COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

LEISURE & RESORTS WORLD CORPORATION

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		

COMPANY INFORMATION

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 the separate 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 of separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Sycip Gorres Velayo & Co., 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 30 2020

Unit 2601, 26th Floor West Tower, Philippines Stock Exchange Centre (PSE) Exchange Road, Ortigas, Pasig City 1605 Philippines
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SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

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

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Parent Company Financial Statements

Opinion

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

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the year 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 Parent Company Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the parent company financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Parent Company's internal control.

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

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

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

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

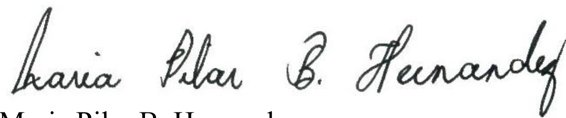
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 18 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Leisure & Resorts World Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

June 30, 2020

LEISURE & RESORTS WORLD CORPORATION
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2019	2018
ASSETS		
Current Assets		
Cash (Note 4)	**₱650,687,800**	₱46,627,731
Dividends and other receivables - net (Note 5)	**1,594,666,266**	1,287,581,408
Due from related parties (Note 14)	**3,366,315,671**	1,749,494,934
Prepaid expenses and other current assets (Note 6)	**5,923,774**	6,181,305
Total Current Assets	**5,617,593,511**	3,089,885,378
Noncurrent Assets		
Property and equipment (Note 7)	**16,932,115**	62,830,863
Investments and advances (Note 8)	**5,005,753,367**	4,756,745,678
Financial assets at fair value through other comprehensive income (Note 8)	**106,725,824**	168,180,654
Deferred tax assets (Note 15)	**–**	107,415,717
Other noncurrent assets (Note 9)	**44,834,418**	60,062,685
Total Noncurrent Assets	**5,174,245,724**	5,155,235,597
	₱10,791,839,235	₱8,245,120,975
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term loans payable (Note 11)	**₱140,500,000**	₱643,500,000
Dividend and other payables (Note 10)	**175,590,296**	80,840,420
Due to related parties (Note 14)	**1,618,093,232**	2,752,602,461
Current portion of long-term loans payable (Note 11)	**142,396,435**	72,503,637
Total Current Liabilities	**2,076,579,963**	3,549,446,518
Noncurrent Liabilities		
Long-term loans payable - net of current portion (Note 11)	**37,266,595**	179,663,030
Deferred tax liability (Note 15)	**199,520**	–
Total Noncurrent Liabilities	**37,466,115**	179,663,030
Total Liabilities	**2,114,046,078**	3,729,109,548
Equity		
Capital stock (Note 12)	**4,067,500,000**	2,849,852,512
Additional paid in capital	**4,239,070,615**	1,089,790,986
Fair value reserve (Note 8)	**598,233**	62,053,063
Retained earnings	**370,624,309**	514,314,866
Total Equity	**8,677,793,157**	4,516,011,427
	₱10,791,839,235	₱8,245,120,975

See Notes to the Parent Company Financial Statements.

LEISURE & RESORTS WORLD CORPORATION
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2019	2018
REVENUES		
Dividend income (Note 14)	**₱610,000,000**	₱631,306,034
OPERATING EXPENSES		
Salaries, wages and other benefits	**173,652,949**	184,424,159
Provision for impairment loss (Notes 8 and 9)	**137,169,474**	15,000,000
Depreciation and amortization (Note 7)	**56,164,988**	39,833,447
Contracted services	**23,166,030**	20,568,652
Taxes and licenses	**21,571,748**	10,641,506
Professional and directors' fees	**17,176,408**	20,484,472
Repairs and maintenance	**15,328,556**	14,450,074
Rent (Note 13)	**10,064,767**	28,078,159
Transportation and travel	**9,013,884**	12,045,469
Representation and entertainment	**8,675,049**	6,842,781
Communication and utilities	**7,324,004**	6,220,206
Listing and filing fees	**5,242,983**	955,141
Donations	**2,004,606**	19,827,113
Printing and office supplies	**861,383**	1,470,225
Insurance	**241,261**	966,355
Advertising and marketing	**47,375**	402,253
Others	**4,499,301**	3,438,115
	492,204,766	385,648,127
INCOME FROM OPERATIONS	**117,795,234**	245,657,907
OTHER INCOME (EXPENSE) – Net		
Share in net income of a joint venture (Note 8)	**149,007,689**	114,866,158
Interest expense (Notes 11 and 13)	**(57,039,783)**	(38,252,548)
Interest income (Note 4)	**934,909**	23,553
Other charges – net	**(5,541,608)**	(574,350)
	87,361,207	76,062,813
INCOME BEFORE INCOME TAX	**205,156,441**	321,720,720
PROVISION FOR INCOME TAX (Note 15)		
Current	**21,795**	–
Deferred	**107,615,237**	130,769,815
	107,637,032	130,769,815
NET INCOME	**97,519,409**	190,950,905
OTHER COMPREHENSIVE INCOME		
Item that will be reclassified to profit or loss -		
Revaluation of financial asset at FVOCI (Note 8)	**(61,454,830)**	14,871,625
TOTAL COMPREHENSIVE INCOME	**₱36,064,579**	₱205,822,530

See Notes to the Parent Company Financial Statements.

LEISURE & RESORTS WORLD CORPORATION

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	Capital Stock (Note 12)		**Additional**			
	Common Shares	**Preferred Shares**	**Paid-in Capital**	**Fair Value Reserve**	**Retained Earnings**	**Total**
Balance at January 1, 2019	**₱1,199,852,512**	**₱1,650,000,000**	**₱1,089,790,986**	**₱62,053,063**	**₱514,314,866**	**₱4,516,011,427**
Effect of adoption of PFRS 16	–	–	–	–	**(8,064,966)**	**(8,064,966)**
Balance at January 1, 2019, as restated	**1,199,852,512**	**1,650,000,000**	**1,089,790,986**	**62,053,063**	**506,249,900**	**4,507,946,461**
Net income during the period	–	–	–	–	**97,519,409**	**97,519,409**
Other comprehensive loss	–	–	–	**(61,454,830)**	–	**(61,454,830)**
Total comprehensive loss	–	–	–	**(61,454,830)**	**97,519,409**	**36,064,579**
Issuance of capital stock	**1,217,647,488**	–	**3,149,279,629**	–	–	**4,366,927,117**
Dividends declared (Note 12)	–	–	–	–	**(233,145,000)**	**(233,145,000)**
Balance at December 31, 2019	**₱2,417,500,000**	**₱1,650,000,000**	**₱4,239,070,615**	**₱598,233**	**₱370,624,309**	**₱8,677,793,157**
Balance at January 1, 2018	₱1,199,852,512	₱1,650,000,000	₱1,089,790,986	₱47,181,438	₱393,488,961	₱4,380,313,897
Net income during the period	–	–	–	–	190,950,905	190,950,905
Other comprehensive income	–	–	–	14,871,625	–	14,871,625
Total comprehensive income	–	–	–	14,871,625	190,950,905	205,822,530
Dividends declared (Note 12)	–	–	–	–	(70,125,000)	(70,125,000)
Balance at December 31, 2018	₱1,199,852,512	₱1,650,000,000	₱1,089,790,986	₱62,053,063	₱514,314,866	₱4,516,011,427

See Notes to the Parent Company Financial Statements.

LEISURE & RESORTS WORLD CORPORATION
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱205,156,441**	₱321,720,720
Adjustments for:		
Share in net income of a joint venture (Note 8)	**(149,007,689)**	(114,866,158)
Depreciation and amortization (Note 7)	**56,164,988**	39,833,447
Interest expense (Note 11)	**57,039,783**	38,252,548
Provision for impairment loss (Note 8 and 9)	**137,169,474**	15,000,000
Retirement expense (Note 14)	**16,510,979**	14,645,836
Interest income (Note 4)	**(934,909)**	(23,553)
Operating income before working capital changes	**322,099,067**	314,562,840
Increase in:		
Dividends and other receivables	**(607,084,858)**	(657,571,163)
Prepaid expenses and other current assets	**235,736**	(11,808,594)
Increase in dividends and other payables	**18,599,875**	8,166,502
Net cash generated from (used in) operations	**(266,150,180)**	(346,650,415)
Benefits paid	**(127,950,149)**	(1,236,757)
Interest received	**934,909**	23,553
Net cash flows used in operating activities	**(393,165,420)**	(347,863,619)
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in:		
Due from related parties	**(1,679,913,553)**	(18,434,832)
Investment and advances (Note 8)	**(200,000,000)**	18,000,000
Other noncurrent assets	**(21,941,206)**	308,000
Additions to property and equipment (Note 7)	**(1,704,509)**	(8,914,150)
Net cash flows used in investing activities	**(1,903,559,268)**	(9,040,982)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans (Note 11)	**129,200,000**	704,000,000
Dividends paid	**(156,994,999)**	(221,909,305)
Payments of loans (Note 11)	**(704,703,637)**	(272,500,000)
Payment of principal portion of lease liabilities (Note 13)	**(17,202,926)**	–
Increase (decrease) in due to related parties	**(659,977,244)**	224,603,530
Interest paid	**(56,463,554)**	(33,252,548)
Proceeds from issuance of capital stock (Note 12)	**4,366,927,117**	–
Net cash flows provided by financing activities	**2,900,784,757**	400,941,677
NET INCREASE IN CASH	**604,060,069**	44,037,076
CASH AT BEGINNING OF YEAR	**46,627,731**	2,590,655
CASH AT END OF YEAR (Note 4)	**₱650,687,800**	₱46,627,731

See Notes to the Parent Company Financial Statements.

1. Corporate Information

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

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

The parent company financial statements as at and for the years ended December 31, 2019 and 2018 were approved and authorized by the Board of Directors (BOD) on June 30, 2020.

2. Basis of Preparation and Summary of Significant Accounting Policies

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

The Parent Company financial statements have been prepared on a historical cost basis, except for financial assets at fair value though other comprehensive income that have been measured at fair value. The financial statements are presented in Philippine peso, except when otherwise indicated.

The Parent Company financial statements provide comparative information in respect of the previous period.

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

New and Amended Standards and Interpretations
The accounting policies adopted are consistent with those of the previous financial year, except that the Parent Company has adopted the following new accounting pronouncements starting January 1, 2019:

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

  Under PFRS 9, a debt instrument can be measured at amortized cost or at FVOCI, provided that the contractual cashflows 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 parent financial statements.

- 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 Parent Company is the lessor.

The Parent Company 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 Parent Company 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 of January 1, 2019 is as follows:

	Increase (Decrease)
Assets:	
Property and equipment (Note 7)	₱8,561,731
Liabilities:	
Lease liability (Note 13)	₱16,626,697
Equity:	
Retained earnings	(8,064,966)
	₱8,561,731

The Parent Company has lease contracts for land, office and site spaces. Before the adoption of PFRS 16, the Parent Company 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 Parent Company 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 Parent Company 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 at the date of initial application.

The Parent Company 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 was recognized amounting to ₱16.6 million representing the amount of right-of-use assets set up on transition date.
- Additional accumulated depreciation of ₱8.1 million was recognized for the acceleration of depreciation for leasehold improvements.
- Lease liability of ₱16.6 was recognized.
- The net effect of these adjustments amounting to ₱8.1 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	₱19,100,428
Weighted average incremental borrowing rate at January 1, 2019	6.872%
Discounted operating lease commitments at January 1, 2019	18,524,199
Less: Commitments relating to short term leases	(1,897,502)
Lease liabilities recognized at January 1, 2019	₱16,626,697

Due to the adoption of PFRS 16, the Parent Company'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.

The adoption of PFRS 16 did not have significant impact on equity in 2019, since the Parent Company elected to measure the right-of-use assets at an amount equal to the lease liability, recognized in the consolidated statement of financial position immediately before the date of initial application.

- 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 Parent Company 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 financial statements as the Parent Company does not have long-term interests in its associate and joint venture.

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

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

  The interpretation specifically addresses the following:

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

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

  These amendments are currently not applicable to the Parent Company but may apply to future transactions.

- *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.

    These amendments are currently not applicable to the Parent Company but may apply to future transactions.

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

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

    An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

    These amendments are not relevant to the Parent Company because dividends declared by the Parent Company do not give rise to tax obligations under the current tax laws.

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

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

    An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments.

    The amendments are not applicable to the Parent Company.

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

Effective beginning on or after January 1, 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 Parent Company.

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

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

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

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

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

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

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

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

Deferred effectivity

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

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

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

  The amendments are not applicable to the Parent Company.

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

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

All other assets are classified as noncurrent.

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

All other liabilities are classified as noncurrent.

Deferred tax assets and liabilities 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 Parent Company's business model for managing them.

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

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

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

The Parent Company has cash, receivable, due from related parties and rental deposits classified as financial asset at amortized cost. It also has investment in equity securities classified as financial asset at FVOCI. The Parent Company has no financial asset designated as financial asset at 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 Company measures financial assets at amortized cost if both of the following conditions are met:

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

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

Financial assets designated at FVOCI (equity instruments). Upon initial recognition, the Parent Company 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 parent company statement of comprehensive income when the right of payment has been established, except when the Parent Company 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 Parent Company 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 Parent Company of similar financial assets) is primarily derecognized (i.e., removed from the Parent Company's balance sheet) when:

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

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

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

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

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

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

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

b. Financial Liabilities

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

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

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

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

Subsequent Measurement. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the 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 the 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.

c. Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Parent Company statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Parent Company assesses that it has a 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 Parent Company and all of the counterparties.

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

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

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

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

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

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

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

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

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

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

The Parent Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the parent company financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

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

Investments and Advances

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

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

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

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

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

In the event that the Parent Company's share in losses of subsidiaries and associates equals or exceeds the carrying amount of the investment, the Parent Company discontinues its share in further losses. After the Parent Company's investment is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Parent Company has incurred legal or constructive obligations or made payments on behalf of the subsidiaries and associates. If the

subsidiaries and associates subsequently report profits, the Parent Company resumes recognizing its share in those profits only after its share in the profits equals the share in net losses not recognized.

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

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

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

Effective January 1, 2019, it is the Parent Company's policy to classify right-of-use assets as part of property and equipment. Prior to that date, all of the Parent Company's leases are accounted for as operating leases in accordance with PAS 17, hence, not recorded on the statement of financial position. The Parent Company 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 Parent Company 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:

Asset	Number of Years
Leasehold improvements	5 or term of the lease, whichever is shorter
Office furniture, fixtures, and equipment	3 - 5
Transportation equipment	3 - 5
Computer software	3 - 5

Right-of-use assets are depreciated on a straight-line basis over the lease term.

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

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

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

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

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

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.

Company as a Lessee. The Parent Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Parent Company recognizes lease liability to make lease payments and right-of-use assets representing the right to use the underlying asset.

Lease liabilities
At the commencement date of the lease, the Parent Company 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 Parent Company and payments of penalties for terminating a lease, if the lease term reflects the Parent Company 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 Parent Company uses the incremental borrowing rate 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 Company applies the short-term lease recognition exemption to its short-term leases of office spaces (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 (i.e., below ₱250,000). 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 prior to January 1, 2019

Company as Lessee. 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 statements of comprehensive income on a straight-line basis over the lease term.

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

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

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

The following specific recognition criteria is applied:

Dividend Income
Dividend income is recognized at a point in time when the Parent Company's right to receive the payment is established.

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

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

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

Cost and Expense Recognition

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

Income Tax

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

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

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

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

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

Provisions

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

Contingencies

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

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

3. Significant Accounting Judgments, Estimates and Assumptions

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

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the estimates and judgments are revised and in any future periods affected.

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

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

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

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

Determination of lease term of contracts with renewal and termination options – Company as a lessee. The Parent Company has a lease contract that include extension and termination options. The Parent Company 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 Parent Company 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.

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

Estimates

The key assumptions concerning the future and other key sources of estimation at the end of reporting period that have significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

Estimating Allowance for Expected Credit Losses

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

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

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

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

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

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

   As at December 31, 2019 and 2018, the aggregate carrying amounts of dividends and other receivables and due from related parties amounted to ₱4,960,981,937 and ₱3,037,076,342, respectively. As at December 31, 2019 and 2018, the allowance for expected credit losses amounted to ₱3,009,459 (see Notes 5 and 16).

Estimating Allowance for Impairment Losses on Nonfinancial Assets

The Parent Company assesses impairment on property and equipment and investments and advances when events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

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

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

As at December 31, 2019 and 2018, the following are the carrying amounts of nonfinancial assets:

	2019	2018
Property and equipment - net (Note 7)	**₱16,932,115**	₱62,830,863
Investments and advances - net (Note 8)	**5,005,753,367**	4,756,745,678

As at December 31, 2019 and 2018, allowance for impairment loss on investment and advances amounted to ₱162,371,447 and ₱62,371,447 (see Note 8).

Impairment losses recognized on the Parent Company's and investments and advances amounted to ₱100,000,000 in 2019 and ₱15,000,000 in 2018 (see Note 8).

Estimating Realizability of Deferred Tax Assets
The Parent Company reviews the carrying amount of deferred tax assets at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Parent Company also reviews the expected timing and tax rates upon reversal of the temporary differences and adjusts the impact of deferred tax accordingly. The Parent Company's assessment on the recognition of deferred tax assets is based on the forecasted taxable income of the subsequent reporting periods. This forecast is based on the Parent Company's past results and future expectations on revenues and expenses.

As at December 31, 2019 and 2018, the Company recognized deferred tax assets amounting to nil and ₱107,415,717, respectively (see Note 15).

Leases - Estimating the IBR
The Parent Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Parent Company 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 Parent Company "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 Parent 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 incremental borrowing rate used by the Parent Company to measure lease liabilities is 6.86% in 2019.

The Parent Company's lease liabilities amounted to nil as of December 31, 2019.

4. Cash

	2019	2018
Cash in banks	**₱650,282,800**	₱46,237,731
Cash on hand	**405,000**	390,000
	₱650,687,800	₱46,627,731

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

Interest income recognized in profit or loss amounted to ₱934,909 in 2019 and ₱23,553 in 2018.

5. Dividends and Other Receivables

	2019	2018
Dividends receivable (see Note 14)	**₱1,551,250,034**	₱1,241,250,034
Advances to:		
Stockholder	**31,231,461**	31,231,461
Third parties	**3,009,459**	3,009,459
Others	**12,184,771**	15,099,913
	1,597,675,725	1,290,590,867
Less allowance for expected credit losses	**3,009,459**	3,009,459
	₱1,594,666,266	₱1,287,581,408

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

In 2019 and 2018, the Parent Company used the general approach in estimating the expected credit losses on its other receivables.

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

6. Prepaid Expenses and Other Current Assets

	2019	2018
Prepaid expenses	**₱3,493,160**	₱3,649,626
Advances to officers and employees	**2,430,614**	2,516,679
Others	**–**	15,000
	₱5,923,774	₱6,181,305

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

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

7. Property and Equipment - net

	Office Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Computer Software	Right-of-use Asset – Office Space	Total
Cost						
December 31, 2017	₱41,056,563	₱2,964,154	₱39,946,948	₱71,405,545	₱–	₱155,373,210
Additions	4,311,760	3,728,870	328,430	545,090	–	8,914,150
December 31, 2018	45,368,323	6,693,024	40,275,378	71,950,635	–	164,287,360
Effect of adoption of PFRS 16 (Notes 2 and 13)	–	–	–	–	16,626,697	16,626,697
December 31, 2018, as restated	45,368,323	6,693,024	40,275,378	71,950,635	16,626,697	180,914,057
Additions	1,527,723	–	–	176,786	–	1,704,509
December 31, 2019	**46,896,046**	**6,693,024**	**40,275,378**	**72,127,421**	**16,626,697**	**182,618,566**
Accumulated Depreciation and Amortization						
December 31, 2017	19,647,506	816,057	13,732,810	27,426,677	–	61,623,050
Depreciation and amortization	10,200,122	1,152,161	8,026,940	20,454,224	–	39,833,447
December 31, 2018	29,847,628	1,968,218	21,759,750	47,880,901	–	101,456,497
Effect of adoption of PFRS 16 (Notes 2 and 13)	–	–	8,064,966	–	–	8,064,966
December 31, 2018, as restated	29,847,628	1,968,218	29,824,716	47,880,901	–	109,521,463
Depreciation and amortization (Note 13)	8,786,410	1,465,976	10,375,130	19,575,843	15,961,629	56,164,988
December 31, 2019	**38,634,038**	**3,434,194**	**40,199,846**	**67,456,744**	**15,961,629**	**165,686,451**
Carrying Amount						
December 31, 2018	₱15,520,695	₱4,724,806	₱18,515,628	₱24,069,734	₱–	₱62,830,863
December 31, 2019	**₱8,262,008**	**₱3,258,830**	**₱75,532**	**₱4,670,677**	**₱665,068**	**₱16,932,115**

8. Investments and Advances and Financial Assets at FVOCI

	Percentage of Ownership	**2019**	Percentage of Ownership	2018
Investments				
Subsidiaries:				
AB Leisure Global, Inc. (ABLGI)	**100%**	**₱1,550,000,000**	100%	₱1,550,000,000
AB Leisure Exponent, Inc. (ABLE)	**100%**	**750,000,000**	100%	750,000,000
Total Gamezone Xtreme Incorporated (TGXI)	**100%**	**620,000,000**	100%	620,000,000
LR Land Developers, Inc. (LRLDI)	**100%**	**225,000,000**	100%	225,000,000
First Cagayan Leisure & Resort Corporation (FCLRC)	**69.68%**	**161,375,000**	69.68%	61,375,000
Prime Investment Korea Inc., (PIKI)	**100%**	**1,000,000**	100%	1,000,000
LR Data Center and Solutions Inc. (LRDCSI)	**80%**	**20,000,000**	80%	20,000,000
Blue Chip Gaming & Leisure Corporation (BCGLC)	**100%**	**19,628,028**	100%	19,628,028
Bingo Bonanza (HK) Limited (BBL)	**60%**	**35,398**	60%	35,398
		3,347,038,426		3,247,038,426
Associate:				
Binondo Leisure Resources, Inc. (BLRI):				
Common shares	**30%**	**1,200,000**	30%	1,200,000
Preferred shares		**20,000,000**		20,000,000
		21,200,000		21,200,000

(Forward)

	Percentage of Ownership	2019	Percentage of Ownership	2018
Joint venture:				
Hotel Enterprises of the Philippines, Inc. (HEPI) cost	**51%**	**₱750,938,000**	51%	₱750,938,000
Accumulated share in net income (loss):				
Balance at beginning of year		**300,107,396**		185,241,238
Share in net income during the year		**149,007,689**		114,866,158
Balance at end of year		**449,115,085**		300,107,396
		1,200,053,085		1,051,045,396
Advances:				
HEPI		**364,557,557**		364,557,557
Eco Leisure and Hospitality Holding Company, Inc. (Eco Leisure)		**26,136,049**		26,136,049
Pacific Visionary Int'l Marketing Corp. (Pacific)		**94,139,697**		94,139,697
Others		**115,000,000**		15,000,000
		599,833,303		499,833,303
Allowance for impairment losses on investments in BBL and BLRI		**(162,371,447)**		(62,371,447)
		₱5,005,753,367		₱4,756,745,678

Investment in ABLGI

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

Investment in ABLE

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

Investment in TGXI

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

Investment in LRLDI

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

Investment in FCLRC

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

In 2019, the Parent Company entered into Deed of Assignments and Contract to Sell with the minority shareholders of FCLRC to purchase for and in consideration amounting to ₱100,000,000. However, the transfer of ownership of the respective shares were not completed in 2019, thus, did not result in change in the percentage of ownership of the Parent Company with FCLRC.

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

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

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

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

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

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

The Parent Company recognized its share in net loss of BLRI up to the extent of investment cost. Unrecognized accumulated equity in net loss of BLRI amounted to ₱27,065,669 and ₱27,965,303 as at December 31, 2019 and 2018, respectively. Unrecognized share in net income amounted to ₱899,634 in 2019 and ₱1,284,861 in 2018.

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

The summarized financial information of BLRI follows:

	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	**₱–**	₱–
Revenues	**₱29,023,074**	₱30,610,261
Net income/total comprehensive income	**₱2,998,779**	₱4,282,870
Parent Company’s unrecognized share of total comprehensive income	**₱899,634**	₱1,284,861

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

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

The summarized financial information of HEPI is presented below.

	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**	825,459,953
Carrying amount of interest in a joint venture	**₱1,200,053,085**	₱1,051,045,396

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

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

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

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

<u>Advances to Pacific</u>
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.

<u>Advances to Others</u>
The Parent Company made several cash advances to third party for future projects amounting to ₱100,000,000 and ₱15,000,000 in 2019 and 2018, respectively. The advances are unsecured, noninterest-bearing and due upon demand but not expected to be settled with one year.

The advances to others was fully provided with valuation allowance amounting to ₱115,000,000 and ₱15,000,000 as at December 31, 2019 and 2018.

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

The conversion resulted to 8.76% equity ownership of LRWC over DFNN. As the management does not intend to hold the investment for trading, the total converted amount of ₱98,690,971 has been classified as financial assets at FVOCI.

Financial Assets at FVOCI

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

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

9. Other Noncurrent Assets

	2019	2018
Input VAT - net	**₱20,100,774**	₱20,635,840
Premium on group pension plan	**12,864,965**	6,619,230
Rental deposits (see Note 13)	**6,685,269**	6,436,138
CWT - net	**120,910**	26,371,477
Others	**5,062,500**	–
	₱44,834,418	₱60,062,685

In 2019, the Parent Company recognized provision for impairment on its CWT and Input VAT due to unrecoverability amounting to ₱26,371,477 and ₱10,797,997, respectively.

10. Dividend and Other Payables

	2019	2018
Dividends payable	**₱76,150,000**	₱17,318,600
Accrued expenses and other payables:		
Payable to suppliers	**56,411,360**	10,983,436
Salaries, wages and employee benefits	**13,150,574**	21,716,722
Payable to government agencies	**21,256,159**	4,326,858
Others	**8,622,203**	26,494,804
	₱175,590,296	₱80,840,420

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

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

11. Loans Payable

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

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

The fair value of the mortgaged shares of stocks amounted to ₱229,754,400 and ₱427,206,759 as at December 31, 2019 and 2018, respectively.

As a part of the loan agreement with AUB, the Parent Company is required to comply with affirmative financial ratios such as debt-to-equity and debt service coverage ratio which the Parent Company meets as at December 31, 2019. The loan is secured by shares of stocks of the Parent Company issued to stockholders.

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

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

Terms and conditions are as follows:

	December 31, 2019		
	Interest Rate	**Maturity Date**	**Carrying Amount**
Long Term			
AUB	**8.42%**	**June 2015 - February 2021**	**₱157,733,030**
Less current portion			**120,466,435**
			₱37,266,595

	December 31, 2019		
	Interest Rate	**Maturity Date**	**Carrying Amount**
Long Term			
AUB	**8.42%**	**May 2018 - January 2020**	**₱21,930,000**
Less current portion			**21,930,000**
			₱–

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

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

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

Terms and conditions are as follows:

	December 31, 2019		
	Interest Rate	**Maturity Date**	**Carrying Amount**
Short Term			
AUB	**7.25%**	**May 2019 - May 2020**	**₱140,500,000**

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

Total interest expense recognized in profit or loss amounted to ₱56,463,554 in 2019 and ₱38,252,548 in 2018, respectively.

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

   In March 2019, Fortunegate approved the Parent Company's request to extend the loan repayment date to April 30, 2019.

   In April 2019, the Parent Company entered into additional short-term loan agreements with Fortunegate for working capital requirements. The loan amounting to $2,000,000 shall be payable on April 30, 2019. The loan was interest-free from the drawdown date until the repayment date. Annual interest rate of 12% subject to change depending on the prevailing financial and monetary conditions shall apply if loan remained unpaid after April 30, 2019.

   In April 2019, the Parent Company's loans to Fortunegate was paid in full.

d. In March 2019, the Parent Company entered into short-term loan agreements with a local finance company namely, Classic Finance, Inc. (Classic) for working capital requirements. The loan amounting to ₱25,000,000 shall be payable on demand. Annual interest rate is at 8% subject to change depending on the prevailing financial and monetary conditions and shall be payable also on demand. The loan is secured by FCLRC's shares of stocks owned by the Parent Company.

   In May 2019, the Parent Company's loans to Classic was paid in full.

12. Equity

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

	2019		2018	
	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
Balance at beginning of year	**₱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
Authorized:				
Preferred shares - P1 par value	**₱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

Increase in Authorized Capital Stock

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

Registration of Securities under the Securities Regulation Code

Pursuant to the registration statement rendered effective by the SEC on February 6, 1958 and permit to sell issued by the SEC dated February 6, 1958 - 15,000,000 common shares of 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 Parent Company called for a Special Stockholder's Meeting for the approval of the issuance of up to 1,300,147,488 common shares from the unissued capital stock through a private placement at a price based on a premium over the Parent Company's shares closing price on November 29, 2018.

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

In March and April 2019, 1,217,647,488 common shares were subscribed at ₱3.60 per share by virtue of the subscription agreements entered into by the Parent Company with its investors. The proceeds from the issuance of will be used to refinance the Parent Company's existing obligations, for expansion programs and working capital requirements. The Parent Company incurred transaction costs related to the issuance of new shares amounting to ₱16,603,840 which are treated as deductions in the additional paid in capital account.

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 shares issues and outstanding preferred shares with three (3) stockholders.

Declaration of Cash Dividends
Cash dividends declared by the BOD to preferred stockholders of the Parent Company in 2019 and 2018 are 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 "Dividend and other payables" account in the parent company statements of financial position, amounted to ₱76,150,000 and ₱17,318,600, respectively (see Note 10).

13. **Lease Agreements**

Parent Company as a Lessee
The Parent Company has a lease contract related to its office space at 26th floor of West Tower, the Philippine Stock Exchange Center, Exchange Road, Ortigas Center, Pasig City along with 28 parking lots. The lease is for a period of three (3) years commencing on January 15, 2017 until January 14, 2020. The Parent Company renewed the contract for a period of three (3) years from January 15, 2020 to January 14, 2023 based on mutual agreement by both parties.

Extension and termination options are normally mutually agreed by the lessor and lessee.

The following are the amounts recognized in the separate statement of comprehensive income:

	2019
Depreciation expense of right-of-use assets included in property and equipment (Note 7)	**₱15,961,629**
Interest expense on lease liabilities	**576,229**
Expenses relating to short-term leases	**5,674,081**
	₱22,211,939

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)	**16,626,697**
Balances at January 1, 2019, restated	**16,626,697**
Interest expense	**576,229**
Payments	**(17,202,926)**
As at December 31, 2019	**₱–**

The Parent Company has no lease contracts that contain variable payments.

14. Related Party Disclosures

Related party relationship exists when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities, which are under common control with the reporting entity, or between/or among the reporting entity and its key management personnel, directors, or its stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

All publicly-listed and certain members of the companies of the Parent Company 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 8, the Parent Company's significant transactions and balances with related parties are as follows:

Categories	Nature of Transaction	Year	Note	Amount of Transactions for the Year	Outstanding Balance: Due from Related Parties	Outstanding Balance: Due to Related Parties	Terms	Conditions
Subsidiary								
FCLRC	Cash advances	**2019**	a, b	**₱341,895,042**	**₱–**	**₱1,454,732,746**	Demandable; non interest-bearing	Unsecured
		2018		16,938,984	–	1,665,151,310		
LRLDI	Cash advances	**2019**	a	**77,599,805**	**1,184,185,248**	**–**	Demandable; non interest-bearing	Unsecured; no impairment
		2018		2,286,220	1,180,092,504	–		
ABLE	Retirement	**2019**	c	**16,510,979**	–	**87,833,385**	Demandable; non interest-bearing	Unsecured
		2018		14,645,836	–	125,450,985		
	Cash advances	**2019**	a	**397,359,678**	**40,112,162**	–	Demandable; non interest-bearing	Unsecured
		2018		147,045,735	–	218,206,680		
	Management income	**2019**	a	–	**112,717,031**	**–**	Demandable; non interest-bearing	Unsecured
		2018		–	112,717,031	–		

(Forward)

Categories	Nature of Transaction	Year	Note	Amount of Transactions for the Year	Outstanding Balance: Due from Related Parties	Outstanding Balance: Due to Related Parties	Terms	Conditions
BCGLC	Cash advances	**2019**	a, b	**₱27,148,124**	**₱149,392,303**	**₱–**	Demandable; non interest-bearing	Unsecured; no impairment
		2018		23,190,499	215,156,711	–		
TGXI	Cash advances	**2019**	a	**6,590,251**	**135,584,363**		Demandable; non interest-bearing	Unsecured; no impairment
		2018		13,360,147	166,437,887	–		
ABLGI	Cash advances	**2019**	a	**852,716,414**	**1,362,037,479**	–	Demandable; non interest-bearing	Unsecured
		2018		97,268,838	–	617,942,634		
	Management income	**2019**	a	–	**63,092,815**	**–**	Demandable; non interest-bearing	Unsecured
		2018		–	63,092,815	–		
PIKI	Cash advances	**2019**	a	**515,526**	**282,592,280**	–	Demandable; non interest-bearing	Unsecured; no impairment
		2018		4,467,370	–	72,485,992		
LRDCSI	Cash advances	**2019**	a	**35,551,995**	**36,601,990**	–	Demandable; non interest-bearing	Unsecured
		2018		–	–	28,327,719		
FCCDCI	Cash advances	**2019**	a	**30,729,159**	–	**75,527,101**	Demandable; non interest-bearing	Unsecured
		2018		6,480,663	11,997,986	–		
Gold Coast Leisure World Corp.	Cash advances	**2019**		–	–	–		
		2018		25,037,141	–	25,037,141		
Total		**2019**			**₱3,366,315,671**	**₱1,618,093,232**		
		2018			1,749,494,934	2,752,602,461		

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

b. Dividend income consists of:

	2019	2018
LRLDI	**₱450,000,000**	₱–
BCGLC	**160,000,000**	150,000,000
FCLRC	–	451,306,034
PIKI	–	30,000,000
	₱610,000,000	₱631,306,034

c. The Parent Company's employees are included in group wide retirement plan of the ABLE. The pertinent information about the plan and related information on the allocation of defined benefits cost and contribution in 2019and 2018 are disclosed in the ABLE's financial statements.

The details of key management compensation are as follows:

	2019	2018
Salaries and employee benefits	**₱41,614,834**	₱28,613,081
Directors' fees	**5,830,000**	5,000,000

d. Dividend receivable from subsidiaries amounted to ₱1,551,250,034 and ₱1,241,250,034 for 2019 and 2018, respectively (see Note 5).

15. Income Taxes

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

	2019	2018
Current tax expense	**₱21,795**	₱–
Deferred tax expense	**107,615,237**	130,769,815
	₱107,637,032	₱130,769,815

The reconciliation of income tax expense is as follows:

	2019	2018
Income before income tax	**₱205,156,441**	₱321,720,720
Income tax at statutory income tax rate of 30%	**₱61,546,932**	₱96,516,216
Additions to (reductions in) income taxes resulting from tax effects of:		
Change in unrecognized deferred tax assets	**105,172,268**	258,016,408
Dividend income exempt from tax	**(183,000,000)**	(189,391,810)
Share in net income of a joint venture	**(44,702,307)**	(34,459,847)
Expired NOLCO	**130,676,815**	93,000
Nondeductible expense	**44,608,563**	2,914
Interest income subjected to final tax	**(280,473)**	(7,066)
Excess MCIT	**21,795**	–
Others	**(6,406,561)**	–
	₱107,637,032	₱130,769,815

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

	2019	2018
NOLCO	**₱–**	₱103,836,406
Retirement benefit	**–**	3,579,311
	₱–	₱107,415,717

The Parent Company's temporary differences to which deferred tax assets were not recognized pertain to the following items:

	2019	2018
NOLCO	**₱1,172,436,139**	₱858,888,615
Unamortized past service cost	**42,006,174**	–
Retirement liability	**8,407,814**	13,409,079
MCIT	**21,795**	–
	₱1,222,871,922	₱872,297,694

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

Incurred In	Amount	Expired	Balance	Year of Expiry
2016	₱435,589,383	(₱435,589,383)	₱–	2019
2017	356,975,543	–	356,975,543	2020
2018	412,445,042	–	412,445,042	2021
2019	403,015,554	–	403,015,554	2022
	₱1,608,025,522	(₱435,589,383)	₱1,172,436,139	

The carryforward benefit of the excess of MCIT over regular corporate income tax in 2019 of ₱21,795 can be credited against income tax until December 31, 2022.

16. Financial Risk and Capital Management Objectives and Policies

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

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

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

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

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

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

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

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

Credit Risk

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

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

The table below shows the maximum exposure to credit risk as at December 31, 2019 and 2018, without considering the effects of collaterals and other risk mitigation techniques:

	2019	2018
Cash in banks (see Note 4)	**₱650,282,800**	₱46,237,731
Receivables (see Note 5)	**1,594,666,266**	1,287,581,408
Due from related parties (see Note 14)	**3,366,315,671**	1,749,494,934
Rent deposits (see Notes 9 and 13)	**6,685,268**	6,436,138
Financial assets at FVOCI (see Note 8)	**106,725,824**	168,180,654
	₱5,724,675,829	₱3,257,930,865

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

Dividends and Other Receivables
Majority of the Parent Company'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 Parent Company'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 Parent Company'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 Parent Company's customers have been transacting with the Parent Company 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 Parent Company 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.

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.

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

Due from Related Parties
The Parent Company 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.

Aging Analysis. Set out below is the aging of financial assets as at December 31, 2019 and 2018:

	2019					
	Neither Past Due nor Impaired	**Past Due but not Impaired**				
		30 Days	**60 Days**	**More than 90 Days**	**Credit Impaired**	**Total**
Cash in banks	**₱650,282,800**	**₱–**	**₱–**	**₱–**	**₱–**	**₱650,282,800**
Receivables - net	**610,742,757**	**308,559**	**–**	**980,605,491**	**3,009,459**	**1,594,666,266**
Due from related parties	**1,679,913,552**	**–**	**–**	**1,686,402,119**	**–**	**3,366,315,671**
Rent deposits	**6,685,268**	**–**	**–**	**–**	**–**	**6,685,268**
Financial assets at FVOCI	**106,725,824**	**–**	**–**	**–**	**–**	**106,725,824**
	₱3,054,350,201	**₱308,559**	**₱–**	**₱2,667,007,610**	**₱3,009,459**	**₱5,724,675,829**

	2018					
	Neither Past Due nor Impaired	Past Due but not Impaired				
		30 Days	60 Days	More than 90 Days	Credit Impaired	Total
Cash in banks	₱46,237,731	₱–	₱–	₱–	₱–	₱46,237,731
Receivables - net	419,688,741	–	–	864,883,208	3,009,459	1,287,581,408
Due from related parties	81,527,647	–	–	1,667,967,287	–	1,749,494,934
Rent deposits	6,436,138	–	–	–	–	6,436,138
Financial assets at FVOCI	168,180,654	–	–	–	–	168,180,654
	₱722,070,911	₱–	₱–	₱2,532,850,495	₱3,009,459	₱3,257,930,865

The Parent Company's bases in grading its financial assets follow:

- *High.* These include cash and cash equivalents, receivables, and recoverable deposits from counterparties with good favorable credit standing based on historical experience.

- *Standard.* These pertain to financial assets with counterparties who settle their obligation with tolerable delays.

- *Substandard.* These are receivables where the counterparty is not capable of honoring its financial obligation.

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

	2019				
		Neither Past Due nor Impaired			
	Total	**High Grade**	**Standard**	**Sub-standard**	**Past Due or Individually Impaired**
Financial assets at amortized cost:					
Cash in banks	**₱650,282,800**	**₱650,282,800**	**₱–**	**₱–**	**₱–**
Receivables:	**1,594,666,266**	**1,591,656,807**	**–**	**–**	**3,009,459**
Due from related parties	**3,366,315,671**	**3,366,315,671**	**–**	**–**	**–**
Rent deposits	**6,685,268**	**6,685,268**	**–**	**–**	**–**
Financial assets at FVOCI	**106,725,824**	**106,725,824**	**–**	**–**	**–**
	₱5,724,675,829	**₱5,721,666,370**	**₱–**	**₱–**	**₱3,009,459**

	2018				
		Neither Past Due nor Impaired			Past Due or Individually Impaired
	Total	High Grade	Standard	Sub-standard	
Financial assets at amortized cost:					
Cash in banks	₱46,237,731	₱46,237,731	₱–	₱–	₱–
Receivables:	1,287,581,408	1,284,571,949	–	–	3,009,459
Due from related parties	1,749,494,934	1,749,494,934	–	–	–
Rent deposits	6,427,764	6,427,764	–	–	–
Financial assets at FVOCI	168,180,654	168,180,654	–	–	–
	₱3,257,922,491	₱3,254,913,032	₱–	₱–	₱3,009,459

As at December 31, 2019 and 2018, the Parent Company's cash in banks is classified under Grade A, while receivables, due from related parties and rent deposits presented under "Other noncurrent assets" in the statements of financial position are classified under Grade C.

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

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

The table summarizes the maturity profile of the Parent Company's financial assets used for liquidity management and liabilities as at December 31, 2019 and 2018 based on contractual undiscounted payments.

	2019			
	3 to 12 Months	**More than 1 Year to 5 Years**	**More than 5 Years**	**Total**
Financial assets:				
Cash in banks	**₱650,282,800**	**₱–**	**₱–**	**₱650,282,800**
Receivables	**1,594,666,266**	**–**	**–**	**1,594,666,266**
Due from related parties	**3,366,315,671**	**–**	**–**	**3,366,315,671**
Rent deposits	**6,685,268**	**–**	**–**	**6,685,268**
Financial assets at FVOCI	**106,725,824**	**–**	**–**	**106,725,824**
	5,724,675,829	**–**	**–**	**5,724,675,829**
Financial liabilities:				
Dividend and other payables*	**154,334,137**	**–**	**–**	**154,334,137**
Short-term loans payable	**140,500,000**	**–**	**–**	**140,500,000**
Long-term loans, including current portion**	**153,258,836**	**38,057,504**	**–**	**191,316,340**
Due to related parties	**1,618,093,232**	**–**	**–**	**1,618,093,232**
	2,066,186,205	**38,057,504**	**–**	**2,104,243,709**
Net financial assets (liabilities)	**₱3,658,489,624**	**(₱38,057,504)**	**₱–**	**₱3,620,432,120**

**Excluding local and other taxes and payable to government agencies amounting to ₱21,256,159.*
***Including interest payments and excluding debt issue cost*

	2018			
	3 to 12 Months	More than 1 Year to 5 Years	More than 5 Years	Total
Financial assets:				
Cash in banks	₱46,237,731	₱–	₱–	₱46,237,731
Receivables	1,287,581,408	–	–	1,287,581,408
Due from related parties	1,749,494,934	–	–	1,749,494,934
Rent deposits	6,436,138	–	–	6,436,138
Financial assets at FVOCI	168,180,654	–	–	168,180,654
	3,257,930,865	–	–	3,257,930,865
Financial liabilities:				
Dividend and other payables*	76,513,562	–	–	76,513,562
Short-term loans payable	643,500,000	–	–	643,500,000
Long-term loans, including current portion**	87,734,698	191,316,341	–	279,051,039
Due to related parties	2,752,602,461	–	–	2,752,602,461
	3,560,350,721	191,316,341	–	3,751,667,062
Net financial assets (liabilities)	(₱302,419,856)	(₱191,316,341)	₱–	(₱493,736,197)

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

Market Risk

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

Equity Price Risk

Equity price risk is such risk where the fair values of investments in quoted equity securities could decrease as a result of changes in the levels of equity indices and the value of individual stocks. The management strictly monitors the movement of the share prices pertaining to its investments. The Parent Company is exposed to equity securities price risk because of investments held by the Parent Company, which are classified in the parent company financial position as financial asset at FVOCI as at December 31, 2019 (see Note 8).

The effect on equity, as a result of a possible change in the fair value of the Parent Company's equity instruments classified as financial assets at FVOCI as at December 31, 2019 and 2018, that could be brought by changes in equity indices with all other variables held constant, are as follows:

Change in quoted prices of investment carried at fair value	**2019**	2018
Increase by 10%	**₱10,672,582**	₱16,818,065
Increase by 5%	**5,336,291**	8,409,033
Decrease by 10%	**(10,672,582)**	(16,818,065)
Decrease by 5%	**(5,336,291)**	(8,409,033)

Interest Rate Risk

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

The Parent Company has not entered into interest rate swaps and options during 2019 and 2018.

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

Change in interest rates (in basis points)	**2019**	2018
300bp rise	**₱9,604,891**	₱2,239,167
300bp fall	**(9,604,891)**	(2,239,167)

1 basis point is equivalent to 0.01%.

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

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

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

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

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

Financial Asset at FVOCI
The fair value of the financial asset at 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 Parent Company considers its equity as its capital.

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

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

The BOD has overall responsibility for monitoring of capital in proportion to risk. The BOD seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Parent Company defines capital as equity, which includes capital stock, additional paid-in capital, retained earnings and fair value reserve equity amounting to ₱8,677,793,157 and ₱4,516,011,427 as at December 31, 2019 and 2018, respectively. There were no changes in the Parent Company's approach to capital management as at December 31, 2019 and 2018. The Parent Company is not subject to externally-imposed capital requirements.

17. **Subsequent Events**

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 , and subsequently extended until May 15, 2020, unless earlier lifted or extended. 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.

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

The Parent Company reported and/or paid the following types of taxes in 2019.

a. Value Added Tax

	Amount
Input VAT	
Beginning of the year	₱9,384,313
Domestic purchases of goods other than capital goods	1,171,782
Domestic purchase of services	9,544,679
Input VAT claimed	–
	₱20,100,774

b. Documentary Stamp Tax

In 2019, the Parent Company's documentary stamp tax on private placement amounted to ₱12,176,474 recognized as a reduction in the "Additional Paid-in Capital" account in the Parent Company's statement of comprehensive income. While the Parent Company's documentary stamp tax on loans amounted to ₱1,903,044 recognized under "Taxes and licenses" account in the parent company statement of comprehensive income.

c. Withholding Taxes

	Amount
Tax on compensation and benefits	₱25,510,260
Final withholding taxes	4,678,634
Expanded withholding taxes	8,851,269
	₱39,040,163

d. Other Taxes

	Amount
Other taxes paid during the year recognized under "Taxes and Licenses" in profit or loss:	
License and permit fees	₱5,435,840
Others	16,135,908
	₱21,571,748

e. Tax Cases

The Company did not receive final assessment notice during 2019.

The Company has no tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the BIR.