142,094	₱256,073,201

The composition of recognized net deferred tax assets of the Group as at December 31 are as follows:

	Note	**2019**	2018
Deferred income		**₱18,420**	₱–
Unrealized loss on foreign exchange differences		**2,056**	–
NOLCO		**–**	103,836,405
Retirement	*19*	**–**	3,579,311
		₱20,476	₱107,415,716

The composition of recognized deferred tax liabilities of the Group as at December 31 are as follows:

	2019	2018
Unrealized gain on changes in fair value of investment properties	**₱1,375,327,712**	₱640,320,988
Discount on loans payable	**9,740,726**	13,080,404
Unrealized gain on foreign exchange differences	**(493,552)**	(3,476,370)
	₱1,384,574,886	₱649,925,022

As at December 31, 2019, the Group's unrecognized deferred tax assets pertain to the following items:

	Tax Base	Amount
NOLCO	₱1,790,357,840	₱534,794,294
Retirement benefits liability	199,551,824	59,865,547
Allowance for impairment loss	53,633,994	16,090,198
MCIT	5,354,297	5,354,297
Lease liabilities	13,042,940	1,861,796
Depreciation on investment property	13,794,373	1,689,719
Unrealized loss	5,790,401	1,593,052
Deferred income	186,057	55,817
	₱2,081,711,726	₱621,304,720

As at December 31, 2018, the Group's unrecognized deferred tax assets pertain to the following items:

	Tax Base	Amount
NOLCO	₱1,046,057,817	₱313,817,345
Retirement benefits liability	179,212,973	53,763,892
Allowance for impairment loss	50,051,633	15,018,490
MCIT	10,794,850	10,794,850
	₱1,286,117,273	₱393,394,577

Deferred tax assets were not recognized because the management believes it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

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

Year Incurred	Amount	Expired/ Applied	Balance	Expiry Date
2019	₱744,300,023	₱ –	₱744,300,023	December 31, 2022
2018	566,189,665	–	566,189,665	December 31, 2021
2017	490,994,837	(11,126,685)	479,868,152	December 31, 2020
2016	494,657,433	(494,657,433)	–	December 31, 2019
	₱2,296,141,958	(₱505,784,118)	₱1,790,357,840	

The details of MCIT which can be claimed as credit against future RCIT liabilities are as follows:

Year Incurred	Amount	Expired/ Applied	Balance	Expiry Date
2019	₱21,795	₱–	₱21,795	December 31, 2022
2018	6,469,732	(3,134,888)	3,334,844	December 31, 2021
2017	1,997,658	–	1,997,658	December 31, 2020
2016	2,327,460	(2,327,460)	–	December 31, 2019
	₱10,816,645	(₱5,462,348)	₱5,354,297	

On April 23, 2013, the BIR issued Revenue Memorandum Circular (RMC) 33-2013 clarifying the taxability of PAGCOR, its contractees and licensees. Pursuant to Section 1 of Republic Act No. 9337, amending Section 27 (C) of the National Internal Revenue Code (NIRC), as amended, effective November 1, 2005, PAGCOR is no longer exempt from corporate income tax as it has been effectively omitted from the list of government-owned or controlled corporations that are exempt from income tax. Accordingly, PAGCOR and its contractees and licensees' income from its operations and licensing of gambling casinos, gaming clubs and other similar recreation or amusement places, gaming pools, and other related operations are subject to corporate income tax under the NIRC, as amended.

Until March 31, 2013, in accordance with PAGCOR's directives, ABLE continued to abide by the provisions of P.D. 1869 (as amended by R.A. 9487) whereby it pays the 5% franchise tax.

On July 9, 2013, a memorandum was issued by PAGCOR to all its bingo contractees and grantees clarifying that they are no longer subject to the 5% franchise tax, and are subject to the corporate income tax, instead. In compliance with the said RMC, ABLE has changed to corporate income tax as its basis for determining the tax expense starting second quarter of 2013.

On December 10, 2014, a resolution in favor of PAGCOR was rendered by the Supreme Court regarding the change from franchise tax to corporate income tax. The resolution pertains only to PAGCOR and not to its grantees and contractees.

The Group made legal opinion on the implications of the Supreme Court's decision in the case of Bloomberry Resorts and Hotels, Inc. vs. Bureau of Internal Revenue in relation to the contract entered by PIKI, BCGLC and HEPI with PAGCOR. These components of the Group are duly organized and existing under the laws of the Philippines having existing agreements with PAGCOR.

The Group determined its income taxes on these components on the premise that the results from casino operations are no longer subject to regular income taxes in pursuant to Sec 13(2) of Presidential Decree 1869 (PAGCOR Charter) which states that "the five (5%) percent franchise tax of the gross revenue or earnings derived by PAGCOR and all its contractees and licensees shall be due and payable quarterly to the National Government and shall be in lieu of all kinds of taxes, levies, fees or assessments of any kind, nature or description, levied, established or collected by any municipal, provincial, or national government authority". The Group assessed that it is exempt from the corporate income tax on these components pursuant to the Supreme Court's decision to a tax case which categorically held PAGCOR and its contractees and licensees exempt from the payment of corporate income tax and other taxes.

Effective January 1, 2018, in accordance with the Amendments to the Regulatory Manual issued by PAGCOR on April 6, 2018, ABLE and its subsidiaries, as a licensee of PAGCOR, is exempt from all taxes and is only subject to 5% franchise tax on revenues from bingo gaming operations pursuant to Presidential Decree No. 1869, as amended by Republic Act No. 9487.

22. Earnings Per Share

Basic earnings per share (EPS) is computed as follows:

	2019	2018	2017
Net income attributable to Parent Company	**₱95,656,550**	₱479,645,976	₱430,275,524
Dividends on preferred shares	**(233,145,000)**	(70,125,000)	(140,250,000)
Effect of preferred shares held by ABLE	**3,102,500**	3,102,500	3,102,500
Income (loss) attributable to ordinary stockholders of the Parent Company (a)	**(134,385,950)**	412,623,476	293,128,024
Adjusted weighted average number of shares outstanding (b)	**2,011,616,836**	1,199,230,595	1,199,230,595
Basic earnings per share (a/b)	**(₱0.0668)**	₱0.3441	₱0.2444

Diluted earnings per share is computed as follows:

	2019	2018	2017
Income attributable to ordinary stockholders of the Parent Company *(a)*	**(₱134,385,950)**	₱412,623,476	₱293,128,024
Adjusted weighted average number of shares outstanding *(b)*	**2,011,616,836**	1,199,230,595	1,199,230,595
Effect of dilutive potential common shares* *(c)*	**80,675,000**	80,675,000	80,675,000
Adjusted weighted average number of shares outstanding (d=b+c)	**2,092,291,836**	1,279,905,595	1,279,905,595
Diluted earnings per share (a/d)	**(₱0.0642)**	₱0.3224	₱0.2290

** Adjusted for the convertible preferred shares (see Note 14).*

23. **Segment Information**

The Group operates in four (4) reportable business segments namely: the online group, casino group, retail group and investment group, and only one (1) reportable geographical segment which is the Philippines. The description of the reportable segments are as follows:

Online
The online segment's primary activity is licensing of operators engaged in interactive gaming, as well as the establishment and setup of all the gaming infrastructures required in connection with the development, operation and conduct of internet server, telecommunication network, gaming enterprises, and other systems facilities.

Casino
The casino group is involved in hotel operation and casino marketing, junket operations, and arcade leasing.

Retail
The retail segment consists largely of venues providing amusements and recreation to the public in such forms as, but not limited to, traditional, electronic and rapid bingo games. And with the acquisition of TGXI in July 2014, this business segment now currently includes PEGS offering online casino games. Multiple sites include Bingo Halls located in large popular malls, while Bingo Boutiques and eGames Stations are situated in strategic commercial establishments across the country.

Property
The property segment consists of an economic interest in one of the integrated resort operators in the Entertainment City and an investment in a joint venture property development project engaged in building a world-class Business Process Outsourcing center with offices for various locators.

Analysis of financial information by business segment in 2019 is as follows:

	Online Group	Casino Group	Retail Group	Property Group	Others	Eliminations	Consolidated
Net Revenues							
External revenue	**₱1,079,725,322**	**₱1,325,287,557**	**₱8,162,258,852**	**₱46,787,265**	**₱–**	**₱–**	**₱10,614,058,996**
Results							
Segment results	**₱131,893,099**	**₱151,765,031**	**₱299,259,418**	**(₱314,290,348)**	**(₱355,035,294)**	**₱–**	**(₱86,408,094)**
Results from Operating Activities							
Finance income	**1,781,552**	**102,327**	**712,190**	**4,531,803**	**934,909**	**(3,892,861)**	**4,169,920**
Finance expense	**(22,292,162)**	**(41,139,243)**	**(155,081,668)**	**(274,723,196)**	**(57,039,789)**	–	**(550,276,058)**
Other income (expenses) - net	**(118,158,177)**	**(3,727,807)**	**29,578,843**	**(10,215,720)**	**605,168,375**	**(610,000,000)**	**(107,354,486)**
Foreign exchange loss - net	**8,912,659**	**2,063,703**	**1,594,931**	**1,640,086**	**(709,982)**	–	**13,501,397**
Equity in net earnings of a joint venture	–	–	–	–	**149,007,689**	–	**149,007,689**
Equity in net earnings of associates	**41,212,400**	–	–	**91,601,846**	–	**(41,212,400)**	**91,601,846**
Loss on sale of an investment	–	–	–	**(741,480,264)**	–	–	**(741,480,264)**
Unrealized gains on changes in fair values of investment properties - net	**1,030,000**	–	–	**2,448,394,356**	–	–	**2,449,424,356**
Impairment loss on financial assets	–	–	**(6,843,621)**	**(3,572,360)**	**(100,000,000)**	–	**(110,415,981)**
Impairment loss on non-financial assets	**(1,401,782)**	**(285,165)**	**(89,634,544)**	–	**(37,169,473)**	**(8,183,009)**	**(136,673,973)**
Unrealized gain on investment in FVOCI	–	–	–	–	**(61,454,830)**	–	**(61,454,830)**
Remeasurements of defined benefit liability - net of tax	**(803,278)**	–	**26,740,730**	–	–	–	**25,937,452**
Income tax	**(17,000,513)**	**(9,391,516)**	**(5,655,061)**	**(728,309,654)**	**(107,637,032)**	–	**(867,993,776)**
Total Comprehensive Income (Loss)	**₱25,173,792**	**₱99,387,330**	**₱100,671,219**	**₱473,576,547**	**₱36,064,579**	**(₱663,288,270)**	**₱71,585,199**
Other Information							
Segment assets	**₱2,933,696,357**	**₱1,855,972,239**	**₱3,147,057,085**	**₱12,360,037,329**	**₱6,149,292,124**	**(₱6,310,917,330)**	**₱20,135,137,805**
Investments at cost	**254,441,419**	–	**94,609,342**	–	**4,642,547,111**	**(3,695,740,886)**	**1,295,856,986**
Total Assets	**₱3,188,137,776**	**₱1,855,972,239**	**₱3,241,666,427**	**₱12,360,037,329**	**₱10,791,839,235**	**(₱10,006,658,219)**	**₱21,430,994,788**
Segment liabilities	**₱1,747,071,322**	**₱1,786,836,170**	**₱2,945,494,227**	**₱7,140,801,751**	**₱2,114,046,078**	**(₱7,414,525,465)**	**₱8,319,724,083**
Unallocated corporate liabilities	–	–	–	–	–	–	–
Total Liabilities	**₱1,747,071,322**	**₱1,786,836,170**	**₱2,945,494,227**	**₱7,140,801,751**	**₱2,114,046,078**	**(₱7,414,525,465)**	**₱8,319,724,083**
Capital expenditures	**₱4,435,006**	**₱89,984,225**	**₱70,466,313**	**₱499,920**	**₱1,704,509**	**₱–**	**₱167,089,973**
Depreciation and amortization	**46,266,135**	**166,736,738**	**371,591,336**	**5,851,087**	**56,164,988**	–	**646,610,284**

Analysis of financial information by business segment in 2018 is as follows:

	Online Group	Casino Group	Retail Group	Property Group	Others	Eliminations	Consolidated
Net Revenues							
External revenue	₱1,054,365,127	₱1,430,998,597	₱7,403,096,686	₱1,570,759,644	₱–	₱–	₱11,459,189,935
Results							
Segment results	(₱103,826,833)	₱153,202,475	₱81,321,221	₱714,625,681	(₱647,187,757)	(₱38,841,394)	₱159,293,393
Results from Operating Activities	(103,826,833)	153,202,475	81,321,221	714,625,681	(647,187,757)	(38,841,394)	159,293,393
Finance income	41,791	27,855	159,974	1,142,908	23,552	–	1,396,080
Finance expense	(11,111,631)	(25,982,488)	(82,886,523.39	(269,943,153)	(38,252,548)	–	(428,176,343)
Rent/other income	3,689,549	(8,077,324)	87,169,307.2	(11,165,108)	629,347,633	(631,306,034)	69,658,023
Foreign exchange loss - net	317,631	–	(9,477,871)	(16,482,993)	1,384,052	–	(24,259,181)
Equity in net earnings of a joint venture	–	–	–	–	114,866,158	–	114,866,158
Equity in net earnings of associates	–	–	–	70,421,894	–	–	70,421,894
Unrealized gain on investment in FVOCI	–	–	–	–	14,871,625	–	14,871,625
Revaluation surplus - net of tax	–	–	–	(95,072,759)	–	–	(95,072,759)
Foreign currency translation loss	–	–	–	–	–	–	
Remeasurements of defined benefit liability - net of tax	1,165,602	–	26,387,320	–	–	–	27,552,922
Income tax	14,524,957	4,373,527	3,630,770	395,843,025	130,769,815	–	549,142,094
Total Comprehensive Income (Loss)	(₱95,198,934)	₱123,544,045	₱106,304,198	₱789,369,495	₱205,822,530	(₱670,147,428)	₱418,678,114
Other Information							
Segment assets	₱2,919,316,051	₱1,477,276,865	₱2,887,380,296	₱10,996,860,817	₱2,009,197,524	(₱3,503,616,551)	₱16,786,415,002
Investments at cost	206,378,040	–	135,291,191	38,297,207	4,487,464,476	(3,587,559,355)	1,279,871,558
Total Assets	₱3,125,694,091	₱1,477,276,865	₱3,022,671,487	₱11,035,158,024	₱6,496,662,000	₱(7,091,175,906)	₱ 8,066,286,561,092,4 16
Segment liabilities	₱1,686,896,034	₱1,342,245,771	₱2,603,501,434	₱5,816,145,870	₱1,980,650,569	(₱4,471,730,345)	₱8,957,709,333
Unallocated corporate liabilities	–	–	–	–	–	–	–
Total Liabilities	1,686,896,034	1,342,245,771	2,603,501,434	5,816,145,870	1,980,650,569	(4,471,730,345)	₱8,957,709,333
Capital expenditures							
Depreciation and amortization	₱43,964,764	₱102,496,432	₱285,922,074	(₱914,338)	₱39,833,447	₱–	₱471,302,380

Analysis of financial information by business segment in 2017 is as follows:

	Online Group	Casino Group	Retail Group	Property Group	Others	Eliminations	Consolidated
Net Revenues							
External revenue	₱1,088,064,464	₱1,302,243,973	₱7,034,044,688	₱160,381,738	₱–	(₱1,290,000)	₱9,583,444,863
Results							
Segment results	127,853,302	114,211,498	118,395,720	(115,579,286)	(400,254,006)	8,099,688	(147,273,084)
Unallocated corporate expenses	–	–	–	–	–	–	–
Results from Operating Activities	127,853,302	114,211,498	118,395,720	(115,579,286)	(400,254,006)	8,099,688	(147,273,084)
Finance income	164,800	40,124	181,036	44,177,946	25,749	–	44,589,655
Finance expense	(12,012,534)	(163,745)	(47,740,434)	(72,118,144)	(37,825,919)	–	(169,860,776)
Rent/other income	54,715,677	(1,419,562)	(371,879)	197,267,474	(1,425,021)	–	248,766,689
Foreign exchange loss - net	(3,212,039)	–	–	4,897,000	398,496	–	2,083,457
Equity in net earnings of a joint venture	–	–	–	–	61,000,669	–	61,000,669
Equity in net earnings of associates	–	–	1,379,798	445,350,693	–	–	446,730,491
Unrealized gain on AFS	–	–	–	–	(29,087,155)	–	(29,087,155)
Unrealized gain on changes in fair values of investment properties	–	–	–	256,852,850	–	–	256,852,850
Revaluation surplus - net of tax	89,182,693	–	–	–	–	–	89,182,693
Foreign currency translation loss	(1,665,707)	–	–	–	–	–	(1,665,707)
Remeasurements of defined benefit liability - net of tax	(2,589,549)	–	(17,310,170)	–	–	–	(19,899,719)
Income tax (benefits)	(22,798,629)	(3,720,318)	(95,742,791)	(204,698,692)	70,887,229	–	(256,073,201)
Total Comprehensive Income	₱229,638,014	₱108,947,997	(41,208,720)	₱556,149,841	(336,279,958)	₱–	₱525,346,862
Other Information							
Segment assets	₱2,938,140,059	₱1,712,485,743	₱2,906,664,092	₱7,831,786,004	₱1,632,671,279	(₱1,708,040,658)	₱15,313,706,519
Investments at cost	138,308,170	–	513,470,659	1,730,866,955	4,282,954,597	(5,216,817,256)	1,448,783,125
Total Assets	₱3,076,448,229	₱1,712,485,743	₱3,420,134,751	₱9,562,652,959	₱5,915,625,876	(₱6,924,857,914)	₱16,762,489,644
Segment liabilities	₱1,034,379,507	₱1,557,998,694	₱3,018,708,817	₱5,238,964,211	₱1,438,933,558	(₱4,451,363,521)	₱7,837,621,266
Unallocated corporate liabilities	–	–	–	–	–	–	–
Total Liabilities	₱1,034,379,507	₱1,557,998,694	₱3,018,708,817	₱5,238,964,211	₱1,438,933,558	(₱4,451,363,521)	₱7,837,621,266
Capital expenditures	₱133,892,678	₱330,268,722	₱521,970,388	₱4,407,575,140	₱55,667,640	₱–	₱5,449,374,568
Depreciation and amortization	38,296,126	88,895,513	300,690,539	3,032,930	61,730,706	–	492,645,814

There were no intersegment sales recognized among reportable segments in 2019, 2018 and 2017. Unallocated corporate expenses consist of net operating expenses of the Parent Company. Assets of the individual segments mainly comprise investments and advances, due from related parties, property and equipment, and trade receivables. Liabilities of the individual segments include loans payable, trade and other payables, retirement benefits liability, and due to related parties. Capital expenditures on noncurrent assets represent additions to property and equipment and investment properties. Noncash expenses pertain to depreciation and amortization expense attributable to reportable segments.

24. Memorandum of Agreement

On January 14, 2011, ABLGI entered into several agreements with Belle Corporation (Belle) and Premium Leisure and Amusement, Inc. (PLAI) (ABLGI Agreements) for the leasing, fit out and operation of an integrated casino development project to be located at Aseana Business Park, Paranaque City (the Project).

PLAI is a member of a consortium composed of SM Investments Corporation, SM Land, Inc., SM Hotels Corporation, SM Development Corporation, SM Commercial Properties, Inc. and PLAI, which was granted a Provisional License by PAGCOR to establish and operate a casino to be located within the Manila Bay Reclamation Area.

On March 20, 2013, ABLGI, Belle, Belle Grande Resource Holdings, Inc. ("BGRHC") and PLAI entered into a Memorandum of Agreement (MOA) effectively terminating its ABLGI Agreements. In consideration for the waiver of ABLGI, among others, an amount equivalent to the 30% interest in the net lease income of the Project and the 30% share in the gaming revenue derived from the Project which is presented in profit or loss as "Share in gaming revenue of a casino project" account. These are to be paid to ABLGI upon actual receipt by Belle and PLAI of the lease income and gaming revenue from the Project.

In addition, ABLGI made advances to BGRHC on March 20, 2013 amounting to ₱4,000,000,0000 (the "ABLGI Advance") as funding to the Project. In December 2014, the MOA was amended to operationalize the terms and conditions of the ABLGI Advance which provided that such was extended to BGRHC as a loan. The ABLGI advance is payable within 12 years from and after the Transfer Date. Payments shall be made in 13 annual installments to commence on the fifth anniversary of the Transfer Date and annually thereafter. Interest rates range from 4.05% to 6.55%. The difference between the 30% share in the net lease income of the Project and the principal and interest payments on the ABLGI advance is the annual compensation fee component which BGRHC shall pay to ABLGI starting on the first anniversary of the Transfer Date and annually thereafter until the termination of the Project's license. This is presented in profit or loss as "Compensation fee from a casino project" account.

In 2015, Belle made a capital call which ABLGI advanced an additional ₱780,000,000 to the Project.

On November 4, 2016, ABLGI entered into a termination agreement with Belle in relation to the MOA and its implementing agreements for the Project effective March 31, 2017. Under the agreement, Belle shall pay ABGLI ₱5,090,000,000 representing the advances to a casino project amounting to ₱4,780,000,000 and a final consideration for the share in PLAI's casino operations amounting to ₱310,000,000. Of the total consideration, ₱1,020,000,000 was paid upon the execution of the agreement and the balance will be paid on the effectivity of the termination agreement. Unless and until full payment of all the amounts, ABLGI shall continue to be entitled to receive an amount equivalent to its rights under the operating agreements.

The termination agreement was finalized on March 31, 2017. ABLGI received ₱4,072,000,000, which comprised: (1) payment for an outstanding loan of Belle to ABLGI amounting to ₱3,762,000,000, and (2) ₱310,000,000, of which ₱110,505,149 was treated as a repayment of advances to Belle while the remaining ₱199,494,851 was recorded under "Other income" account in profit or loss, representing assignment of rights in relation to the Advisory services rendered to the Philippine Consortium in favor of Belle (see Note 19). Effective March 31, 2017, the Group shall be deemed to have divested its economic interest in the Project.

As at December 31, 2019 and 2018, the carrying amounts of advances to a casino project in relation to the termination agreement amounted to nil.

The compensation fee from a casino project amounted to nil in 2019 and 2018 and ₱65,995,956 in 2017. The share in gaming revenue of a casino project amounted to nil in 2019 and 2018, and ₱76,400,864 in 2017, respectively. Interest income on advances to a casino project amounted to nil in 2019 and 2018, and ₱37,620,000 in 2017 (see Note 19).

25. Other Matters

Electronic Bingo and Rapid Bingo

The revenues from electronic bingo and rapid bingo are presented in the consolidated statement of comprehensive income net of the share of owners of electronic bingo and rapid bingo machines as follows:

Electronic bingo

	2019	2018	2017
Gross receipts from electronic bingo	**₱6,707,521,455**	₱6,087,271,518	₱5,558,566,783
Less share of owners of electronic bingo machines	**1,418,291,195**	1,332,365,257	1,222,884,694
Net revenues	**₱5,289,230,260**	₱4,754,906,261	₱4,335,682,089

Rapid bingo

	2019	2018	2017
Gross receipts from rapid bingo	**₱306,618,320**	₱247,221,904	₱248,535,550
Less share of owners of rapid bingo machines	**22,406,115**	16,835,474	17,191,514
Net revenues	**₱284,212,205**	₱230,386,430	₱231,344,036

Income from junket operations

On July 3, 2013, PAGCOR awarded PIKI the authority to bring pre-registered non-Philippine junket players to play in the junket Gaming Rooms at PAGCOR's Casino Filipino - Midas, with a minimum gaming table mix to be determined by PAGCOR. The Group'sincome from PIKI's junket operations amounted to ₱689,770,381 in 2019, ₱895,694,852 in 2018, and ₱855,588,806 in 2017.

Revenues from e-Casino
ABLE generates income from e-casino representing operator's share in e-Casino game winnings. E-Casino offers popular casino games such as baccarat, poker and roulette via computer terminals. Income generated from these operations which amounted to ₱52,201,738 in 2019, ₱22,377,103 in 2018, and ₱16,203,347 in 2017 are presented as part of "Commission income" account in the consolidated statement of comprehensive income.

The Group's revenue from TGXI's commission income from PeGS which amounted to ₱301,450,264 in 2019, ₱291,607,194 in 2018, ₱247,768,115 in 2017 are presented as part of "Commission income" account in the consolidated statement of comprehensive income.

Contingencies
The Group currently has several tax assessments and legal cases. The Group's estimate of the probable costs for the resolution of these assessments has been developed in consultation with management as well as outside legal counsel handling these matters and is based on an analysis of potential results. The Group currently does not believe that these tax assessments and legal cases will have a material adverse effect on its consolidated statement of financial position and consolidated statement of financial performance. It is possible, however, that future financial performance could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings. No provision for probable losses were made in relation to these tax and legal assessments.

26. Financial Risk and Capital Management Objectives and Policies

Financial Risk Management Objectives and Policies
The Group has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risks, and the Group's management of capital.

The main purpose of the Group's dealings in financial instruments is to fund their respective operations and capital expenditures. The Group is not actively engaged in the trading of financial assets for speculative purposes nor does it write options.

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

The BOD has a Risk Oversight Committee which is responsible for overseeing and managing the risks that the Group may encounter. The BOD develops proper strategies and measures to avoid or at least minimize such risk incorporating the Group's established risk management policies.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, 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 Group's activities. All risks faced by the Group 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 Group's operations and forecasted results. The Group, 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 Group's Audit Committee to assist the BOD in fulfilling its oversight responsibility of the Group's corporate governance process relating to the:
a) quality and integrity of the Group's financial statements and financial reporting process and the Group's systems of internal accounting and financial controls; b) performance of the internal auditors; c) annual independent audit of the Group's financial statements, the engagement of the independent auditors and the evaluation of the independent auditors' qualifications, independence and performance; d) compliance by the Group with legal and regulatory requirements, including the Group's disclosure control and procedures; e) evaluation of management's process to assess and manage the Group'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 Group's annual report. 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 Group to the BOD on a regular basis.

Credit Risk
Credit risk represents the risk of loss the Group would incur if customers and counterparties fail to perform their contractual obligations. The Group manages its credit risk mainly through the application of transaction limits and close risk monitoring. It is the Group's policy to enter into transactions with a wide diversity of creditworthy counterparties to mitigate any significant concentration of credit risk. Further, the Group has regular internal control reviews to monitor the granting of credit and management of credit exposures.

Financial information on the Group's maximum exposure to credit risk as at December 31, 2019 and 2018, without considering the effects of collaterals and other risk mitigation techniques, is presented below:

	Note	**2019**	2018
Amortized cost			
Cash in banks	*4*	**₱2,470,113,026**	₱353,978,398
Receivables - net	*5, 17*	**1,766,825,689**	917,322,513
Rental deposits	*11*	**432,823,436**	436,816,153
Cash performance bonds	*11*	**298,950,000**	287,205,000
Performance cash deposits and betting credit funds	*11*	**32,450,000**	27,650,000
Due from related parties	*20*	**155,000,000**	155,000,000
		5,156,162,151	2,177,972,064
FVOCI		**106,725,824**	168,180,654
		₱5,262,887,975	₱2,346,152,718

Cash in Banks
The management evaluates the financial condition of the banking industry and bank deposits/investments are maintained with reputable banks only.

Receivables
Majority of the Group's credit risk on receivables is attributed to its internet gaming licensing activities influenced mainly by the individual characteristics of each customer and non-interest bearing advances made to entities with similar operations. The demographics of the Group's customer base, including the default risk of the industry and regions in which customers operate, has an influence on credit risk.

The BOD has established a credit policy under which each new advanced amount requested by customer/counterparties within the same gaming industry is analyzed individually for creditworthiness before standard credit terms and conditions are granted. The Group's review includes the requirements of updated credit application documents, credit verifications through the use of no negative record requests and list of blacklisted accounts, and analyses of financial performance to ensure credit capacity. The status of each account is first checked before advances are approved.

Most of the Group's customers have been transacting with the Group for several years, and losses have occurred from time to time. Results of credit reviews are grouped and summarized according to credit characteristics, such as aging profiles and credit violations.

The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in respect of receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The aging of receivables is as follows:

	2019		2018	
	Gross Amount	**Impairment**	Gross Amount	Impairment
Current	**₱1,481,574,682**	**₱–**	₱163,672,264	₱–
Past due 1 - 30 days	**53,632,602**	**–**	92,925,350	–
Past due 31 - 60 days	**47,171,968**	**–**	86,002,258	–
More than 60 days	**426,898,754**	**242,452,317**	857,668,080	242,249,123
	₱2,009,278,006	**₱242,452,317**	₱1,200,267,952	₱242,249,123

The Group has recognized impairment losses on receivables to third party of ABLE amounting to ₱32,942,310 and ₱21,641,224 in 2019 and 2018, respectively, due to cessation of operations of its debtors.

As at reporting date, there were no significant concentrations of credit risk.

Based on historical default rates, the Group believes that no impairment allowance is necessary in respect of receivables not past due or past due by up to 60 days.

Rental Deposits
The management prefers well known business establishments in the selection of location for bingo operations to ensure profitable operations and recovery of the rental and other deposits upon termination of the lease agreements.

Cash Performance Bonds/Performance Cash Deposits and Betting Credit Funds
The Group's exposure to credit risk is negligible as PAGCOR has sufficient funds to settle these upon the expiration of the respective license agreements.

Financial Assets at FVOCI
The Group's exposure to credit risk is negligible as this pertains to the Group's investment in DFNN's shares that are listed on the PSE.

Due from Related Parties
The Group limits its exposure to credit risk by only financing the operations of related parties that have viable operations and likewise engaged in gaming amusement activities.

The most significant amount of due from related parties of the Group are the advances to BLRI and HEPI, an associate and a joint venture, respectively, of the Parent Company.

Advances to a Casino Project
The Group has an insignificant exposure to credit risk on this account since the counterparty is a reputable entity with high quality external credit ratings.

The credit quality of the Group's neither past due nor impaired financial assets based on their historical experience with the corresponding third parties has been defined as follows:

Grade A: Financial assets which are consistently collected before maturity.

Grade B: Financial assets which are collected on their due dates even without an effort from the Group's to follow them up.

Grade C: Financial assets which are collected on their due dates provided that the Group's made a persistent effort to collect.

As at December 31, the credit quality per class of financial assets that are neither past due nor impaired is as follows:

	2019			
	Grade A	**Grade B**	**Grade C**	**Total**
Financial assets at amortized cost:				
Cash in banks	**₱2,470,113,026**	**₱–**	**₱–**	**₱2,470,113,026**
Receivables:				
Trade and other receivables	**1,759,228,549**	**–**	**–**	**1,759,228,549**
Receivables from concessionaires	**–**	**7,597,140**	**–**	**7,597,140**
Due from related parties	**–**	**155,000,000**	**–**	**155,000,000**
Rental deposits	**–**	**432,823,436**	**–**	**432,823,436**
Cash performance bonds	**–**	**298,950,000**	**–**	**298,950,000**
Performance cash deposits and betting credit funds	**–**	**32,450,000**	**–**	**32,450,000**
FVOCI	**106,725,824**	**–**	**–**	**106,725,824**
	₱4,336,067,399	**₱926,820,576**	**₱–**	**₱5,262,887,975**

	2018			
	Grade A	Grade B	Grade C	Total
Financial assets at amortized cost:				
Cash in banks	₱353,978,398	₱–	₱–	₱353,978,398
Receivables:				
Trade and other receivables	905,085,119	–	–	905,085,119
Receivables from concessionaires	–	12,237,394	–	12,237,394
Due from related parties	–	155,000,000	–	155,000,000
Rental deposits	–	436,816,153	–	436,816,153
Cash performance bonds	–	287,205,000	–	287,205,000
Performance cash deposits and betting credit funds	–	27,650,000	–	27,650,000
Financial asset at FVOCI	168,180,654	–	–	168,180,654
	₱1,427,244,171	₱918,908,547	₱–	₱2,346,152,718

Liquidity Risk

Liquidity risk pertains to the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Group 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 Group's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal requirements.

In addition, the Group has an omnibus line of credit with a number of Philippine banks consisting of commitments for short term loans, letters of credit and documents against acceptances/documents against payment (DA/DP) facilities trust receipts. As at December 31, 2019 and 2018, the total commitment under the line of credit is ₱1,000,000,000 and ₱1,196,000,000, respectively. As at December 31, 2019 and 2018, the Group has drawn ₱893,892,480 and ₱1,138,134,420, respectively. All facilities under the omnibus line bear interest at floating rates consisting of a margin over current Philippine treasury rates (see Note 12).

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements of the Group:

	2019				
	Carrying Amount	Contractual Cash Flow	6 Months or Less	6-12 Months	1-5 Years
Other Financial Liabilities					
Trade and other payables	₱1,844,141,450	₱1,844,141,450	₱1,844,141,450	₱–	₱–
Short-term and long-term loans payable	3,887,090,389	4,455,853,425	957,269,241	345,171,088	3,153,413,096
Deposits	97,807,175	97,807,175	–	–	97,807,175
	₱5,829,039,014	₱6,397,802,050	₱2,801,410,691	₱345,171,088	₱3,251,220,271

** Excluding statutory payables amounting to ₱135,750,807.*

	2018				
	Carrying Amount	Contractual Cash Flow	6 Months or Less	6-12 Months	1-5 Years
Other Financial Liabilities					
Trade and other payables	₱1,569,919,637	₱1,569,919,637	₱1,569,919,637	₱–	₱–
Short-term and long-term loans payable	6,051,738,818	6,108,767,888	2,432,608,268	109,802,729	3,566,356,891
Deposits	95,732,478	95,732,478	–	–	95,732,478
	₱7,717,390,933	₱7,774,420,003	₱4,002,527,905	₱109,802,729	₱3,662,089,369

** Excluding statutory payables amounting to ₱355,319,505.*

The Group expects to meet its operating assets and liabilities, capital expenditure and investment requirements for the next 12 months primarily from the issuance of common shares.

On January 1, 2019 the stockholders approved 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 closing price of the shares of LRWC on November 29, 2018. The Board of Directors (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 LRWC with its investors.

The proceeds from the issuance of common shares will be used to partially settle the Group's existing obligations, and finance its expansion programs, and working capital requirements to enable it to continue to operate as a going concern.

Market Risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates, and other market prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group is subject to various market risks, including risks from changes in prices, interest rates, currency exchange rates and equity price risk.

The Group minimizes its exposure to risks in changes in rental rates by entering into contracts with lessors with fixed rent commitment for the contract duration.

Foreign Currency Risk

The Group is exposed to foreign currency risk on purchases that are denominated in currencies other than the Philippine peso, mostly in U.S. dollar ($). In respect of monetary assets and liabilities held in currencies other that the Philippine peso, the Group ensures that its exposure is kept to an acceptable level, by buying foreign currencies at spot rates where necessary to address short-term imbalances.

The Group's exposure to foreign currency risk based on notional amounts is as follows:

	2019		2018	
	In USD	**In PhP**	In USD	In PhP
Cash in banks	**$422,912**	**₱21,458,555**	$445,378	₱23,417,956
Trade receivables	**4,527,482**	**229,724,437**	4,875,350	256,345,909
Rental deposits	**416,748**	**21,145,794**	1,716,035	90,229,105
Trade and other payables	**(2,929,891)**	**(148,662,669)**	(4,551,349)	(239,309,945)
Net assets	**$2,437,251**	**₱123,666,117**	$2,485,414	₱130,683,025

The following are the significant exchange rates applied during the year:

	2019	2018
PHP average rate	**50.77**	52.56
PHP spot rate	**50.74**	52.58

Sensitivity Analysis
A 2% strengthening of the Philippine peso against the US dollars would have increased equity and net income by ₱2,473,322 in 2019 and decreased equity and net income by ₱2,613,661 in 2018.

A 2% weakening of the Philippine peso against the US dollars as at December 31, 2019 and 2018 would have had the equal but opposite effect, on the basis that all other variables remain constant.

Interest Rate Risk
The Group's exposure to changes in interest rates relate primarily to the Group's short-term and long-term debt obligations.

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 Group'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 Group has not entered into interest rate swaps and options during 2019 and 2018.

The sensitivity to a reasonably possible change in interest rates with all other variables held constant of the Group's profit before tax for the years ended December 31, 2019 and 2018 follows:

Change in Interest Rates (in Basis Points)	**2019**	2018
300bp rise	**(₱14,512,333)**	(₱12,641,317)
225bp rise	**(10,884,249)**	(10,534,431)
300bp fall	**14,512,333**	12,641,317
225bp fall	**10,884,249**	10,534,431

1 basis point is equivalent to 0.01%.

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

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 Group is exposed to equity securities price risk because of investments held by the Group, which are classified in the consolidated financial position as financial asset at FVOCI (see Note 10).

The effect on equity, as a result of a possible change in the fair value of the Group's equity instruments held as AFS financial assets as at December 31, 2019, that could be brought by changes in equity indices with all other variables held constant, are as follows:

Change in Quoted Prices of Investments Carried at Fair Value	**2019**
Increase by 10%	**₱10,672,582**
Increase by 5%	**5,336,291**
Decrease by 10%	**(10,672,582)**
Decrease by 5%	**(5,336,291)**

Fair Values

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

Cash/Receivables/Due from Related Parties/Advances to a Casino Project/Rental Deposits/Cash Performance Bonds/Performance Cash Deposits and Betting Credit Funds/Trade and Other Payables/Due to a Related Party/Deposits/Short-term Loans Payable

The carrying amounts of cash, receivables, due from related parties, advances to a casino project, trade and other payables, due to a related party and short-term loans payable approximate their fair values due to the relatively short-term nature of these financial instruments. The carrying amounts of rental deposits, cash performance bonds, performance cash deposits and betting credit funds and deposits approximate their fair values as management believes that the effect of discounting cash flows from these instruments is not significant.

Noncurrent Receivable

The fair value of the is based on the discounted value of future cash flows using the applicable risk-free rates. The fair value is under Level 3 of the fair value hierarchy.

Long-term Loans Payable

Long-term loans are reported at their present values, which approximate the cash amounts that would fully satisfy the obligations as at reporting date. The carrying amount approximates fair value since the interest rates are repriced frequently. These are classified as current liabilities when they become payable within a year.

Obligations under Finance Lease

Obligations under finance lease approximate their carrying amount since the Group does not anticipate that the effect of discounting using the prevailing market rate is significant.

Financial assets at FVOCI

The fair value of the FVOCI is based on the quoted market price of the investment in equity as at December 31, 2019 and 2018. The fair value is under Level 1 of the fair value hierarchy.

Capital Management

The Group'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 Group 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 Group defines as income before income tax divided by total shareholders' equity. The BOD also monitors the level of dividends to shareholders.

	2019	2018
Income before income tax	**₱975,096,353**	₱1,014,224,943
Total stockholders equity	**13,111,270,705**	9,090,383,083
	7.44%	11.16%

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 Group defines capital as equity, which includes capital stock, additional paid-in capital and retained earnings. There were no changes in the Group's approach to capital management as at December 31, 2019 and 2018. The Group is not subject to externally-imposed capital requirements.

27. **Events after Reporting Period**

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine throughout the island of Luzon until April 12, 2020, and subsequently extended until May 15, 2020. On May 11, 2020, Inter-Agency Task Force of Emerging Infectious Disease (IATF) Resolution No. 35 was issued, placing high-risk local government units (LGUs) (i.e., entire Metro Manila, Laguna, and Cebu City) under modified enhanced community quarantine (MECQ) from May 16, 2020 until May 31, 2020. On May 29, 20120, the IATF issued Resolution No. 41 placing Highly Urbanized Cities and Independent Component Cities under MECQ and general community quarantine until June 15, 2020, based on epidemic risk level, economic, social, and security considerations and the appeals and commitment of local government units. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve.

With the Memorandum issued by the Office of the President, PAGCOR, on March 15, 2020, ordered the suspension of all casino and other gaming operations in Metro Manila amid the increasing threat of coronavirus disease or COVID-19 in the country. Further, the order will remain until the duration of the community quarantine imposed, as well as be implemented n areas outside Metro Manila if the local government declares a community quarantine. Given the nature of the Group's business segments and its classification as a non-essential business, the whole of Retail and Casino segments are heavily impacted due this. Casino and bingo sites remained closed and not operational.

The Group considers the events surrounding the outbreak as non-adjusting subsequent events, which do not impact its financial position and performance as of and for the year ended December 31, 2019. However, the outbreak could have a material impact on its 2020 financial results and even periods thereafter. Considering the evolving nature of this outbreak, the Group cannot determine at this time the impact to its financial position, performance and cash flows. The Group will continue to monitor the situation.

On June 1, 2020, PAGCOR issued a Memorandum to its operators stating the conditions to be followed for the resumption of gaming sites for bingo in areas under Modified General Community Quarantine (MGCQ). The Group believes that the revenue issue will be resolved towards the end of Q3 2020 and go back to about 100% of pre-Enhanced Community Quarantine (ECQ) levels by Q4 2020. The Group is confident that once all of these safety measures are installed and the playing public gains confidence in the protection provided to all our employees and customers, the playing public will return to our premises.

**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES**

The Board of Directors and Stockholders
Leisure & Resorts World Corporation
26th Floor, West Tower, PSE Center
Exchange Road, Ortigas Center
Pasig City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Leisure & Resorts World Corporation and Subsidiaries (collectively referred to as "the Company") as at and for the year ended December 31, 2019, included in this Form 17-A and have issued our report thereon dated June 30, 2020. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Maria Pilar B. Hernandez

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
TR No. 8125244, January 7, 2020, Makati City

June 26, 2020

SGV
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November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders
Leisure & Resorts World Corporation
26th Floor, West Tower, PSE Center
Exchange Road, Ortigas Center
Pasig City

We have audited in accordance with Philippine Standards on Auditing, the financial statements Leisure & Resorts World Corporation and Subsidiaries (the Company) as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, and have issued our report thereon dated June 30, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Maria Pilar B. Hernandez

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June 30, 2020