



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

The management of **Leisure & Resorts World Corporation and Subsidiaries** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2020 and 2019, 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 consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

Sycip Gorres Velayo & Co., the independent auditors appointed by the stockholders for the years ended December 31, 2020 and 2019, 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 ESTANCO**  
Chairman of the Board

TIN No. 141-978-255


  
**EDWARD CHEUNG**  
President

TIN No. 424-130-857

  
**LUCY DONG**  
Deputy Chief Financial Officer

TIN No. 769-682-149

**SUBSCRIBED AND SWORN** to before me this MAY 31 day of 2021  
**MANDALUYONG CITY**  
with No. \_\_\_\_\_ as strong proof of her/his identity.

  
**ATTY. JAMES K. ABUGAN**  
NOTARY PUBLIC  
APPT. NO. 0442-19

Until 06/30/2021  
IBP No. 134105 Dec. 9, 2020 Rizal Chapter  
Roll No. 26890 Lifetime  
MCLE No. VI-0012875 until 4/14/2022  
TIN No. 116-239-956  
PTR No. 4574511 01/04/2021  
Tel. No. 631-40-90  
Rm. 314 J&B Bldg., 251 EDSA,  
Mandaluyong City

Doc. : 344 Signed this MAY 31 2021  
Page : 70  
Book : 50  
Series of 2021



# COVER SHEET

## for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0	0	1	-	3	1	7	4		
---	---	---	---	---	---	---	---	--	--

**COMPANY NAME**

L	E	I	S	U	R	E	&	R	E	S	O	R	T	S	W	O	R	L	D	C	O	R	P	O	R	
A	T	I	O	N	A	N	D	S	U	B	S	I	D	I	A	R	I	E	S							

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

2	6	t	h	F	l	o	o	r	,	W	e	s	t	T	o	w	e	r	,	P	S	E				
C	e	n	t	e	r	,	E	x	c	h	a	n	g	e	R	o	a	d	,	O	r	t	i	g	a	s
C	e	n	t	e	r	,	P	a	s	i	g	C	i	t	y											

Form Type

A	A	F	S
---	---	---	---

Department requiring the report

--	--	--	--

Secondary License Type, If Applicable

--	--	--	--

**COMPANY INFORMATION**

Company's Email Address	Company's Telephone Number	Mobile Number
<b>inquiry@lrwc.com.ph</b>	<b>+632 8637-5291 to 93</b>	<b>N/A</b>
No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
<b>1,822</b>	<b>July 29</b>	<b>December 31</b>

**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
<b>Lucy Dong</b>	<b>lucy.dong@lrwc.com.ph</b>	<b>+632 8637-5291 to 93</b>	<b>N/A</b>

**CONTACT PERSON'S ADDRESS**

<b>26<sup>th</sup> Floor, West Tower, PSE Center, Exchange Road, Ortigas Center, Pasig City</b>
---

**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.



## INDEPENDENT AUDITOR'S REPORT

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

### Opinion

We have audited the consolidated financial statements of Leisure & Resorts World Corporation and Subsidiaries (collectively referred to as “the Company”), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020 and 2019 and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2020 in accordance with Philippine Financial Reporting Standards (PFRSs).

### Basis for Opinion

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

### Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the consolidated financial statements which discusses that the Coronavirus disease 2019 (COVID-19) pandemic has significantly affected the operations of all retail and casino sites nationwide of the Group. For the year ended December 31, 2020, the Group incurred total comprehensive loss of ₱1,338.7 million and negative operating cash flows of ₱233.6 million. Consequently, as of December 31, 2020, current liabilities exceeded current assets by ₱1,748.8 million. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.



## **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. In addition to the matters described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

### ***Recoverability of Non-financial assets***

Under PFRSs, the Group is required to annually test the amount of goodwill for impairment and property and equipment when there are any impairment indicators. As at December 31, 2020, the Group's goodwill and property and equipment amounted to ₱1,329.1 million and ₱1,568.5 million, respectively, which are considered significant to the consolidated financial statements. In view of the community quarantine, the Group's retail and casino sites remain either closed or allowed with limited operating capacity which have significantly impacted the Group's revenues. These events and conditions are impairment indicators requiring the assessment of the recoverable amount of goodwill and property and equipment. Management used significant judgment and assumptions which are subject to higher level of estimation uncertainty due to the current economic conditions which have been impacted by the coronavirus pandemic, specifically revenue growth rate and discount rate.

The Group's disclosures about property and equipment and goodwill are included in Notes 7 and 10, respectively, to the consolidated financial statements.

### ***Audit response***

We involved our internal specialist in evaluating the methodologies and the assumptions used. These assumptions include revenue growth rate and discount rate. We compared the key assumptions used, such as revenue growth rate against the historical performance of the cash generating unit, and other relevant external data, taking into consideration the impact associated with coronavirus pandemic. We tested the parameters used in the determination of the discount rate against market data annually. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically, those that have the most significant effect on the determination of the recoverable amount of goodwill and property and equipment.



### ***Valuation of Investment Properties at Fair Value***

The Group accounts for its investment properties using the fair value model. Investment properties consist of land, land improvements and building and represents 53.83% of the consolidated assets as at December 31, 2020. The valuation of the investment properties requires the assistance of external appraisers whose calculations also depend on certain assumptions, such as sales and listing of comparable properties registered within the vicinity, adjustments to sales price based on internal and external factors and replacement cost. This matter is significant to our audit because it involves significant judgment and estimates.

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

#### *Audit Response*

We reviewed the scope, bases, methodology and results of the work done by the Group's external appraisers whose professional qualifications and objectivity were also taken into consideration. We compared the relevant information supporting the sales price of similar properties and the adjustments made to the sales price and made inquiries to the external appraisers as to the basis. We also reviewed the Group's disclosures with respect to the fair value of the investment properties.

### ***Provisions and Contingencies***

The Group is involved in legal proceedings and assessments for national taxes. This matter is significant to our audit because the estimation of the potential liability resulting from these tax assessments requires significant judgment by management. The inherent uncertainty over the outcome of these tax matters is brought about by the differences in the interpretation and implementation of the laws and tax rulings.

The Group's disclosures about provisions and contingencies are included in Note 24 to the consolidated financial statements.

#### *Audit Response*

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

### ***Accounting for Investment in Hotel Enterprises of the Philippines Inc. (HEPI)***

The Group has investment in HEPI which is accounted for using the equity method and is required to be subjected to impairment testing when impairment indicators exist. Under PFRSs, the Group is required to test its investment in joint venture for impairment when indicators exist that the investment may be impaired. This assessment of whether indicator of impairment exists, and management's impairment assessment process is complex and judgmental and is based on assumptions, specifically revenue growth rate and discount rate.



The carrying value of the Group's investment in HEPI amounted to ₱1,097.6 million as at December 31, 2020 while share in equity in net losses of HEPI for the year ended December 31, 2020 amounted to ₱102.4 million. The accounting for investment in joint venture is significant to our audit due to the Group's share in net loss, the materiality of the carrying amount of the investment as at December 31, 2020 to the consolidated financial statements, and the complexity arising from management's judgment and estimations involved in the impairment assessment process.

In view of the continuing community quarantines and restricted travel, HEPI is continuously affected by the lower number of guests and reduced room rates which significantly impacted the Group's share in net losses of HEPI. These events and conditions are impairment indicators requiring the assessment of the recoverable amount of the Group's investment in HEPI, which involves significant judgment, estimation about revenue growth rate and discount rate, which are subject to higher level of estimation uncertainty due to the current economic conditions impacted by the coronavirus pandemic. Accordingly, such impairment assessment and testing is a key audit matter.

The Group's disclosures on its investment in joint venture is included in Note 9 to the consolidated financial statements.

#### *Audit Response*

We obtained the financial information of HEPI and recomputed the Group's equity in net losses of joint venture and compared it with the amounts recognized in the books. We also obtained an understanding of the business transactions, the revenue recognition process, and reviewed material items and other accounts that may have a material effect on the Group's share in net losses of HEPI.

With respect to the impairment testing of investment in HEPI, we reviewed the Group's assessment on whether an indicator of impairment exists for its investment in joint venture. We evaluated the assumptions used which include the revenue growth rate and discount rate. We compared the key assumptions used, such as the revenue growth rate against the historical performance of HEPI and other relevant external data taking into consideration the impact associated with coronavirus pandemic. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment is most sensitive, specifically those that have the most significant effect on the determination of the recoverable amount of investment in joint venture.

#### **Other Information**

Management is responsible for the other information. The other information comprises the SEC Form 17-A for the year ended December 31, 2020, but does not include the consolidated financial statements and our auditor's report thereon which we obtained prior to the date of the Auditor's Report, and the SEC Form 20 – IS (Definitive Information Statement) and Annual Report for the year ended December 31, 2020, which are expected to be made available to us after the date of this auditor's report.

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



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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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





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

SYCIP GORRES VELAYO & CO.



Maria Pilar B. Hernandez

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

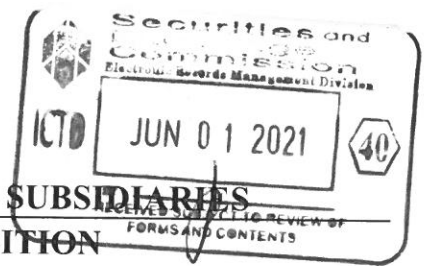
BIR Accreditation No. 08-001998-116-2019,

January 28, 2019, valid until January 27, 2022

PTR No. 8534306, January 4, 2021, Makati City

May 30, 2021





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

	<i>Note</i>	2020	2019
<b>December 31</b>			
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4	₱373,974,300	₱2,558,645,280
Receivables	5	1,117,498,741	1,289,161,861
Current portion of lease receivables	17	2,188,441	9,383,968
Due from related parties	20	155,000,000	155,000,000
Prepaid expenses and other current assets	6	166,526,570	169,906,156
Total Current Assets		1,815,188,052	4,182,097,265
<b>Noncurrent Assets</b>			
Property and equipment – net	7, 12	1,568,544,893	1,964,516,238
Lease receivables - net of current portion	17	18,231,116	20,419,557
Receivables - net of current portion	5, 9, 20	577,424,383	601,521,005
Investment properties	8	10,058,095,750	9,773,653,000
Investments and advances	9	2,190,594,760	2,289,115,560
Financial assets at fair value through other comprehensive income (FVOCI)	9	112,630,736	106,725,824
Deferred tax assets	21	–	20,476
Goodwill	10	1,329,092,293	1,493,884,695
Other noncurrent assets	11	1,014,267,706	999,041,168
Total Noncurrent Assets		16,868,881,637	17,248,897,523
		<b>₱18,684,069,689</b>	<b>₱21,430,994,788</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Trade and other payables	13	₱1,867,168,384	₱1,979,892,257
Short-term loans payable	12	983,012,500	893,892,480
Current portion of:			
Long-term loans payable	12	468,137,132	319,169,278
Lease liabilities	17	237,998,769	201,485,706
Income tax payable		7,667,086	5,484,615
Total Current Liabilities		3,563,983,871	3,399,924,336
<b>Noncurrent Liabilities</b>			
Long-term loans payable - net of current portion	12	2,679,608,256	2,676,788,687
Lease liabilities - net of current portion	17	577,842,543	580,290,821
Retirement benefits liability	18	146,808,654	180,338,178
Deposits	9, 17	90,941,546	97,807,175
Deferred tax liabilities	21	1,465,872,243	1,384,574,886
Total Noncurrent Liabilities		4,961,073,242	4,919,799,747
Total Liabilities		8,525,057,113	8,319,724,083

(Forward)



		December 31	
	<i>Note</i>	2020	2019
<b>Equity</b>			
<b>Equity Attributable to the Parent Company</b>			
Capital stock	14	<b>₱4,067,500,000</b>	₱4,067,500,000
Additional paid-in capital	14	<b>4,263,308,184</b>	4,263,308,184
Treasury shares	14	<b>(1,703,950,505)</b>	(90,411,278)
Retirement benefits reserve	18	<b>(18,336,411)</b>	(9,492,947)
Fair value reserve	9	<b>6,503,145</b>	598,233
Foreign currency translation reserve		<b>(2,099,981)</b>	(2,099,981)
Other reserve		<b>(19,488,495)</b>	(19,488,495)
Retained earnings		<b>3,168,371,357</b>	4,466,661,733
		<b>9,761,807,294</b>	12,676,575,449
<b>Non-controlling Interests</b>	2	<b>397,205,282</b>	434,695,256
Total Equity		<b>10,159,012,576</b>	13,111,270,705
		<b>₱18,684,069,689</b>	₱21,430,994,788



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

		Years Ended December 31		
	Note	2020	2019	2018
<b>REVENUES</b>				
Electronic bingo	15, 24	₱1,745,675,813	₱5,289,230,260	₱4,754,906,261
Traditional bingo	15	423,795,592	2,216,155,056	2,106,084,940
Service and hosting fees	9, 16	800,449,944	1,055,376,916	1,054,365,127
Income from junket operations	24	111,551,571	689,770,381	895,694,852
Rent income	8, 17	267,176,326	706,652,846	560,690,470
Commission income	24	141,959,435	353,652,002	291,607,194
Rapid bingo	15, 24	85,867,120	284,212,205	230,386,430
Pull tabs	15	6,844,580	19,009,330	20,111,861
		<b>3,583,320,381</b>	<b>10,614,058,996</b>	<b>9,913,847,135</b>
<b>COSTS AND OPERATING EXPENSES</b>				
Franchise fees and taxes	15, 16	1,527,622,311	4,625,303,082	4,429,428,116
Depreciation and amortization	7, 8, 11	534,290,234	646,610,284	471,302,380
Payouts	15	380,086,175	1,740,788,177	1,436,599,949
Bandwidth and co-location costs	9	358,731,166	493,383,741	563,002,838
Salaries and other benefits		350,453,532	508,686,600	566,176,916
Contracted services		274,584,905	607,967,454	540,566,692
Communications and utilities		161,789,975	340,124,993	306,818,582
Rent	17	150,739,838	413,274,565	645,549,812
Taxes and licenses		128,228,000	490,318,213	148,425,347
Advertising and promotion		111,021,634	304,430,831	280,729,425
Representation and entertainment		80,822,632	142,798,207	131,710,596
Professional and directors' fees		37,848,429	89,518,239	102,930,312
Repairs and maintenance		36,667,079	91,599,838	91,149,334
Transportation and travel		12,028,536	41,307,141	68,791,116
Playing cards		4,894,845	56,445,981	36,465,447
Others		63,485,260	107,909,744	88,458,270
		<b>4,213,294,551</b>	<b>10,700,467,090</b>	<b>9,908,105,132</b>
<b>OPERATING INCOME (LOSS)</b>		<b>(629,974,170)</b>	<b>(86,408,094)</b>	<b>5,742,003</b>
<b>OTHER INCOME (EXPENSES) - net</b>				
Finance expense	19	(312,808,288)	(550,276,058)	(428,176,343)
Unrealized gains on changes in fair values of investment properties - net	8	282,314,883	2,449,424,356	1,329,408,530
Impairment loss on:				
Financial assets	5	(234,837,223)	(7,534,542)	(181,641,224)
Non-financial assets	6, 7, 9, 10, 11, 17	(223,923,199)	(239,555,412)	(111,865,997)
Equity in net earnings (loss) of:				
Joint venture	9	(102,440,007)	149,007,689	114,866,158
Associates	9	(713,720)	91,601,846	70,421,894
Loss on sale of assets/investment	7, 9, 12	(47,434,213)	(741,480,264)	-
Finance income	4, 19	26,203,524	4,169,920	1,396,080
Foreign exchange gain (loss) - net		(4,791,854)	13,501,397	(24,259,181)
Other income (expense) - net	19	12,166,775	(107,354,485)	238,333,023
		<b>(606,263,322)</b>	<b>1,061,504,447</b>	<b>1,008,482,940</b>

(Forward)



	Note	Years Ended December 31		
		2020	2019	2018
<b>INCOME (LOSS) BEFORE INCOME TAX</b>		<b>(₱1,236,237,492)</b>	₱975,096,353	₱1,014,224,943
<b>PROVISION FOR INCOME TAX</b>	21	<b>101,857,337</b>	867,993,776	549,142,094
<b>NET INCOME (LOSS)</b>		<b>(1,338,094,829)</b>	107,102,577	465,082,849
Attributable to:				
Equity Holders of the Parent Company		<b>(₱1,298,290,376)</b>	₱95,656,550	₱479,645,976
Non-controlling interests		<b>(39,804,453)</b>	11,446,027	(14,563,127)
		<b>(₱1,338,094,829)</b>	₱107,102,577	₱465,082,849
<b>OTHER COMPREHENSIVE INCOME</b>				
<b>(LOSS) – Net</b>				
<b>Items that will not be reclassified to profit or loss</b>				
Remeasurement gain (loss) on retirement benefits, net of tax	18	<b>(6,528,985)</b>	25,937,452	27,906,333
Revaluation gain (loss) of FVOCI	9	<b>5,904,912</b>	(61,454,830)	14,871,625
Revaluation surplus, net of tax	7, 8	–	–	(89,182,693)
		<b>(624,073)</b>	(35,517,378)	(46,404,735)
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>		<b>(₱1,338,718,902)</b>	₱71,585,199	₱418,678,114
Attributable to:				
Equity Holders of the Parent Company		<b>(₱1,301,228,928)</b>	₱60,382,725	₱500,943,815
Non-controlling interests		<b>(37,489,974)</b>	11,202,474	(82,265,701)
		<b>(₱1,338,718,902)</b>	₱71,585,199	₱418,678,114
<b>Basic Earnings Per Share</b>	22	<b>(₱0.5370)</b>	(₱0.0668)	₱0.3441
<b>Diluted Earnings Per Share</b>		<b>(0.5370)</b>	(0.0668)	0.3224

See Notes to the Consolidated Financial Statements.



# LEISURE & RESORTS WORLD CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

Note	Attributable to Owners of the Parent Company										Non-Controlling Interests	Total Equity
	Capital Stock Common Shares	Preferred Shares	Additional Paid-in Capital - Common	Treasury Shares	Retirement Benefits Reserve	Fair Value Reserve	Foreign Currency Translation Reserve	Other Reserve	Retained Earnings	Total		
Balance at January 1, 2020	P2,417,500,000	P1,650,000,000	P4,263,308,184	(P90,411,278)	(P9,492,947)	P598,233	(P2,099,981)	(P19,488,495)	P4,466,661,733	P12,676,575,449	P434,695,256	P13,111,270,705
Net loss for the year	-	-	-	-	(8,843,464)	5,904,912	-	-	(1,298,290,376)	(2,938,552)	2,314,479	(39,804,453)
Other comprehensive income (loss)	-	-	-	-	(8,843,464)	5,904,912	-	-	(1,298,290,376)	(2,938,552)	(37,489,974)	(1,338,718,902)
Total comprehensive income (loss) for the year	-	-	-	-	(8,843,464)	5,904,912	-	-	(1,298,290,376)	(2,938,552)	(37,489,974)	(1,338,718,902)
Redemption of preferred shares	-	-	-	-	-	-	-	-	-	-	-	-
Acquisition of treasury shares	-	-	-	(1,613,500,000)	-	-	-	-	-	-	-	-
Balance at December 31, 2020	P2,417,500,000	P1,650,000,000	P4,263,308,184	(P90,411,278)	(P18,336,411)	P6,503,145	(P2,099,981)	(P19,488,495)	P3,168,371,357	P9,761,807,294	P397,205,282	P10,159,012,576

Note	Attributable to Owners of the Parent Company										Non-Controlling Interests	Total Equity
	Capital Stock Common Shares	Preferred Shares	Additional Paid-in Capital - Common	Treasury Shares	Retirement Benefits Reserve	Fair Value Reserve	Foreign Currency Translation Reserve	Other Reserve	Retained Earnings	Total		
Balance at January 1, 2019	P1,199,852,512	P1,650,000,000	P1,114,028,555	(P90,411,278)	(P35,673,952)	P62,053,063	(P2,099,981)	(P19,488,495)	P4,788,629,877	P8,666,890,301	P423,492,782	P9,090,383,083
Effect of adoption of PPRS 16	-	-	-	-	-	-	-	-	(184,479,694)	(184,479,694)	-	(184,479,694)
Balances at January 1, 2019, as restated	1,199,852,512	1,650,000,000	1,114,028,555	(90,411,278)	(35,673,952)	62,053,063	(2,099,981)	(19,488,495)	4,604,150,183	8,482,410,607	423,492,782	8,905,903,389
Net income for the year	-	-	-	-	26,181,005	(61,454,830)	-	-	95,656,550	95,656,550	11,446,027	107,102,577
Other comprehensive income (loss)	-	-	-	-	26,181,005	(61,454,830)	-	-	(35,273,825)	60,382,725	(243,553)	(35,517,378)
Total comprehensive income (loss) for the year	-	-	-	-	26,181,005	(61,454,830)	-	-	95,656,550	60,382,725	11,202,474	71,585,199
Issuance of capital stock	1,217,647,488	-	-	-	-	-	-	-	-	4,366,927,117	-	4,366,927,117
Cash dividends	-	-	-	-	-	-	-	-	(233,145,000)	(233,145,000)	-	(233,145,000)
Balance at December 31, 2019	P2,417,500,000	P1,650,000,000	P4,263,308,184	(P90,411,278)	(P9,492,947)	P598,233	(P2,099,981)	(P19,488,495)	P4,466,661,733	P12,676,575,449	P434,695,256	P13,111,270,705

Note	Attributable to Owners of the Parent Company										Non-Controlling Interests	Total Equity
	Capital Stock Common Shares	Preferred Shares	Additional Paid-in Capital - Common	Treasury Shares	Retirement Benefits Reserve	Fair Value Reserve	Foreign Currency Translation Reserve	Other Reserve	Retained Earnings	Total		
Balance at January 1, 2018	P1,199,852,512	P1,650,000,000	P1,114,028,555	(P89,405,347)	(P63,226,874)	P47,181,438	(P2,099,981)	(P1,294,351)	P4,379,108,901	P8,296,287,353	P628,581,025	P8,924,868,378
Net income for the year	-	-	-	-	27,552,922	(62,142,500)	14,871,625	-	479,645,976	479,645,976	(14,563,127)	465,082,849
Other comprehensive income (loss)	-	-	-	-	27,552,922	(62,142,500)	14,871,625	-	(19,717,953)	(19,717,953)	(26,686,782)	(46,404,735)
Total comprehensive income (loss) for the year	-	-	-	-	27,552,922	(62,142,500)	14,871,625	-	479,645,976	459,928,023	(41,249,909)	418,678,114
Effect of change in interest in an investment	-	-	-	-	-	-	-	-	-	-	124,205	(18,069,939)
Treasury shares acquired	-	-	-	(1,005,931)	-	-	-	-	-	-	-	(1,005,931)
Cash dividends	-	-	-	-	-	-	-	-	(70,125,000)	(70,125,000)	(163,962,539)	(234,087,539)
Balance at December 31, 2018	P1,199,852,512	P1,650,000,000	P1,114,028,555	(P90,411,278)	(P35,673,952)	P62,053,063	(P2,099,981)	(P19,488,495)	P4,788,629,877	P8,666,890,301	P423,492,782	P9,090,383,083



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

		Years Ended December 31		
	Note	2020	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income (loss) before income tax		(₱1,236,237,492)	₱975,096,353	₱1,014,224,943
Adjustments for:				
Depreciation and amortization	7, 11	534,290,234	646,610,284	471,302,380
Finance expense	19	312,808,288	550,276,058	428,176,343
Unrealized gain on changes in fair values of investment properties	8	(282,314,883)	(2,449,424,356)	(1,329,408,530)
Loss on impairment of non-financial assets	6, 7, 9, 11	223,923,199	239,555,412	111,865,997
Equity in net loss (earnings) of joint venture	9	102,440,007	(149,007,689)	(114,866,158)
Loss on sale of assets/investment	9	47,434,213	741,480,264	-
Finance income	19	(26,203,524)	(4,169,920)	(1,396,080)
Retirement benefits (income)	18	(15,573,758)	34,414,640	31,445,659
Gain on pre-termination of leases	17	(14,196,099)	-	-
Unrealized foreign exchange loss (gain) - net		4,791,855	(13,501,397)	1,414,145
Equity in net loss (earnings) of associates	9	713,720	(91,601,846)	(70,421,894)
Loss on sublease	17, 19	-	123,918,498	-
Operating income (loss) before working capital changes		(348,124,240)	603,646,301	542,336,805
Decrease (increase) in:				
Receivables		249,619,136	(156,003,335)	(188,707,097)
Prepaid expenses and other current assets		(31,586,802)	(107,081,739)	(3,635,572)
Playing cards		-	-	4,062,409
Increase (decrease) in:				
Trade and other payables		(57,353,804)	(16,700,331)	352,751,043
Deposits		(6,865,629)	2,074,698	(14,258,389)
Due to a related party		-	-	(9,070,691)
Net cash provided by (used in) operations		(194,311,339)	325,935,594	683,478,508
Income taxes paid		(18,397,986)	(34,512,300)	(65,046,095)
Benefits paid	18	(23,773,190)	(54,776,692)	(2,172,429)
Interest received		2,846,356	4,169,920	1,396,080
Net cash provided by (used in) operating activities		(233,636,159)	240,816,522	617,656,064
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from sale of assets/investment	9	28,436,837	1,000,000,000	-
Additions to:				
Property and equipment	7	(37,919,037)	(188,200,400)	(236,249,645)
Other noncurrent assets		(15,226,538)	(113,734,433)	(158,497,588)
Investments and advances	9	(10,464,077)	(95,743,815)	(69,048,376)
Investment properties	8	(2,127,867)	(17,540,217)	(33,804,628)

(Forward)



	<i>Note</i>	<b>Years Ended December 31</b>		
		<b>2020</b>	2019	2018
Cash given up from acquisition of subsidiaries and sites	<i>10</i>	–	–	(18,069,740)
Net cash provided by (used in) investing activities		<b>(37,300,682)</b>	584,781,135	(515,669,977)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from:				
Loans payable	<i>12</i>	<b>998,778,516</b>	136,700,000	1,139,735,145
Issuance of capital stock	<i>14</i>	–	4,366,927,117	–
Payments for:				
Loans payable	<i>12</i>	<b>(744,283,331)</b>	(2,298,588,373)	(724,067,441)
Lease liabilities	<i>17</i>	<b>(246,997,216)</b>	(268,395,972)	–
Interest	<i>12</i>	<b>(233,485,505)</b>	(498,952,982)	(428,176,343)
Dividends		<b>(73,057,416)</b>	(156,995,000)	(79,440,258)
Acquisition of treasury shares	<i>14</i>	<b>(39,227)</b>	–	8,721,847
Redemption of preferred shares	<i>14</i>	<b>(1,613,500,000)</b>	–	–
Net cash provided by (used in) financing activities		<b>(1,912,584,179)</b>	1,280,694,790	(83,227,050)
<b>NET INCREASE (DECREASE) IN CASH</b>		<b>(2,183,521,020)</b>	2,106,292,447	18,759,037
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>		<b>(1,149,960)</b>	10,222,618	(1,212,145)
<b>CASH AT BEGINNING OF YEAR</b>		<b>2,558,645,280</b>	442,130,215	424,583,323
<b>CASH AT END OF YEAR</b>	<i>4</i>	<b>₱373,974,300</b>	₱2,558,645,280	₱442,130,215

See Notes to the Consolidated Financial Statements.





# LEISURE & RESORTS WORLD CORPORATION AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

---

### 1. Corporate Information

Leisure & Resorts World Corporation (LRWC or the Parent Company) was registered with the Philippine Securities and Exchange Commission (SEC) on October 10, 1957. The accompanying consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries (collectively referred to as the “Group” and individually as “Group entities”) and the Group’s interest in joint venture and associates.

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

The Group’s primary purpose is to engage in leisure business which includes management and operation of the activities conducted therein pertaining to general amusement and recreation enterprise, hotel and gaming facilities, including but not limited to bingo parlors.

The Parent Company’s registered office address is 26<sup>th</sup> Floor, West Tower, PSE Center, Exchange Road, Ortigas Center, Pasig City.

#### Status of Operations

*Impact of COVID-19.* In a move to contain the COVID-19 outbreak, on March 16, 2020, the Office of the President of the Philippines issued Proclamation No. 929, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine (ECQ) throughout the island of Luzon until April 12, 2020 which was subsequently extended until May 15, 2020. The community quarantine classification was subsequently extended or changed either ECQ, modified ECQ and general community quarantine (GCQ). This resulted to the temporary closure of non-essential shops and businesses depending on the community quarantine classification of each location.

In line with the ECQ declaration in Metro Manila, Philippine Amusement Gaming Corporation (PAGCOR) released a memorandum on March 15, 2020 that gaming operations of its licensees would be suspended for the duration of the quarantine. On March 16, 2020, PAGCOR further announced the extension of the temporary suspension to all gaming operations nationwide effective midnight of March 16, 2020 until midnight of April 16, 2020 or until the government declares the COVID-19 situation either under control or for extended community quarantine.

On June 5, 2020, PAGCOR announced that they would allow resumption of gaming sites located on low-risk areas placed under “Modified General Community Quarantine” (MGCQ). Gaming sites within the areas under MGCQ would be allowed to operate at 50% operational capacity, except for traditional bingo halls, which falls under mass gathering, thus, remain suspended. On June 18, 2020, PAGCOR further allowed gaming sites to conduct dry run operations (at 30% operating capacity) on areas under GCQ.

The COVID-19 pandemic and its consequences as discussed above have significantly reduced the operations of all licensed casinos and gaming sites nationwide which have impacted the Group’s business, operations, and financial results. Accordingly, the Group incurred total comprehensive loss of ₱1,338,718,902 in 2020 and negative operating cash flows of ₱233,636,159 in 2020 resulting in its current liabilities exceeding its current assets by ₱1,748,795,819 as at December 31, 2020. The COVID-19 pandemic is still prevailing and continues to affect the Group’s operations (i.e. suspension



of the gaming sites under ECQ, limitation on the operating capacity of gaming sites, etc.). Economic recovery is heavily dependent on the measures that will be adopted by the government.

The above conditions and events indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, the Group may not be able to realize its assets and discharge its liabilities in the normal course of business.

Short-term liquidity issues of LRWC are being dealt on a group level as treasury and cash management functions remains centralized. The Group management has been addressing its existing obligations by negotiating with lenders to restructure and extend its term loans, renewing and obtaining additional credit lines, negotiating new payment terms with some suppliers and lessors, and implementation of its business continuity plan. As such, the accompanying consolidated financial statements have been prepared on a going concern basis of accounting.

As at May 30, 2021, the Group has obtained approval from its lenders for the deferral of 2021 principal and interest payments of its currently maturing loans. Moreover, in May 2021, other lenders of the Group provided an extension for the repayment of its principal and interest for at least 12 months and confirmed that the Group is not considered in default (see Note 12).

The Group has also obtained the approval for the discounts requested from some of its major suppliers and lessors in the second quarter of 2021 (see Note 17).

#### Approval and Authorization for Issuance of the Financial Statements

The accompanying consolidated financial statements as at and for the years ended December 31, 2020 and 2019 reviewed and recommended for approval by the Audit Committee on May 30, 2021. On the same date, the Board of Directors (BOD) approved and authorized the issuance of the consolidated financial statements.

---

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

### Basis of Preparation

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

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

<u>Items</u>	<u>Measurement bases</u>
Financial assets at FVOCI	Fair value
Investment properties	Fair value

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

### New and Amended Standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Group.



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

The amendments to PFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments may impact future periods should the Group enter into any business combinations.

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*

The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

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

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

- Conceptual Framework for Financial Reporting issued on March 29, 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- There is no substantive change to other terms and conditions of the lease.



A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

In 2020, the Group has entered into several rent concessions and adopted the amendments to PFRS 16 using practical expedients beginning January 1, 2020. The Group recognized rent concessions as variable lease payments. The impact of rent concessions amounting to ₱79,452,376 were presented in the consolidated statement of comprehensive income as reduction in amortization expense recorded under “Costs and operating expenses” (see Note 17).

#### Standards issued but not yet effective

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

#### *Effective beginning on or after January 1, 2021*

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Group shall also disclose information about:

- The about the nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition.

The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively, however, the Group is not required to restate prior periods.

#### *Effective beginning on or after January 1, 2022*

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential “day 2” gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.



At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments shall be applied prospectively.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- *Annual Improvements to PFRSs 2018-2020 Cycle*

- Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

- Amendments to PFRS 9, *Financial Instruments, Fees in the ‘10 per cent’ test for derecognition of financial liabilities*

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or



exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted.

*Effective beginning on or after January 1, 2023*

▪ Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

▪ 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.

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.

These amendments may apply to future transactions of the Group.

#### Basis of Consolidation

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

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

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

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

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



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

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

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

The consolidated financial statements include the financial statements of the Group and the following subsidiaries as at December 31, 2020 and 2019:

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

\*Non-operating subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

#### NCI

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





The following table summarizes the information relating to the Group entities with material NCI, before any intra-group eliminations:

	December 31, 2020				
	LRDCSI	FCLRC	BBL	FCCDCI	Grand Total
<b>Non-controlling interests percentage</b>	<b>20.00%</b>	<b>30.32%</b>	<b>40.00%</b>	<b>42.19%</b>	
Current assets	₱151,987,792	₱2,326,583,283	₱60,652	₱558,791,943	₱3,037,423,670
Noncurrent assets	43,062,497	318,119,363	33,437	163,243,972	524,459,269
Current liabilities	(171,843,257)	(1,493,089,873)	(87,144,381)	(427,086,227)	(2,179,163,738)
Noncurrent liabilities	(261,483)	(106,389,399)	-	(81,254,663)	(187,905,545)
<b>Net assets (liabilities)</b>	<b>₱22,945,549</b>	<b>₱1,045,223,374</b>	<b>(₱87,050,292)</b>	<b>₱213,695,025</b>	<b>₱1,194,813,656</b>
Carrying amount of non-controlling interests	₱4,589,110	₱316,911,727	(₱34,820,117)	₱90,157,931	₱376,838,651
<b>Revenue</b>	<b>₱85,779,797</b>	<b>₱351,503,646</b>	<b>₱-</b>	<b>₱368,807,399</b>	<b>₱806,090,842</b>
Net loss for the year	(₱9,866,256)	(₱61,995,936)	₱-	(₱87,043,162)	(₱158,905,354)
Other comprehensive income	-	7,633,505	-	-	7,633,505
<b>Total comprehensive loss</b>	<b>(₱9,866,256)</b>	<b>(₱54,362,431)</b>	<b>₱-</b>	<b>(₱87,043,162)</b>	<b>(₱151,271,849)</b>
Net income (loss) allocated to non-controlling interests	₱1,508,475	(₱2,962,276)	₱-	(₱36,725,521)	(₱38,179,322)
Other comprehensive income allocated to non-controlling interests	-	2,314,479	-	-	2,314,479
Cash flows from operating activities	(₱8,879,625)	₱196,821,981	₱-	(₱18,370,247)	₱169,572,109
Cash flows from (used in) investment activities	-	(180,438,863)	-	23,823,959	(156,614,904)
Cash flows used in financing activities	-	(43,915,959)	-	(8,920,863)	(52,836,822)
<b>Net decrease in cash</b>	<b>(₱8,879,625)</b>	<b>(₱27,532,841)</b>	<b>₱-</b>	<b>(₱3,467,151)</b>	<b>(₱39,879,617)</b>
	December 31, 2019				
	LRDCSI	FCLRC	BBL	FCCDCI	Grand Total
Non-controlling interests percentage	20.00%	30.32%	40.00%	42.19%	
Current assets	₱60,675,355	₱1,984,550,514	₱60,652	₱344,762,556	₱2,390,049,077
Noncurrent assets	61,297,371	539,381,978	33,437	197,470,001	798,182,787
Current liabilities	(82,795,268)	(1,305,032,466)	(87,144,381)	(154,687,754)	(1,629,659,869)
Noncurrent liabilities	(32,416)	(117,485,329)	-	(87,038,089)	(204,555,834)
<b>Net assets (liabilities)</b>	<b>₱39,145,042</b>	<b>₱1,101,414,697</b>	<b>(₱87,050,292)</b>	<b>₱300,506,714</b>	<b>₱1,354,016,161</b>
Carrying amount of non-controlling interests	₱7,829,008	₱333,948,936	(₱34,820,117)	₱126,783,782	₱433,741,609
<b>Revenue</b>	<b>₱99,733,764</b>	<b>₱458,352,744</b>	<b>₱-</b>	<b>₱521,638,814</b>	<b>₱1,079,725,322</b>
Net income (loss) for the year	(₱13,991,364)	(₱51,491,563)	₱-	₱50,247,598	(₱15,235,329)
Other comprehensive income	-	(803,277)	-	-	(803,277)
<b>Total comprehensive income (loss)</b>	<b>(₱13,991,364)</b>	<b>(₱52,294,840)</b>	<b>₱-</b>	<b>₱50,247,598</b>	<b>(₱16,038,606)</b>
Net income (loss) allocated to non-controlling interests	(₱2,798,273)	(₱15,612,242)	₱-	₱21,199,462	₱2,788,947
Other comprehensive income allocated to non-controlling interests	-	(243,554)	-	-	(243,554)



	December 31, 2019				
	LRDCSI	FCLRC	BBL	FCCDCI	Grand Total
Cash flows from operating activities	₱21,286,438	₱162,967,386	₱-	(₱14,661,234)	₱169,592,590
Cash flows from (used in) investment activities	(4,270,229)	2,246,296	-	19,073,149	17,049,216
Cash flows used in financing activities	-	(150,765,868)	-	(242,819)	(151,008,687)
Net increase in cash	₱17,016,209	₱14,447,814	₱-	₱4,169,096	₱35,633,119

**ABLE**

ABLE, a wholly-owned subsidiary, was registered with the SEC on March 31, 1995. Its primary purpose is to provide amusement and recreation to the public in such forms as, but not limited to, traditional, electronic and rapid bingo games.

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

Subsidiaries	Percentage of Ownership	
	2020	2019
Alabang Numbers & Gaming Corporation	100	100
Allpoint Leisure Corporation	100	100
Alpha One Amusement and Recreation Corp.	100	100
Big Time Gaming Corporation	100	100
Bingo Extravaganza, Inc.	100	100
Bingo Gallery, Inc.	100	100
Bingo Heaven Inc.*	100	100
Bingo Palace Corporation	100	100
Cebu Entertainment Gallery, Inc.	100	100
Fiesta Gaming and Entertainment Corporation*	100	100
First Leisure & Game Co., Inc.	100	100
Galleria Bingo Corporation	100	100
Gamexperience Entertainment Corp.	100	100
Grand Polaris Gaming Co., Inc.	100	100
G-One Gaming & Technology, Inc.	100	100
Highland Gaming Corporation	100	100
Iloilo Bingo Corporation	100	100
Metro Gaming Entertainment Gallery, Inc.	100	100
Rizal Gaming Corporation	100	100
SG Amusement and Recreation Corp.	100	100
South Bingo Corporation	100	100
South Entertainment Gallery Incorporated	100	100
Topmost Gaming Corp.	100	100
Topnotch Bingo Trend, Inc. (Topnotch)	100	100
One Bingo Pavilion Inc.	100	100
Worldwide Links Leisure and Gaming Corporation	100	100
Bingo Dinero Corporation (Bingo Dinero)	100	95
Bingo Zone, Inc.*	95	95
Manila Bingo Corporation	95	95
Isarog Gaming Corporation	90	90
One Bingo Place, Incorporated	80	80
Summit Bingo, Inc.	60	60
Negrense Entertainment Gallery, Inc.	55	55

\*Non-operating subsidiaries.



ABLE offers traditional and electronic bingo games on its bingo halls across the country. Classified under non-essential businesses, all ABLE's bingo halls were temporarily closed on March 16, 2020. On June 5, 2020, PAGCOR issued a memorandum allowing the resumption of operations of gaming sites within MGCQ areas at 50% capacity. Bingo halls located in areas under GCQ areas were allowed to operate at 30% operating capacity. As at May 30

, 2021, ABLE's traditional bingo operations remain suspended as it falls under mass gathering.

#### ABLGI

ABLGI, a wholly-owned subsidiary, was registered with the SEC on October 20, 2009. Its primary purpose is to acquire, own, use, construct, develop, maintain, subdivide, sell, dispose of, exchange, lease and hold for investment, or otherwise deal with real estate and personal property of all kinds, including the management and operation of the activities conducted therein pertaining to general amusement and recreation enterprises such as but not limited to resorts, golf courses, clubhouses and sports facilities, hotels and gaming facilities, with all the apparatus, equipment and other appurtenances as may be related thereto or in connection therewith. ABLGI started its operations on January 1, 2013.

The consolidated financial statements also include the following indirect subsidiaries owned through ABLGI as at December 31, 2020 and 2019:

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

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

There have been no significant changes in the operations of ABLGI as a direct effect of the COVID-19 pandemic.

#### LRLDI

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

There have been no significant changes in the operations of LRLDI as a direct effect of the COVID-19 pandemic.

#### PIKI

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



March 22, 2013, the Parent Company acquired 100% of PIKI's outstanding capital stock. PIKI started its operations on July 26, 2013.

PIKI is licensed by PAGCOR to operate a junket within PAGCOR's Casino Filipino-Midas. Junket operations have been suspended at the start of the ECQ. As at May 30, 2021, PIKI's operations has yet to resume upon lifting of suspension on face-to-face mass gatherings.

#### TGXI

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

TGXI operates PeGS in several locations across the country. Its operations were suspended on March 16, 2020 until June 16, 2020. Relative to PAGCOR's memorandum on June 5, 2020, TGXI was allowed to operate at 50% and 30% capacity in sites under MGCQ and GCQ, respectively.

#### BCGLC

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

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

BCGLC operates several PAGCOR VIP clubs. Operations of the PAGCOR VIP clubs were suspended from March 16, 2020 to June 15, 2020 due to the mandated community quarantine of the Philippine government. Relative to PAGCOR's memorandum on June 5, 2020, BCGLC was allowed to operate at 50% and 30% capacity in sites under MGCQ and GCQ, respectively. Its operations resumed on June 16, 2020.

#### LRDCSI

LRDCSI was registered with SEC on May 20, 2016 and started its operation in October 2017. LRDCSI is a technology company engaged in aggregating data and telecommunication services. LRDCSI's revenue model involves acquiring services from local and foreign technology and telecommunications companies at wholesale rates, bundling said services and then reselling the services at retail rates. The premium for such activity is warranted given the bespoke and higher level of customer engagement provided by the LRDCSI.

LRDCSI's portfolio includes solutions related to data center co-location, internet, private leased lines, mobile and voice platforms, cybersecurity, content delivery networks, e-commerce, and network and website optimization. LRDCSI aims to provide these services to customers and clients in all industry sectors including land based and online gaming operators. LRWC owns 80% of the outstanding capital stock of LRDCSI while an individual stockholder owns 20%.



LRDCSI provides advanced information technology infrastructure services for businesses such as co-location, internet services, connectivity, business continuity and disaster recovery, and managed professional services. Service agreements with the customers are renewable annually. Due to the COVID-19 pandemic, some of the clients of LRDCSI terminated or have not renewed its contract. In addition, LRDCSI granted discounts to some of its customers in April and May 2020.

#### FCLRC

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

As Master Licensor in CEZA, FCLRC is authorized to collect a sub-license fee of two percent of the gross winnings from the internet casino, in accordance with an agreed formula. Since COVID-19 impacted the operations of the CEZA licensees, FCLRC’s sub-license fee also decrease due to discontinuance of the operations of its locators/licensees.

#### FCCDCI

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

FCCDCI was incorporated and registered with the SEC on November 14, 2007, and started commercial operations on January 1, 2008. FCLRC owns 60% of FCCDCI and the remaining 40% is owned by IPCDCC.

On May 15, 2012, IPCDCC entered into a Deed of Assignment of Subscription Rights with IP Ventures, Inc. (“IPVI” a third party Group) whereby IPCDCC assigned all the rights, interests and participation to IPVI. On January 1, 2017, IPVI entered into a Deed of Absolute Sale of Share of Stock with LRDCSI, whereby IPVI assigned its rights, interest and participation to its 5,000,000 shares of stock or 20% ownership in FCCDCI.

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

FCCDCI provides advanced information technology infrastructure services for businesses such as co-location, internet services, connectivity, business continuity and disaster recovery, and managed professional services. Service agreements with the customers are renewable annually. Due to the COVID-19 pandemic, some of the clients of FCCDCI terminated or have not renewed its contract. In addition, FCCDCI granted discounts to some of its customers in April and May 2020.



### BBL

On March 15, 2010, the Parent Company incorporated BBL as its 60%-owned subsidiary. Its primary purpose is to engage in the business of gaming, recreation, leisure and lease of property. BBL was incorporated under the Companies Ordinance of Hong Kong and started its operations in March 2012. It is currently non-operational and in the process of liquidation.

### Transactions Eliminated on Consolidation

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

### Current versus Noncurrent Classification

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

An asset is current when:

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

All other assets are classified as noncurrent.

A liability is current when:

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

All other liabilities are classified as noncurrent.

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

### Financial Instruments – Initial Recognition and Subsequent Measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### a. Financial Assets

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

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



In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are “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 Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

For trade receivables, the Group applies simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on historical loss experience, adjusted for forward-looking factors specific to the debtors and economic environment.

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





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

*Determining the stage for impairment.* At each reporting date, the Group assesses whether there has been a significant increase in credit risk (SICR) for financial assets since initial recognition by comparing the risk of a default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis. An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed SICR since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

*Staging assessment.* PFRS 9 establishes a three-stage approach for impairment of financial assets, based on whether there has been SICR of a financial asset. Three stages then determine the amount of impairment to be recognized.

- Stage 1 is comprised of all non-impaired financial instruments which have not experienced SICR since initial recognition. Entities are required to recognize 12-month ECL for stage 1 financial instruments. In assessing whether credit risk has increased significantly, entities are required to compare the risk of default occurring on the financial instrument as at the reporting date, with the risk of default occurring on the financial instrument at the date of initial recognition.
- Stage 2 is comprised of all non-financial instruments which have experienced SICR since initial recognition. Entities are required to recognize lifetime ECL for stage 2 financial instruments. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer SICR since initial recognition, then entities shall revert to recognizing 12-month ECL.
- Financial instruments are classified as stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with negative impact on the estimated future cash flows of a financial instrument or portfolio of financial instruments. The ECL model requires that lifetime ECL be recognized for impaired financial instruments, which is similar to the requirements under PAS 39 for impaired financial instruments.

b. Financial Liabilities

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

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

The Group's financial liabilities include trade and other payables, loans payable, lease liabilities and deposits which are classified as loans and borrowings.



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

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

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

*Derecognition.* A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of comprehensive income.

#### Classification of Financial Instruments between Debt and Equity

A financial instrument is classified as debt if it provides for a contractual obligation to:

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

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

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

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

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

#### Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount is reported in the Group consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has currently enforceable right of offset if the right is not contingent on a future event and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all counterparties.



#### Determination of Fair Value

The Group measures a number of financial and non-financial assets and liabilities at fair value at each reporting date.

Fair value is the estimated 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, or in the absence of a principal market, or
- In the most advantageous market for the asset or liability.

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

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

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

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

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

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

#### Prepaid Expenses and Other Current Assets

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

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

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



### Investments and Advances

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

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

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

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

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

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

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

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



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

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

Property and Equipment

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

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

It is the Group's policy to classify right-of-use assets as part of property and equipment. The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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

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

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

*\*Recorded under "Other noncurrent assets" account*

The Group estimates the useful life of its airstrip improvement based on the period over which the asset is expected to be available for use.



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

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

#### Investment Properties

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

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

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

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

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

For those right-of-use assets that qualify as investment properties, i.e., those land and buildings that are subleased by the Group, these are classified under investment properties in accordance with paragraph 48 of PFRS 16. Consistent with the Group's policy regarding the measurement of investment properties, these assets are subsequently measured at fair value.

#### Lease Rights

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



### Business Combination

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

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

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

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

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

### Goodwill

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

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

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



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

#### Impairment of Nonfinancial Assets

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

The recoverable amount of a nonfinancial asset is the greater of the asset's fair value less costs to sell (FVLCS) and its value in use (VIU). FVLCS is the amount obtainable from the sale of the asset in an arm's length transaction less costs to sell while VIU 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 VIU, 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 consolidated statement of comprehensive income.

#### Capital Stock and Additional Paid-in Capital

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

#### Treasury Shares

When share capital is repurchased, the amount of the consideration paid, which includes directly/attributable costs, net of any tax effects, is recognized as a deduction from equity. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus on the transaction is transferred to additional paid-in capital, while the resulting deficit is applied against additional paid-in capital and retained earnings, for any excess of deficit over the additional paid-in capital arising from treasury shares transactions. Preferred shares that are redeemed and not cancelled are presented as treasury shares.

#### Fair Value Reserve

Fair value reserve represents cumulative net change in the fair value of FVOCI, net of tax effect, as at reporting date (see Note 9).

#### Foreign Currency Translation Reserve

The assets and liabilities of the subsidiary with transactions denominated in currencies other than Philippine peso are translated using the applicable closing exchange rates on the reporting date. The income and expenses of the subsidiary with transactions denominated in currencies other than





Philippine peso are translated using the exchange rates at the date of transactions. Foreign currency differences are recognized in other comprehensive income and accumulated in the “Foreign currency translation reserve” account in the consolidated statements of financial position.

#### Retained Earnings

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

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

#### 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 Group expects to be entitled in exchange for those goods or services, excluding amounts collected on behalf of third parties. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer except for some entities of the Group which act as agent in certain commission revenue arrangements.

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

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

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

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

*Income from junket operations.* Income from junket operations is satisfied over time and is recognized when the related services are rendered based on a percentage gross gaming revenue of the junket.

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

*Commission Income.* Commission income is satisfied over time and is recognized when the related services are rendered based on a percentage of each PeGs’ casino winnings.

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

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

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

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



### Contract Balances

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

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

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

### Costs and Expenses Recognition

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

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

### Leases

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

#### *Lease liabilities*

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

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



*Short-term leases and leases of low-value assets*

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

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

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

Prior to the adoption of PFRS 16, the determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- a. there is a change in contractual terms, other than a renewal or extension of the arrangement;
- b. a renewal option is exercised, or extension granted, unless that term of the renewal or extension was initially included in the lease term;
- c. there is a change in the determination of whether fulfillment is dependent on a specified asset; or
- d. there is a substantial change to the asset.

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

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. In cases where the Group acts as a lessee, operating lease payments are recognized as expense in the consolidated statement of income on a straight-line basis over the lease term.

Employee Benefits

*Short-term Benefits*

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



#### *Retirement Benefits Liability*

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

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

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

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

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

#### Income Taxes

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

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

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

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



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

### Foreign Currency

#### *Foreign Currency Translations*

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

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

#### *Foreign Operations*

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

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

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

### Segment Reporting

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

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



#### Earnings Per Share (EPS)

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

Diluted EPS is consistent with the computation of the basic earnings per share while giving effect to all dilutive potential common shares, such as the warrants granted, that were outstanding during the period. Net income attributable to common shareholders and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential common shares. Where the effect of the warrants is anti-dilutive, basic and diluted earnings per share are stated at the same amount.

#### Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

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

#### Contingencies

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

#### Events After the Reporting Period

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

---

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

#### Use of Estimates and Judgment

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

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the estimates and judgments 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 Group's consolidated financial statements is as follows:

#### Judgments

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

*Assessment of Going Concern.* The Group is engaged in gaming and tourism industry related businesses. In addition, the Group's joint venture is involved in the hotel and recreation industry. Due to the COVID-19 outbreak, gaming operations of PAGCOR licensees and hotels were temporarily suspended for the duration of the quarantine. As a result, the Group incurred total comprehensive loss of ₱1,338,718,902 in 2020 and negative operating cash flows of ₱233,636,159 in 2020 resulting in its current liabilities exceeding its current assets by ₱1,748,795,819 as of December 31, 2020. The Group has ongoing plans for suitable financing options.

As at May 30, 2021, the Group has obtained approval from its lenders for the deferral of 2021 principal and interest payments of its currently maturing loans. Moreover, in May 2021, other lenders of the Group provided an extension for the repayment of its principal and interest for at least 12 months and confirmed that the Group is not considered in default (see Note 12).

The Group has also obtained the approval for the discounts requested from some of its major suppliers and lessors in the second quarter of 2021 (see Note 17).

Management believes that considering the progress of the steps undertaken to date, the above financing plans are feasible and will generate sufficient cash flows to enable the Group to meet its obligations when they fall due and address the Group's liquidity requirements to support its operations. Accordingly, the accompanying consolidated financial statements have been prepared on a going concern basis of accounting.

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

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

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

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

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



Investment properties amounted to ₱10,058,095,750 and ₱9,773,653,000 as at December 31, 2020 and 2019, respectively. Unrealized gains on changes in fair values of investment properties recognized in profit or loss amounted to ₱282,314,883 in 2020, ₱2,449,424,356 in 2019, and ₱1,329,408,530 in 2018 (see Note 8).

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

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

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

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

As at December 31, 2020 and 2019, the carrying amounts of goodwill arising from business combinations amounted to ₱1,329,092,293 and ₱1,493,884,695, respectively (see Note 10).

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

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

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





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

#### Estimates

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

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

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

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

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

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

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

	2020	2019
TGXI	5%	5%
BCGLC	8%	8%
ABLE and other units	5%	5%
FCLRC	5%	5%

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



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

	2019	2019
TGXI	8.36%	8.53%
BGCLC	8.36%	8.53%
ABLE and other units	8.36%	8.53%
FCLRC	8.36%	8.53%

- *Terminal Growth Rate.* The long-term rate used to extrapolate the cash flow projections of the acquired investments beyond the period covered by the recent budget excludes expansions and possible acquisitions in the future. Management also recognizes the possibility of new entrants, which may have significant impact on existing growth rate assumptions. Management however, believes that new entrants will not have a significant adverse impact on the forecast included in the cash flow projections. The terminal growth rates used in the cash flow projections for all cash generating units are 4.5% in 2020 and 4.7% in 2019.

In view of the community quarantine, the Group's retail and casino sites remain either closed or allowed with limited operating capacity which have significantly impacted the Group's revenues in 2020. Management has considered the impact of the COVID-19 on its calculation of the recoverable amount of its goodwill.

The Group recognized provision for impairment loss on the goodwill of its several bingo sites amounting to ₱164,792,402 in 2020, ₱8,183,009 in 2019 and nil in 2018. As at December 31, 2020 and 2019, the carrying amounts of goodwill amounted to ₱1,329,092,293 and ₱1,493,884,695, respectively (see Note 10).

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

- *Quantitative Criteria.* The borrower is more than 90 days past due on its contractual payments, which is consistent with the Group's definition of default.
- *Qualitative Criteria.* The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where: a. The borrower is experiencing financial difficulty or is insolvent; b. The borrower is in breach of financial covenant(s); c. Concessions have been granted by the Group, for economic or contractual reasons relating to the borrower's financial difficulty; or d. It is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

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

*Simplified Approach for Trade Receivables and Due from Related Parties.* The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various patron segments that have similar loss patterns. The provision matrix is



initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every financial reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

*Grouping of instruments for losses measured on collective basis.* For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

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

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

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

The Group did not provide any extension of payment, as a result of the COVID-19 pandemic. Management has considered the impact of the COVID-19 on its ECL calculation and assessed the impact to be not significant.

As at December 31, 2020 and 2019, the aggregate carrying amounts of receivables and due from related parties of the Group amounted to ₱1,804,005,416 and ₱2,002,311,368, respectively (see Notes 5, 9 and 20). As at December 31, 2020 and 2019, the related allowance for ECL on receivables and due from related parties amounted to ₱493,534,727 and ₱248,408,408, respectively (see Note 5).

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

The Group has several tax cases at the Supreme Court and Court of Tax Appeals. The Group's estimates of the probable costs for the resolution of these cases have been developed in consultation with outside legal counsel handling the prosecution and defense of these matters and are based on an analysis of potential results. The Group currently does not believe that the cases will have a material adverse effect on its consolidated financial statements. It is possible, however, that the future consolidated financial statements could be materially affected by changes in the estimates or in the effectiveness of strategies relating to its proceeding. As such, the Group has not recognized any provision as at December 31, 2020 and 2019 (see Note 24).

*Leases - Estimating the IBR.* The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires



estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

The Company's lease liabilities amounted to ₱815,841,312 and ₱781,776,527 as at December 31, 2020 and 2019, respectively (see Note 17).

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

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

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

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

a. *Property and equipment*

The Group assess impairment of property and equipment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. In view of the community quarantine, the Group's retail and casino sites remain either closed or allowed with limited operating capacity which have significantly impacted the Group's revenue. These events and conditions are impairment indicators requiring the assessment of the recoverable amount of the Group's property and equipment.

For the Group's impaired property and equipment, the Group determined that the VIU of these assets is zero since these assets pertain to non-movable assets of its closed sites with no expected future cashflows. Management assessed that any scrap value (FVLCS) is not material.

Based on the assessment, the Group recognized impairment loss on its property and equipment amounting to ₱18,333,260 in 2020 and nil in 2019 and 2018. The carrying value of the Group's property and equipment amounted to ₱1,568,544,893 and ₱1,964,516,238 as at December 31, 2020 and 2019, respectively (see Note 7).



b. *Investment in joint venture*

The Group assess impairment of investments in joint venture whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. The factors that the Group consider important, which could trigger an impairment review include the following:

- a downgrade of joint venture's credit rating or a decline in the fair value of the associate or joint venture in consideration of other available information
- significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the joint venture operates

In view of the continuing community quarantines and restricted travel, HEPI continuously affected by the lower number of guests and reduced room rates, both of which have significantly impacted the Group's share in net losses of HEPI. These events and conditions are impairment indicators requiring the assessment of the recoverable amount of the Group's investment in HEPI.

The Group determined that the recoverable amount of its investment in HEPI based on VIU calculation using cashflow projection from financial budgets as approved by management. The Group applied a post-tax discount rate of 8.36% on the cash flow projections.

The key assumptions used by the management in the estimation of the recoverable amount in 2020 are as follows:

- Revenue growth rate - growth rates are based on experiences and strategies developed for the various subsidiaries. The prospect for the industry was also considered in estimating the growth rates. Growth rate used in the projected future cash flows was 7% from 2021 to 2025.
- Long-term growth rate - Rates are based on published industry research. Management recognizes that the possibility of new entrants can have a significant impact on growth rate assumptions. The effect of new entrants is not expected to have an adverse impact on the forecasts, but could yield a reasonable possible alternative to the estimated long-term growth rate of 4.5%.

Based on the above impairment assessment, the recoverable amount of the investment in HEPI exceeded its carrying amount, thus, no impairment loss was recognized in 2020. The carrying value of the Group's investment in HEPI amounted to ₱1,097,613,078 and ₱1,200,053,085 as at December 31, 2020 and 2019, respectively (see Note 9).

As at December 31, 2020 and 2019, allowance for impairment loss on investments and advances amounted to ₱347,267,356 and ₱225,218,314, respectively (see Note 9).

c. *Other non-financial assets (Airstrip improvements, lease rights, creditable withholding tax (CWT) and input VAT)*

For input VAT, the Group recognized impairment loss of ₱31,343,106 in 2020, ₱100,472,955 in 2019 and ₱111,865,997 in 2018 since the Group does not have sufficient output VAT to utilize this as most of the revenue activities are subject to franchise tax. As at December 31, 2020 and 2019, the Group's allowance for input VAT amounted to ₱243,682,058 and ₱212,338,952, respectively (see Notes 6 and 11).



For CWT, the Group recognized impairment loss of ₱3,623,281 in 2020, ₱28,018,009 in 2019 and nil in 2018 since the Group has no forecasted taxable income where these CWTs can be utilized (see Notes 6 and 11).

There are no impairment indicators identified for the Group's airstrip improvements and lease rights for the years ended December 31, 2020, 2019 and 2018.

As at December 31, 2020 and 2019, the following are the carrying amounts of the Group's nonfinancial assets other than goodwill:

	<i>Note</i>	<b>2020</b>	2019
Property and equipment - net	7	<b>₱1,568,544,893</b>	₱1,964,516,238
Investments and advances - net	9	<b>2,190,594,760</b>	2,289,115,560
Airstrip improvements - net*	11	<b>27,907,520</b>	31,000,512
Lease rights - net	11	-	18,998,422
Input VAT - net	6, 11	<b>27,772,590</b>	23,297,299
CWT	6	<b>13,724,270</b>	16,357,496

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

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

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

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

As at December 31, 2020 and 2019, retirement benefits liability amounted to ₱146,808,654 and ₱180,338,178, respectively (see Note 18).

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

As at December 31, 2020 and 2019, the Group recognized deferred tax assets amounted to nil and ₱20,476, respectively and the Group's unrecognized deferred tax assets amounted to ₱568,851,022 and ₱621,928,060, respectively (see Note 21).



#### 4. Cash and Cash Equivalents

	2020	2019
Cash in banks	₱277,774,777	₱2,470,113,025
Cash on hand and payout fund	92,459,872	88,532,255
Cash equivalents	3,739,651	-
	<b>₱373,974,300</b>	<b>₱2,558,645,280</b>

Cash in banks earn interest at the respective bank deposit rates. Interest income recognized amounted to ₱2,846,356 in 2020, ₱4,169,920 in 2019, and ₱1,396,080 in 2018 (see Note 19).

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

Cash equivalents are made for varying periods of up to three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

#### 5. Receivables - net

	<i>Note</i>	2020	2019
Trade receivables		₱1,000,444,386	₱1,031,849,278
Advances to third parties		157,581,974	165,968,773
Marketing support fund		103,722,826	77,000,000
Advances to Pacific Visionary (Pacific)		94,139,697	94,139,697
Receivable from sale of the aircraft	7, 12	72,973,163	-
Advances to stockholders		53,322,344	54,599,862
Current portion of:			
Advances to Binondo Leisure Resources, Inc. (BLRI)	9	49,000,000	31,000,000
Receivable from Total Consolidated Asset Management, Inc. (TCAMI)	9	29,453,790	50,000,000
Receivables from concessionaires		11,262,736	11,262,736
Others		39,132,552	21,749,923
		<b>1,611,033,468</b>	<b>1,537,570,269</b>
Less allowance for expected credit loss		493,534,727	248,408,408
		<b>₱1,117,498,741</b>	<b>₱1,289,161,861</b>

The movements in allowance for ECL in 2020 and 2019 are as follows:

	2020	2019
Balance at beginning of year	₱248,408,408	₱240,873,866
Provisions during the year	234,837,223	7,534,542
Write-off	10,289,096	-
Balance at end of year	<b>₱493,534,727</b>	<b>₱248,408,408</b>

#### Trade receivables

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



Advances to third parties

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

Marketing support fund

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

Advances to Pacific

These are cash advances provided to Pacific for the purpose of securing leased premises for the operation of a VIP Club by PAGCOR. The advances are unsecured and non-interest bearing which was initially due on or before December 31, 2019. The parties subsequently agreed to extend loan repayment for an additional period of one (1) year from December 31, 2019, or until December 31, 2020.

The Group recognized allowance for ECL amounting to ₱94,139,697 in 2020.

Advances to stockholders

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

Receivable from TCAMI

This is the current portion of the receivable from TCAMI related to the sale of the Group's 50% shares in TechZone Philippines, Inc. (see Notes 9 and 20).

Others

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

---

**6. Prepaid Expenses and Other Current Assets**

	2020	2019
Input VAT	₱231,984,639	₱204,737,480
Prepaid expenses	66,234,213	73,164,047
Advances to officers and employees	49,637,338	38,324,531
Advances to contractors and suppliers	20,967,084	25,251,951
CWT	13,724,270	16,357,496
Accrued rent income	12,118,531	10,623,376
Others	2,908,766	2,988,230
	<b>397,574,841</b>	371,447,111
Allowance for non-recoverable input VAT	<b>(231,048,271)</b>	(201,540,955)
	<b>₱166,526,570</b>	₱169,906,156

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

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





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

Accrued rent income pertains to the amount of rent that has been earned based on the straight-line method of accounting for operating leases.

The movements in allowance for impairment for input VAT in 2020 and 2019 are as follows:

	2020	2019
Balance at beginning of year	<b>₱201,540,955</b>	₱111,865,997
Provisions during the year	<b>29,507,316</b>	89,674,958
Balance at end of year	<b>₱231,048,271</b>	₱201,540,955



7. Property and Equipment

Cost	Land	Leasehold Improvements	Aircraft and Transportation Equipment (Notes 12 and 13)	Gaming Equipment	Office Furniture, Fixtures and Equipment	Network Equipment	Condominium Unit	Right-of-use Asset – office space (see Note 17)	Total
December 31, 2018	₱814,000	₱1,372,329,475	₱527,953,626	₱998,531,929	₱682,363,493	₱348,746,971	₱7,146,816	₱619,549,380	₱4,557,435,690
Additions	-	61,079,064	-	84,659,710	42,257,744	203,882	-	252,163,382	440,363,782
Retirement/reclassification	-	-	(10,006,004)	-	-	-	-	-	(10,006,004)
December 31, 2019	814,000	1,433,408,539	517,947,622	1,083,191,639	724,621,237	348,950,853	7,146,816	871,712,762	4,987,793,468
Additions	-	13,762,277	-	19,219,518	4,937,242	-	-	326,183,585	364,102,622
Reclassification	-	-	-	-	-	-	-	-	-
Disposal	-	-	(233,299,925)	-	-	-	-	-	19,284,318
Derecognition	-	(51,598,723)	-	(470,252)	(2,339,841)	-	-	(102,866,295)	(336,166,220)
December 31, 2020	814,000	1,395,572,093	284,647,697	1,101,940,905	727,218,638	348,950,853	7,146,816	1,086,570,497	4,952,861,499
<b>Accumulated Depreciation and Amortization</b>									
December 31, 2018	-	1,127,770,320	206,939,204	304,928,920	549,814,289	169,033,111	5,696,019	-	2,364,181,863
Depreciation and amortization	-	154,476,178	42,252,211	102,769,209	97,443,036	29,323,230	201,727	237,323,836	663,789,427
Retirement/reclassification	-	-	(4,694,060)	-	-	-	-	-	(4,694,060)
December 31, 2019	-	1,282,246,498	244,497,355	407,698,129	647,257,325	198,356,341	5,897,746	237,323,836	3,023,277,230
Depreciation and amortization	-	84,294,239	38,687,851	98,875,985	61,378,021	27,427,390	201,727	220,332,029	531,197,242
Lease concession	-	-	-	-	-	-	-	79,452,376	79,452,376
Reclassification	-	-	-	-	-	-	-	-	-
Disposal	-	-	(82,924,518)	-	-	-	-	-	-
Derecognition	-	(47,798,475)	-	(235,807)	(703,612)	-	-	(102,866,295)	(185,790,813)
December 31, 2020	-	1,318,742,262	200,260,688	506,338,307	707,931,734	225,783,731	6,099,473	(15,081,535)	(63,819,429)
<b>Net Book Value</b>									
December 31, 2019	₱814,000	₱151,162,041	₱273,450,267	₱675,493,510	₱77,363,912	₱150,594,512	₱1,249,070	₱634,388,926	₱1,964,516,238
December 31, 2020	₱814,000	₱76,829,831	₱84,387,009	₱595,602,598	₱19,286,904	₱123,167,122	₱1,047,343	₱667,410,086	₱1,568,544,893



Certain assets under aircraft and transportation equipment with carrying amount of ₱6,213,000 and ₱220,517,886 as at December 31, 2020 and 2019, respectively, are mortgaged to loans (see Note 12).

On December 9, 2020, the Group entered into a Deed of Absolute Sale with Hashcloud, Inc. on the sale of its aircraft for \$2,000,000, which resulted to a loss of ₱52,328,983 presented as “Loss on sale on an asset/investment - net” in the consolidated statements of comprehensive income. As at December 31, 2020, unpaid portion of the purchase price amounted to ₱72,973,163 (see Note 5).

In 2020, the Group entered into several Deed of Absolute Sale for the sale of some of the company cars. Total purchase price amounted to ₱5,270,000. This resulted to a gain of ₱4,894,770 presented as “Loss on sale on an asset/investment - net” in the consolidated statements of comprehensive income.

The Group closed some of its bingo halls as a direct effect on the operations due to the COVID-19 pandemic. The net book value of the related property and equipment of the closed bingo halls was impaired in 2020 amounting to ₱18,333,260 presented under “Impairment loss on non-financial assets” in the consolidated statements of comprehensive income.

## 8. Investment Properties

	Land	Land Improvements	Building	Right-of-Use Asset	Total
January 1, 2019	₱7,051,496,205	₱16,345,000	₱238,847,222	₱125,628,015	₱7,432,316,442
Additions	17,442,217	98,000	–	–	17,540,217
Amortization of right-of-use assets	–	–	–	(1,709,517)	(1,709,517)
Derecognition (Note 17)	–	–	–	(123,918,498)	(123,918,498)
Unrealized gains (loss) on changes in fair values of investment properties	2,458,640,578	(346,000)	(8,870,222)	–	2,449,424,356
December 31, 2019	9,527,579,000	16,097,000	229,977,000	–	9,773,653,000
Additions	2,127,867	–	–	–	2,127,867
Unrealized gains (loss) on changes in fair values of investment properties	287,731,883	–	(5,417,000)	–	282,314,883
<b>December 31, 2020</b>	<b>₱9,817,438,750</b>	<b>₱16,097,000</b>	<b>₱224,560,000</b>	<b>–</b>	<b>₱10,058,095,750</b>

As at December 31, 2020 and 2019, the estimated fair value of land and land improvements in Boracay amounted to ₱8,729,162,000 and ₱8,516,258,000, respectively. The estimated fair value of the parcels of land in CSEZFP amounted to ₱1,088,374,750 and ₱1,011,419,000 as at December 31, 2020 and 2019, respectively.

Unrealized gains on changes in fair values of investment properties recognized amounted to ₱282,314,883 in 2020, ₱2,449,424,356 in 2019, ₱1,329,408,530 in 2018.

The following table provides the fair value hierarchy of the Group’s investment properties as at December 31, 2020 and 2019:

	Fair value Hierarchy	2020	2019
Land	Level 3	₱9,817,438,750	₱9,527,579,000
Building	Level 3	224,560,000	229,977,000
Land improvements	Level 3	16,097,000	16,097,000
		<b>₱10,058,095,750</b>	<b>₱9,773,653,000</b>



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

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

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

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

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

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

Rental income and direct costs attributable to rental income on investment properties are as follows:

	2020	2019	2018
Rental income	<b>₱28,488,339</b>	₱26,121,174	₱25,416,844
Direct costs	<b>19,086,373</b>	10,644,014	24,889,917

Rental income from investment properties are included under "Rent income" account in profit or loss. Direct costs attributable to rental income on investment properties arises from amortization, repairs and maintenance, real property tax and rent expense.

#### Noncash Investing Activity

The Company has unpaid acquisitions of investment properties amounting to nil and ₱33,369,120 as at December 31, 2020 and 2019, respectively, which are included under "Trade and other payables" account in the consolidated statement of financial position.



9. **Investments and Advances, Noncurrent Receivables and Financial Assets at FVOCI**

Investments and Advances

	Percentage of Ownership	2020	Percentage of Ownership	2019
<b>Investments</b>				
Associates:				
BLRI				
Preferred shares		₱20,000,000		₱20,000,000
Common shares	30%	1,200,000	30%	1,200,000
Techzone Philippines, Inc. (Techzone)				
Common shares	0%	-	0%	-
Insular Gaming Corp. (Insular)				
Common shares	40%	199,800	40%	199,800
		<b>21,399,800</b>		<b>21,399,800</b>
Accumulated equity in net earnings:				
Balance at beginning of year		948,502		1,958,976,426
Share in net earnings (loss) of associates		(713,720)		91,601,846
Sale of investment in TechZone		-		(2,049,629,770)
		<b>234,782</b>		<b>948,502</b>
<b>Balance at end of year</b>		<b>21,634,582</b>		<b>22,348,302</b>
<b>Joint Ventures</b>				
HEPI				
	51%	750,938,000	51%	750,938,000
Accumulated equity in net income:				
Balance at beginning of year		449,115,085		300,107,396
Share in net income (loss) from HEPI		(102,440,007)		149,007,689
		<b>346,675,078</b>		<b>449,115,085</b>
<b>Balance at end of year</b>		<b>1,097,613,078</b>		<b>1,200,053,085</b>
<b>Advances</b>				
Cagayan Premium Ventures Development Corporation (CPVDC) and Cagayan Land Property Development Corporation (CLPDC)				
		1,025,708,385		1,017,390,583
Land owners		35,570,338		35,570,338
AB Fiber Corp.		31,696,665		31,696,665
Eco Leisure		26,136,049		26,136,049
Others		182,728,427		180,582,152
		<b>1,301,839,864</b>		<b>1,291,375,787</b>
Allowance for impairment losses		(231,049,464)		(225,218,314)
		<b>1,070,790,400</b>		<b>1,066,157,473</b>
		<b>2,190,038,060</b>		<b>2,288,558,860</b>
Other investments - at cost		556,700		556,700
		<b>₱2,190,594,760</b>		<b>₱2,289,115,560</b>

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

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



BLRI ceased its hotel operations and entered into an additional operating lease agreement as a lessor with Chinatown Lai Lai Hotel, Inc.

LRWC recognized its share in net loss of BLRI up to the extent of investment cost. Unrecognized accumulated equity in net loss of BLRI amounted to ₱26,409,942, ₱27,065,669 and ₱27,965,303 as at December 31, 2020, 2019 and 2018, respectively. The Group also recognized an allowance on the investment in BLRI amounting to ₱21,200,000 as at December 31, 2020 and 2019.

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

	2020	2019
Current assets	<b>₱29,594,087</b>	₱29,910,092
Noncurrent assets	<b>758,080</b>	14,322,996
Current liabilities	<b>(154,191,341)</b>	(170,258,018)
Noncurrent liabilities	<b>(10,860,633)</b>	(10,860,633)
Total net liabilities	<b>(134,699,807)</b>	(136,885,563)
Investment in preferred shares	<b>20,000,000</b>	20,000,000
Equity attributable to common shares	<b>(154,699,807)</b>	(156,885,563)
Group's share in net assets	<b>(46,409,942)</b>	(47,065,669)
Accumulated recognized share in net losses		
as at end of year for preferred shares	<b>20,000,000</b>	20,000,000
Accumulated unrecognized share in net losses		
as at end of year	<b>26,409,942</b>	27,065,669
Carrying amount of interest in an associate	<b>₱-</b>	₱-
Net income/total comprehensive income	<b>₱2,185,757</b>	₱2,998,779
Group's unrecognized share of total comprehensive income	<b>₱655,727</b>	₱899,634

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

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

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

	2020	2019
Current assets	<b>₱24,499,392</b>	₱7,426,319
Noncurrent assets	<b>3,163,297</b>	3,385,510
Current liabilities	<b>(24,957,108)</b>	(6,321,949)
Total net assets	<b>2,705,581</b>	4,489,880
Carrying amount of interest in an associate	<b>₱1,082,232</b>	₱1,795,952
Net income (loss)/total comprehensive income (loss)	<b>(₱1,784,299)</b>	₱3,556,516
Group's share of total comprehensive income (loss)	<b>(₱713,720)</b>	₱1,422,606



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

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

In view of the continuing community quarantines and restricted travel, HEPI is continuously affected by the lower number of guests and reduced room rates which significantly impacted the Group's share in net losses of HEPI. The Group determined this as an indicator of impairment and accordingly performed impairment assessment for its investment in HEPI. Based on the impairment assessment, the recoverable amount of the investment in HEPI exceeded its carrying amount, thus, no impairment loss was recognized (see Note 3).

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

	2020	2019
Current assets***	<b>₱797,088,759</b>	₱748,731,152
Noncurrent assets	<b>2,846,738,285</b>	3,009,414,434
Current liabilities**	<b>(816,825,542)</b>	(856,281,907)
Noncurrent liabilities*	<b>(990,595,582)</b>	(1,014,649,205)
Total net assets	<b>1,836,405,920</b>	1,887,214,474
Other comprehensive income	<b>(1,302,772,341)</b>	(1,152,718,137)
Total net assets after adjustment	<b>533,633,579</b>	734,496,337
Share in net assets	<b>272,153,125</b>	374,593,132
Premium on acquisition	<b>825,459,953</b>	825,459,953
Carrying amount of interest in a joint venture	<b>₱1,097,613,078</b>	₱1,200,053,085
<i>*Including cash of ₱15,322,712 in 2020 and ₱56,285,665 in 2019</i>		
<i>**Including current financial liabilities excluding trade and other payables of ₱193,275,413 in 2020 and ₱234,166,313 in 2019</i>		
<i>***Including noncurrent financial liabilities of ₱557,010,568 in 2020 and ₱556,948,400 in 2019</i>		
	2020	2019
Revenues	<b>₱150,377,420</b>	₱747,101,225
Net income (loss)/total comprehensive income (loss)	<b>(200,862,759)</b>	292,171,939
Parent Company's share of total comprehensive income	<b>₱102,440,007</b>	149,007,689

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

The advances to Eco Leisure was fully provided with a valuation allowance amounting to ₱26,136,049 as at December 31, 2020 and 2019.



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

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

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

The Group consolidated FCCDCI effective January 1, 2017 following the acquisition of LRDCSI of 20% ownership in FCCDCI. As a result, the Group's ownership interest in FCCDCI increased to P57.81% and total investments in joint ventures amounting to ₱67,858,127 were derecognized. The consolidation of FCCDCI in the Group resulted in recognition of non-controlling interest amounting to ₱39,656,055.

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

The Group recognized service fees from FCCDCI and LRDCSI amounting to ₱454,587,196 in 2020, ₱621,372,578 in 2019, and ₱658,865,730 in 2018, which is included under "Service and hosting fee" account in the consolidated statement of income. As at December 31, 2020 and 2019, customers' deposits from FCCDCI and LRDCSI included under "Deposits" and "Trade and other Payables" accounts in the consolidated statements of financial position amounted to ₱90,140,162 and ₱97,032,800, respectively.

FCCDCI and LRDCSI have a service agreement for bandwidth and co-location, including hosting and internet connection with IPCDCC. The Group recognized the amount of bandwidth and co-location costs in the consolidated statement of comprehensive income amounting to ₱358,731,166 in 2020, ₱493,383,741 in 2019, and ₱563,002,838 in 2018.

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

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

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





- b. LRLDI shall have the right to convert, in whole or in part, the outstanding amount of the advances at the time of the conversion, into new, unissued common shares of CLPDC subject to mutually agreed conversion price per conversion share;
- c. CLPDC acknowledges and agrees that the advances will be directly received by CPVDC; and
- d. CLPDC shall execute a separate agreement with LRLDI which provides for the specific procedures and details of borrowing, execution of the conversion and or repayment.

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

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

As at December 31, 2020, CLPDC and LRLDI have not executed the separate agreement mentioned above. The Group intends to convert the advances into shares of stocks upon consolidation and issuance of land titles.

The advances to CLPDC and CPVDC, including the land transferred to investment properties account and the land committed where the airport was built, is part of the investments committed in the Master Development Plan under the license agreement (see Note 16).

*Advances to AB Fiber Corp.* On December 8, 2011, the Group entered into an agreement with AB Fiber Corp. for the subscription of 90,000 shares. In relation to this, deposits for future stock subscriptions were made by FCLRC amounting to ₱9,000,000 as at December 31, 2020 and 2019.

Other advances to AB Fiber Corp. amounting to ₱22,696,665 as at December 31, 2020 and 2019 are non-interest bearing, unsecured and are settled upon demand.

*Others.* The Group recognized additional impairment loss for advances to others amounting to ₱5,831,150 in 2020 and ₱102,881,439 in 2019.

Noncurrent receivables

This account consists of receivables from the following:

	<i>Note</i>	<b>2020</b>	2019
TCAMI		<b>₱531,506,675</b>	₱558,149,507
BLRI		<b>124,371,498</b>	124,371,498
		<b>655,878,173</b>	682,521,005
Less current portion	5	<b>78,453,790</b>	81,000,000
		<b>₱577,424,383</b>	₱601,521,005

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



In 2019, the receivable from TCAMI of ₱700,000,000, net of current portion amounting ₱50,000,000, was discounted using risk free rate of 4.63% (see Note 5). As at December 31, 2020 and 2019, the present value of the receivable from TCAMI amounted to ₱502,052,885 and ₱508,149,507 and is shown separately in the 2020 consolidated statement of financial position of the outstanding amount is recorded under “Noncurrent asset” in the consolidated statement of financial position.

In 2020, the Group recognized interest income on receivables from TCAMI amounting to ₱23,357,168 (see Note 19).

*BLRI.* In 2018, the Group and BLRI entered into a memorandum of agreement for the payment of latter’s advances. The agreements provides for, among others, the commitment of BLRI to pay annually an amount of ₱18,000,000 from all rental payments received in a year, until the balance of the advances have been paid off. The Group received payment of nil in 2020 and ₱5,000,000 in 2019.

As at December 31, 2020 and 2019, allowance for ECL amounted to ₱22,078,195 and nil, respectively (see Note 5).

*Reclassification.* In 2020, the Group reclassified certain advances to receivables based on its terms and conditions. The 2019 balances were reclassified to conform to the 2020 presentation. Such reclassification is not material to the 2019 consolidated financial statements.

#### FVOCI

In 2014, the Parent Company acquired 1,093,000 shares of DFNN at a cost of ₱7,436,620.

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

The conversion resulted to 8.76% equity ownership of LRWC over DFNN. As management does not intend to hold the investment for trading, the total converted amount of ₱98,690,971 has been classified as “financial assets at FVOCI” account in the consolidated statements of financial position as at December 31, 2020 and 2019.

As at December 31, 2020 and 2019, the carrying value of the Group’s FVOCI are as follows:

	2020	2019
Balance at beginning of year	<b>₱106,725,824</b>	₱168,180,654
Unrealized gain (loss) during the year	<b>5,904,912</b>	(61,454,830)
Balance at end of year	<b>₱112,630,736</b>	₱106,725,824

The market prices of DFNN common shares as at December 31, 2020 and 2019 is ₱5.15 and ₱4.88, respectively.



## 10. Business Combination and Goodwill

Goodwill from business acquisitions within the Group are as follows:

	2020	2019
Cost:		
TGXI	<b>₱598,273,933</b>	₱598,273,933
ABLE and other bingo units:		
ABLE Parent	<b>415,723,887</b>	415,723,887
Topnotch	<b>163,835,800</b>	163,835,800
Others*	<b>145,701,876</b>	145,701,876
BCGLC	<b>149,858,702</b>	149,858,702
FCLRC	<b>28,673,506</b>	28,673,506
	<b>1,502,067,704</b>	1,502,067,704
Accumulated impairment loss:		
Balance at beginning of year	<b>8,183,009</b>	-
Provision for impairment loss	<b>164,792,402</b>	8,183,009
	<b>172,975,411</b>	8,183,009
<b>Balance at end of year</b>	<b>₱1,329,092,293</b>	₱1,493,884,695

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

The Group recognized an allowance for impairment loss on the goodwill of its several bingo units amounting to ₱164,792,402 in 2020 and ₱8,183,009 in 2019.

The goodwill from the acquisitions have been subjected to the annual impairment review in 2020 and 2019. The recoverable amounts of the operations is based on VIU calculation using the cash flow projections approved by management. The cash flow projections cover five years from the date of impairment review.

The recoverable amount of goodwill from the acquisitions of the bingo units was determined based on VIU calculations using actual past results and observable market data such as growth rates, among others. The onset of the COVID-19 pandemic has heavily impacted the bingo operations of the Group, with this, the computed carrying amount of the goodwill and cash generating unit to which the goodwill to relates exceeded its recoverable amount.

## 11. Other Noncurrent Assets

	<i>Note</i>	2020	2019
Rental deposits	17	<b>₱442,854,472</b>	₱432,823,436
Cash performance bonds	15	<b>306,450,000</b>	298,950,000
Cash in bank - restricted	12	<b>91,313,591</b>	69,092,789
Premium on group pension plan		<b>42,336,018</b>	42,336,018
Airstrip improvements - net	16	<b>27,907,520</b>	31,000,512
Performance cash deposits and betting credit funds		<b>32,450,000</b>	32,450,000
Input VAT		<b>39,470,009</b>	30,898,771

(Forward)



	<i>Note</i>	2020	2019
Lease rights		-	18,998,422
Utility and construction bond		<b>₱5,240,206</b>	<b>₱4,153,613</b>
Others		<b>70,520,967</b>	77,153,613
		<b>1,058,542,783</b>	1,037,857,174
Allowance for non-recoverable input VAT		<b>(12,633,787)</b>	(10,797,997)
Allowance for non-recoverable CWT		<b>(31,641,290)</b>	(28,018,009)
		<b>₱1,014,267,706</b>	<b>₱999,041,168</b>

#### Cash Performance Bonds

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

#### Airstrip Improvements

<b>Cost</b>	<b>₱103,099,734</b>
<b>Accumulated Depreciation</b>	
January 1, 2019	69,006,230
Depreciation	3,092,992
December 31, 2019	72,099,222
Depreciation	3,092,992
<b>December 31, 2020</b>	<b>75,192,214</b>
<b>Carrying Amount</b>	
December 31, 2019	₱31,000,512
<b>December 31, 2020</b>	<b>₱27,907,520</b>

#### Performance Cash Deposits and Betting Credit Funds

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

As at December 31, 2020 and 2019, performance cash deposits and betting credit funds amounting to ₱32,450,000 are reimbursable to Inter-active Entertainment Solutions Technology (IEST), one of TGXI's existing service provider.

#### Others

Others consist of land held for contribution and creditable withholding tax. Land held for contribution pertains to parcels of land named to the Group where the CZEZFP Airport in Cagayan will be built. The Group intends to convert its advances to CLPDC which it will eventually contribute the parcels of land to CPVDC.

In 2020, the Group recognized impairment on input VAT and CWT amounting to ₱1,835,790 and ₱3,623,281, respectively. In 2019, the Group recognized impairment on input VAT and CWT amounting to ₱10,797,997 and ₱28,018,009, respectively.



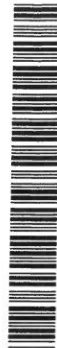
**12. Loans Payable**

Entity	Note	Lender	Year	Short Term Loan		Long Term Loan		Interest	Maturity
				₱		Current Portion	Noncurrent Portion		
AB Leisure Global, Inc. (ABLGI)	a	BDO	2020			₱2,228,663,172		3.90%	November 2017 – January 2023
			2019			2,467,530,914		5.75%	November 2017 – November 2022
Leisure and Resorts World Corporation (LRWC)	b, c	AUB	2020	139,000,000	149,066,380			6.58%	February 2019 - November 2021
			2019	140,500,000	142,396,435	37,266,595		6.25%	February 2019 - February 2021
First Cagayan Leisure and Resort Corporation (FCLRC)	d	BDO	2020					-	
			2019		35,088,186			6.00%	September 2015 – November 2020
AB Leisure Exponent, Inc. (ABLE)	e	UBP	2020					-	
			2019		350,203			8.11%	August 2017 – August 2020
	e, f	BDO	2020	324,012,500				5.25%	January 2020 - January 2021
			2019	303,392,480	481,040			6.50%	August 2017 – October 2020
	e	AUB	2020		583,838			8.75%	May 2018 – August 2021
			2019		2,278,561	1,487,167		8.75%	May 2018 – August 2021
	f	UCPB	2020	450,000,000				7.00%	December 2019 – January 2021
			2019	450,000,000				7.50%	December 2019 – June 2020

(Forward)



Entity	Note	Lender	Year	Long Term Loan			Interest	Maturity
				Short Term Loan	Current Portion	Noncurrent Portion		
Blue Chip Gaming Leisure Corporation (BCGLC)	g	AUB	2020	₱-	₱158,263,836	₱130,791,735	6.58%	February 2019 – January 2022
			2019	-	135,503,427	170,357,584	8.42%	February 2019 – January 2022
	h	UBP	2020	-	-	-	-	-
			2019	-	840,873	-	8.11%	August 2017 – July 2020
First Cagayan Converge Data Center (FCCDCI)	h	BDO	2020	-	-	-	-	-
			2019	-	551,017	-	8.60%	July 2017 – June 2020
LR Land Developers, Inc. (LRLDI)	i	AUB	2020	-	146,427	-	8.50%	February 2018 – January 2021
			2019	-	1,679,536	146,427	8.50%	February 2018 – January 2021
TOTAL	j	Classic Finance	2020	70,000,000	-	-	8.00%	March 2020 – March 2021
			2019	-	-	-	-	-
	k	Chip Leader	2020	-	160,076,651	320,153,349	10.00%	March 2020 – March 2023
			2019	-	-	-	-	-
			2020	₱983,012,500	₱468,137,132	₱2,679,608,256		
			2019	₱893,892,480	₱319,169,278	₱2,676,788,687		



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

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

As December 31, 2020 and 2019, the unamortized amount of transaction costs are as follows:

	2020	2019
Balance at beginning of year	<b>₱32,469,086</b>	₱43,601,344
Amortization during the year (see Note 19)	<b>(11,132,258)</b>	(11,132,258)
Balance at end of year	<b>₱21,336,828</b>	₱32,469,086

Amortization of transaction costs is recognized under finance expense in the consolidated statement of comprehensive income (see Note 19). ABLGI partially repaid ₱250,000,000 of the loan in January 2020. Outstanding balance of the loan as at December 31, 2020 and 2019 amounted to ₱2,228,663,172 and ₱2,467,530,914, respectively.

In consideration of the commitment of BDO to fund the ABLGI's equity investment, ABLGI, GL-JV, ABLAHI and ABLHPC has assigned to BDO its respective rights, titles and interest to all monies standing in the DSRA and DSPA, and other bank accounts created for this particular purpose, project receivables (collectively termed as "Assigned Collaterals"), as well as the proceeds, products, fruits of the aforementioned Assigned Collaterals. The Group has classified its cash included under the DSRA and DSPA as "Cash in bank - restricted" account under other noncurrent assets in the consolidated statements of financial position amounting to ₱74,554,432 and ₱52,385,126 in 2020 and 2019, respectively (see Note 11).

As a part of the loan agreement with BDO, ABLGI is required to comply with affirmative financial ratios of debt-to-equity ratio of 2:1. The Group is in compliance with the debt-to-equity covenant as at December 31, 2020 and 2019.

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



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

Mortgaged Properties	Note	Carrying Amount
Land	8	₱8,729,064,000
Investment property	8	135,994,000
		₱8,865,058,000

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

On December 3, 2020, BDO granted an extension period of 60 days on the maturity date of the loan under the “Bayanihan to Recover As One Act”. Revised maturity date of the loan is on January 30, 2023.

- b. In July 2014, LRWC entered into a short-term loan facility with Asia United Bank (AUB) to facilitate the financing of the acquisition of TGXI. The maximum loanable amount is ₱650,000,000 which can be availed in a single or multiple release upon request and submission of a promissory note to the bank. This is payable up to 180 days from the date of release of proceeds and secured by a chattel mortgage over LRWC’s shares of stocks held by ABLE and stockholders amounting to ₱149,449,926. The fair value of the mortgaged shares of stocks amounted to ₱183,803,520 and ₱229,754,400 as at December 31, 2020 and 2019, respectively.

In 2015, LRWC converted this into a term-loan amounting to ₱650,000,000. The loan is payable in 60 equal consecutive monthly installments on its respective repayment dates beginning June 12, 2015 until May 12, 2020. Annual interest rate is approximately 6.18%.

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

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

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

As at December 31, 2020, the Group is in compliance with the debt-to-equity covenant but have breached the debt service coverage ratio as required in the loan agreement. With this breach of the debt service coverage ratio covenant, the bank is contractually entitled to request for immediate repayment of the outstanding loan amount of ₱149,066,380. The outstanding balance is presented as a current liability as at December 31, 2020.





As at May 30, 2021, management obtained the approval of AUB for the restructuring of the loan agreement which extended the maturity date to November 2022.

- c. In May 2015, LRWC entered into various credit line facilities with AUB which are intended for general working capital requirements and financing future expansions. The credit line amounted to ₱350,000,000 which can be availed in multiple releases. As at December 31, 2020 and 2019, outstanding balance is ₱139,000,000 and ₱140,500,000, respectively.
- d. In 2015, FCLRC entered into two loan agreements with BDO for the purchase of two (2) aircraft. The loans were secured by the aircrafts as chattel mortgage.

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

The second financing agreement amounted to ₱50,132,320 payable in 60 monthly installments beginning September 25, 2015 to August 25, 2020. Annual interest rate is approximately 6%, which is subject to change depending on the prevailing cost of money or effective value of the purchasing power of the Philippine peso.

The two loan agreements with BDO for the purchase of two (2) aircraft were fully paid in 2020. Moreover, both aircraft were sold also in 2020 for \$2,000,000 with the equivalent amount of ₱96,140,000 (see Note 7).

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

In 2018, ABLE entered into long-term agreements with AUB for the purchase of transportation equipment amounting to ₱6,671,200. The carrying amounts of transportation equipment amounted to ₱4,046,333 and ₱4,879,333 as at December 31, 2020 and 2019, respectively.

The long-term agreements with Unionbank and BDO were fully paid in 2020.

- f. Short-term loans of ABLE have maturity dates of up to January 2021. The short-term loans are from the credit facility with BDO and UCPB. The loans from BDO are secured by LRWC's shares of stock owned by an individual stockholder of LRWC. The loan from UCPB is unsecured. The interest rates of short-term loans are 5.25% and 6.50% for BDO, and 7% and 7.50% for UCPB as at December 31, 2020 and 2019, respectively.

As at December 31, 2020 and 2019, the carrying amount of LRWC's shares of stock held by an individual stockholder used as collateral for the loan from BDO amounted to ₱67,458,323. The fair value of the collateral amounted to ₱129,519,980 and ₱197,657,025 as at December 31, 2020 and 2019, respectively.

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



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

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

Cash in the DSRA is classified as "Cash in bank - restricted" account under other noncurrent assets in the consolidated statements of financial position amounted to ₱16,759,159 and ₱16,707,663 as at December 31, 2020 and 2019 (see Note 11).

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

On May 27, 2021, management obtained the approval of AUB for the restructuring of the loan agreement which modifies the principal installment payments to have a balloon payment upon maturity but retains the original maturity dates.

- h. In 2017, BCGLC entered into auto loan agreements with chattel mortgage with Unionbank and BDO for the purchase of service vehicles. The loans amounted to ₱6,421,600 payable in 36 monthly installments beginning July 2017 until 2020. The carrying amount of the vehicles amounted to ₱2,879,343 and ₱4,243,751 as at December 31, 2020 and 2019, respectively.

The loan agreements with Unionbank and BDO were fully paid in 2020.

- i. In 2018, FCCDCI entered into auto loan agreements with chattel mortgage with AUB for the purchase of service vehicles. The loans amounted to ₱4,706,400 payable in 36 monthly installments beginning January 2018 until 2021. The carrying amount of vehicles amounted to ₱2,166,667 and ₱3,166,667 as at December 31, 2020 and 2019, respectively.
- j. In March 2020, LRLDI entered into a short-term loan agreement with a local finance company, namely Classic Finance, Inc. (CFI) for working capital requirements. The loan amounting to ₱70,000,000 shall be payable in one year. Annual interest is at 8% subject to change depending on the prevailing financial and monetary conditions. In consideration of the loan, LRLDI assigned its receivable due from TCAMI and pledged 20,777,047 shares of stock of DFNN, which is owned by LRWC, for a total amount of ₱112,630,736



In 2021, CFI has not requested early payment of the loan and provided LRLDI an extension for the first principal payment for an additional twelve months from its original due date of April 2021.

- k. In February 2020, LRLDI entered into a loan agreement with Chip Leader Holdings Corporation (CLHC) to finance its operational and capital expenses. The loan amounting to \$10,000,000 shall be payable on March 2023. Annual interest rate is at 12% subject to change depending on the prevailing financial and monetary conditions.

The loan is likewise secured by real assets owned by LRLDI. Mortgaged properties are as follows:

Mortgaged Properties	Note	Carrying Amount
Barangay Lal-lo, Cagayan		₱852,029,750
Barangay Rapuli, Cagayan		178,509,000
Tangatan, Cagayan		39,861,000
	8	₱1,070,399,750

As at May 30, 2021, CLHC has not requested early payment of the loan and provided LRLDI an extension for the first principal payment for an additional twelve months from its original due date of March 1, 2021.

Interest expense on loans payable recognized in profit or loss amounted to ₱254,712,334 in 2020, ₱436,612,672 in 2019, and ₱422,773,300 in 2018 (see Note 19).

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

	January 1, 2020	Cash Flows	Noncash Changes	December 31, 2020
Short term loans	₱893,892,480	₱89,120,020	₱-	₱983,012,500
Long term loans	2,995,957,965	165,375,165	(13,587,742)	3,147,745,388
Lease liabilities (see Note 17)	781,776,527	(246,997,216)	281,062,001	815,841,312
Total liabilities from financing activities	₱4,671,626,972	₱7,497,969	₱267,474,259	₱4,946,599,200

	January 1, 2019	Cash Flows	Noncash Changes	December 31, 2019
Short term loans	₱2,354,478,420	(₱1,460,585,940)	₱-	₱893,892,480
Long term loans	3,697,260,398	(701,302,433)	-	2,995,957,965
Lease liabilities (see Note 17)	747,967,120	(268,395,972)	302,205,379	781,776,527
Total liabilities from financing activities	₱6,799,705,938	(₱2,430,284,345)	₱302,205,379	₱4,671,626,972

Interest paid amounted to ₱233,485,505 in 2020 and ₱498,952,982 in 2019.



### 13. Trade and Other Payables

	<i>Note</i>	2020	2019
Payable to:			
Suppliers		<b>₱469,608,758</b>	₱322,759,346
CEZA	<i>16</i>	<b>100,747,546</b>	73,171,343
PAGCOR	<i>15</i>	<b>60,964,765</b>	151,475,976
Government agencies		<b>20,719,116</b>	138,630,807
Rent payable		<b>116,583,547</b>	49,215,887
Finder's fee		<b>31,352,790</b>	31,352,790
Contract liabilities	<i>16</i>	<b>28,842,658</b>	1,003,793
Output VAT		<b>248,645</b>	3,191,249
Accrued expenses and other payables:			
Payable to machine owners		<b>481,366,658</b>	558,062,495
Dividends payable	<i>14</i>	<b>175,387,309</b>	248,444,725
Contracted services		<b>142,679,050</b>	173,257,984
Payable to site owner		<b>60,064,319</b>	70,245,027
Interest payable		<b>56,857,915</b>	46,763,344
Salaries, wages and benefits		<b>43,006,763</b>	52,640,305
Professional fees		<b>15,618,022</b>	7,354,828
Utilities		<b>11,014,362</b>	7,701,372
Customer deposit		<b>6,125,534</b>	11,235,392
Others		<b>45,980,627</b>	33,385,594
		<b>₱1,867,168,384</b>	₱1,979,892,257

Payable to suppliers pertains to various supplies expense in relation to the Company's bingo operations. These are normally settled within one year.

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

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

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

### 14. Equity

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

	2020		2019	
	Amount	Number of Shares	Amount	Number of Shares
<b>CAPITAL STOCK</b>				
Authorized:				
Common shares – P1 par value	<b>₱2,500,000,000</b>	<b>2,500,000,000</b>	₱2,500,000,000	2,500,000,000
Balance at beginning of year	<b>₱2,417,500,000</b>	<b>2,417,500,000</b>	₱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	<b>₱2,417,500,000</b>	<b>2,417,500,000</b>	₱2,417,500,000	2,417,500,000
Authorized:				
Preferred shares – P1 par value	<b>₱2,500,000,000</b>	<b>2,500,000,000</b>	₱2,500,000,000	2,500,000,000
Balance at beginning and end of year	<b>₱1,650,000,000</b>	<b>1,650,000,000</b>	₱1,650,000,000	1,650,000,000



#### Increase in Authorized Capital Stock

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

#### Registration of Securities under the Securities Regulation Commission

Pursuant to the registration statement rendered effective by the SEC on February 6, 1958 and permit to sell issued by the SEC dated February 6, 1958 - 15,000,000 common shares of LRWC were registered and may be offered for sale at an offer price of ₱1.33 per common share. As at December 31, 2020 and 2019, the Parent Company has issued and outstanding common shares totaling 2,417,500,000. In 2020 and 2019, the Parent Company has 1,822 and 1,823 common stockholders, respectively.

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

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

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

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

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

#### Listing of Preferred Shares and Warrants

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

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

As at December 31, 2019, the Parent Company has a total of 1,650,000,000 shares issues and outstanding preferred shares with three (3) stockholders.



On January 31, 2020, the Parent Company redeemed all of its 1,650,000,000 preferred shares at ₱1.00 per share. 36,500,000 of these shares were previously held by ABLE and the remaining 1,613,500,000 were held by third parties. The redeemed preferred shares are not cancelled, thus, accounted and presented as treasury shares in the consolidated statement of changes in equity.

Declaration of Cash Dividends

Cash dividends declared by the BOD to preferred stockholders of the Parent Company in 2019 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

There were no cash dividends declared by the BOD to common stockholders of the Parent Company in 2020 and 2019.

As at December 31, 2020 and 2019, unpaid dividends, included under “Trade and other payables” account in the consolidated statements of financial position, amounted to ₱175,387,309 and ₱248,444,725, respectively (see Note 13).

Acquisition of LRWC Shares by ABLE

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

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

ABLE acquired additional 245,000 common shares of LRWC at cost amounting to ₱21,005,929 in 2018.

As at December 31, 2020 and 2019, ABLE has a total of 25,892,100 and 24,067,100 common shares of LRWC, respectively. Details of treasury shares are as follows:

	2020	2019
Balance at beginning of year	₱90,411,278	₱90,411,278
Redemption of preferred shares*	1,613,500,000	–
Acquisitions during the year	39,227	–
Balance at end of year	₱1,703,950,505	₱90,411,278

\*excludes the ₱36,500,000 preferred shares held by ABLE as this has already been accounted for treasury shares since its acquisition.

LRWC declared dividends to preferred stockholders of the Group. In 2020 and 2019, ABLE received dividends amounting to nil and ₱3,092,586, respectively, which are eliminated in the consolidated financial statements.



---

## 15. Gaming Licenses to Operate Bingo Games

### a. Operation of Traditional Bingo Games

PAGCOR awarded ABLE and its subsidiaries the authority to operate and conduct traditional bingo games, as well as the betting aspect thereof, within the confines of the game sites. The Licenses for various periods ranging from September 2020 to September 2023 are subject to renewal after one (1) to (2) two years upon mutual agreement of both parties.

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

Revenue from traditional bingo games amounted to ₱423,795,592 in 2020, ₱2,216,155,056 in 2019, and ₱2,106,084,940 in 2018.

As at December 31, 2020 and 2019, ABLE and its subsidiaries deposited cash performance bonds with PAGCOR totalling ₱44,250,000, to ensure due observance of and faithful compliance with the terms and conditions of the License (see Note 11).

### b. Operation of Electronic Bingo Games

PAGCOR awarded ABLE and its subsidiaries the authority to operate and conduct electronic bingo games, as well as the betting aspect thereof, within the confines of the game sites. The Licenses for various periods ranging from February 2017 to December 2023 are subject to renewal after one (1) to (2) two years upon mutual agreement of both parties.

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

Revenue from electronic bingo games amounted to ₱1,745,675,813 in 2020, ₱5,289,230,260 in 2019, and ₱4,754,906,261 in 2018.

As at December 31, 2020 and 2019, ABLE and its subsidiaries deposited cash performance bonds with PAGCOR totalling ₱261,300,000 and ₱253,800,000, respectively, to ensure due observance of and faithful compliance with the terms and conditions of the License (see Note 11).

### c. Operation of New Rapid Bingo System (NRBS)

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

Revenue from rapid bingo amounted to ₱85,867,120 in 2020, ₱284,212,205 in 2019, and ₱230,386,430 in 2018.

As at December 31, 2020 and 2019, ABLE deposited cash performance bonds amounting to ₱900,000, with PAGCOR to ensure due observance of and faithful compliance with the terms and conditions of the License (see Note 11).



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

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

Revenue from distribution of sale of pull-tabs or break-open cards amounted to ₱6,844,580 in 2020, ₱19,009,330 in 2019, and ₱20,111,861 in 2018.

Franchise fees included in “Franchise fees and taxes” account in the consolidated statement of comprehensive income amounted to ₱1,527,622,311 in 2020, ₱4,625,303,082 in 2019, and ₱4,429,428,116 in 2018.

---

**16. License Agreement**

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

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

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

1. Appointment of FCLRC as Master Licensor for internet gaming activities and shall be responsible for monitoring all activities pertaining to the licensing and operation of interactive games in CSEZFP;
2. FCLRC is authorized to assist CEZA in its functions as a regulator for interactive gaming activities on behalf of CEZA in accordance with Part 5 of CSEZFP Interactive Gaming Rules and Regulations;
3. The authorization of FCLRC as Master Licensor shall be exclusive for twenty-five years starting from November 7, 2006 or until 2031;
4. FCLRC is authorized to collect a sub-license fee of two percent of the gross winnings from the internet casino, in accordance with an agreed formula. Also, FCLRC is authorized to collect from sub-licenses an annual fixed amount for the first year of operations and thereafter, from sportsbook operators. The amount collected is recognized by FCLRC as unearned fees and recognized the revenue. Unearned fees included under “Trade and other payables” account in the consolidated statements of financial position amounted to ₱28,842,658 and ₱1,003,793 as at December 31, 2020 and 2019, respectively (see Note 13); and





5. FCLRC must pay CEZA, on a monthly basis to commence upon the start of actual operations of FCLRC, an amount equivalent to one percent (1%) of the monthly gross winnings payable not later than the seventh (7<sup>th</sup>) day of the subsequent month. Starting on the sixth (6<sup>th</sup>) year after the start of FCLRC's operation, FCLRC shall pay a minimum guaranteed amount of \$250. Unpaid CEZA fees are charged with interest of 12% per annum. CEZA fees included in "Franchise fees and taxes" account in the profit or loss amounted to ₱174,155,849, ₱222,292,921, and ₱199,875,763 in 2020, 2019 and 2018, respectively. Interest expense on unpaid CEZA fees recognized in the consolidated statement of comprehensive income amounted to nil in 2020, ₱6,828,032 in 2019, and ₱5,403,043 in 2018 (see Note 19). The Group's revenues from FCLRC's service and hosting fees amounted to ₱345,862,748 in 2020, ₱434,004,338 in 2019, and ₱395,499,397 in 2018.

FCLRC is entitled to tax incentives under Section 4c of RA No. 7922 (CEZA law). No taxes, local, and national, shall be imposed on business establishments operating within the CSEZFP. In lieu of paying taxes, FCLRC shall pay and remit to the national government five percent (5%) of locators' gross income less allowable deductions. FCLRC's gross income tax amounted to ₱8,852,199 in 2020, ₱10,385,407, in 2019, and ₱9,071,403 in 2018 (see Note 21).

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

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

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

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

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



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

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

On December 11, 2008 the parties have agreed to extend the deadline of FCLRC's payment of CEZA's share on the sub-licensee fee from "7<sup>th</sup> day of the following month" to "27<sup>th</sup> day of the following month", and to reduce the interest rate for the delay in remittance of the said CEZA's share from 18% to 12% per annum.

On November 24, 2017, FCLRC and CEZA signed a supplemental agreement which provides for the following:

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

---

## 17. Lease Agreements/Right-of-Use Assets and Lease Liabilities

### *Group as a Lessee*

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

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



The following are the amounts recognized in the consolidated statement of income:

	2020	2019	2018
Depreciation and amortization expense of right-of-use assets included in property and equipment and investment properties (see Notes 7 and 8)	P220,332,029	P239,033,353	P-
Expenses relating to short-term leases	132,736,765	368,391,875	597,953,462
Interest expense on lease liabilities (see Note 19)	49,153,260	51,323,077	-
Expenses relating to leases of low-value assets	18,003,073	44,882,690	47,596,350
Total amount recognized in the consolidated statement of comprehensive income	P420,225,127	P703,630,995	P645,549,812

The rollforward analysis of right-of-use assets, presented under “Property and Equipment” account in the consolidated statements of financial position, is as follows:

	2020	2019
<b>Cost</b>		
Balance at beginning of year	P871,712,762	P619,549,380
Additions	326,183,585	252,163,382
Reclassification	19,284,318	-
Expired leases	(102,866,295)	-
Impairment (see Note 7)	(27,743,873)	-
Balance at end of year	1,086,570,497	871,712,762
<b>Accumulated Amortization</b>		
Balance at beginning of year	237,323,836	-
Amortization	220,332,029	237,323,836
Lease concession	79,452,376	-
Expired leases	(102,866,295)	-
Impairment (see Note 7)	(15,081,535)	-
Balance at end of year	419,160,411	237,323,836
Net Book Value	P667,410,086	P634,388,926
<b>Impairment Loss</b>		
Pre-termination (see Note 7)	P12,662,338	-

The rollforward analysis of lease liabilities follows:

	2020	2019
Balance at beginning of year	P781,776,527	P747,967,120
Additions	325,557,216	250,882,302
Interest expense (see Note 19)	49,153,260	51,323,077
Payments	(246,997,216)	(268,395,972)
Gain on lease concession	(79,452,376)	-
Pre-termination	(14,196,099)	-
Balance at end of year	815,841,312	781,776,527
Current portion of lease liabilities	237,998,769	201,485,706
Lease liabilities - net of current portion	P577,842,543	P580,290,821

- i. ABLE Group entered into several lease agreements for office space, warehouse and spaces where ABLE Group’s sites conduct their bingo operations. The term of the lease agreements with



various lessors varies from two (2) to three (3) years with escalation clauses ranging from 3% to 5%. The lease amounts are computed based on certain percentages of gross revenues or on a fixed rate per square meter which are generally determined on an annual basis. The lease period ranges from one (1) to seven (7) years with approximate annual escalation rates ranging from 5% to 10%.

- ii. FCLRC entered into 25-year lease agreements with the Municipality of Cagayan up to December 7, 2031, and with CEZA up to June 30, 2031, respectively, or until FCLRC serves as its Master Licensor. The lease amounts are computed on a fixed rate per square meter subject to 5% escalation every three years. FCLRC also entered into other lease contracts with various lessors up to a term of one (1) year which are renewable. The lease amounts are generally determined on an annual basis.
- iii. BCGLC Group entered into various lease agreements for its PAGCOR VIP Clubs where it conducts its operations. The lease agreements are renewable by mutual agreement of both parties generally under same terms and conditions. The lease period ranges from three (3) to ten (10) years with annual escalation clauses ranging from 5% to 11%.
- iv. LRWC entered into several lease agreements for its office spaces. The term of the lease agreements with various lessors varies from three (3) to five (5) years with escalation ranging from 3% to 5%. The lease amounts are computed on a fixed rate per square meter which are generally determined on an annual basis.
- v. TGXI entered into several lease agreements for the PeGS' locations and office space renewable by mutual agreement of both parties generally under the same terms and conditions. The lease period ranges from one (1) to five (5) years with annual escalation clauses ranging from 3% to 10%.
- vi. ABLGI entered into a 25-year lease agreement for a parcel of land in Sta. Cruz, Manila from January 1, 2015 to December 31, 2039. The lease amount is computed on a fixed rate per square meter subject to 5% escalation every two years.

The lease agreements are non-cancellable and provide for, among others, rental deposits which are refundable upon termination of the lease. The rental deposits recognized in the consolidated statements of financial position as at December 31, 2020 and 2019 amounted to ₱442,854,472 and ₱432,823,436, respectively (see Note 11).

Prior to adoption of PFRS 16, rent expense recognized in the consolidated statement of ₱645,549,812 in 2018. Rent expense in 2020 and 2019 amounting to ₱150,739,838 and ₱413,274,565, respectively, pertains to the expense from short-term and low value leases.

In 2020, the Group has entered into several rent concessions and adopted the amendments to PFRS 16 using practical expedients beginning January 1, 2020. The impact of rent concessions amounting to ₱79,452,376 were presented in the consolidated statement of comprehensive income as reduction in amortization expense recorded under "Cost and operating expenses".

In 2021, some of the Group's lessors provided additional rent concession in the form of lower monthly lease rates and waivers of certain months due to continuous impact of COVID-19 outbreak.



Maturity analysis of the undiscounted lease payments are as follows:

	2020	2019
Within one year	<b>₱501,772,402</b>	₱270,196,149
Between one and five years	<b>841,777,921</b>	544,407,789
More than five years	<b>215,635,956</b>	195,952,478
	<b>₱1,559,186,279</b>	₱1,010,556,416

*Group as Lessor*

Rent Income Recognized as Revenue

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

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

- b. LRLDI leases its investment properties under non-cancellable operating lease agreements. The leases are for a period ranging from two (2) to five (5) years with escalation rate ranging from 5% to 10%.
- c. ABLGI leases its investment property for a period of twenty (20) years until December 31, 2034 with escalation rate of 3% every three years. The lessee may pre-terminate the lease agreement without obligation to pay termination costs.
- d. FCLRC and LRLDI sublease its lease contracts for land properties with Municipality of Cagayan and CEZA to a locator under a 12-year sublease agreement commencing in July 2006, and office spaces to a customer under a 2-year sublease agreement commencing in July 2019, respectively. In 2019, upon adoption of PFRS 16 for FCLRC and inception of the sublease contract for LRLDI, these subleases were classified as finance leases and the related ROU assets were derecognized. At inception of LRLDI's sublease contract, carrying amount of the ROU asset derecognized amounted to ₱6,553,149 in 2019 (see Note 8). Loss on sublease was recognized in the consolidated statement of comprehensive income amounting to ₱123,918,498 in 2019 (see Note 19). As at December 31, 2020 and 2019, lease receivables amounted to ₱20,419,557 and ₱29,803,525, respectively.

Total rent income recognized in the statement of consolidated comprehensive income amounted to ₱267,176,326 in 2020, ₱706,652,846 in 2019, and ₱560,690,470 in 2018.



Minimum lease receivables as at December 31 are as follows:

	2020	2019
Within one year	<b>₱51,636,826</b>	₱34,686,567
Between one and five years	<b>126,879,800</b>	82,912,511
More than five years	<b>165,305,472</b>	110,332,827
	<b>₱343,822,098</b>	₱227,931,905

## 18. Retirement Benefits

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

The retirement benefits of ABLE are primarily based on the number of years of service of covered employees, as well as their fixed monthly salary. Under the provisions of the retirement plan, the mandatory retirement age is sixty-five (65), with at least ten (10) years of service and the retirement benefit is equal to two hundred percent (200%) of the plan salary per year of credited service.

The Group's latest actuarial valuation reports are dated December 31, 2020. The following tables summarize the components of retirement expense recognized in the consolidated statement comprehensive income of ABLE and FCLRC:

### Retirement Expense

	ABLE			FCLRC		
	2020	2019	2018	2020	2019	2018
Current service cost	<b>₱14,791,390</b>	₱16,366,331	₱16,830,418	<b>₱1,912,315</b>	₱1,548,521	₱1,711,041
Past service credit	<b>(41,687,614)</b>	-	-	-	-	-
Interest cost on defined benefit obligation	<b>8,872,783</b>	15,908,679	12,468,696	<b>537,368</b>	591,109	435,504
Net retirement expense (income)	<b>(₱18,023,441)</b>	₱32,275,010	₱29,299,114	<b>₱2,449,683</b>	₱2,139,630	₱2,146,545

The total retirement expense (income) of ABLE and FCLRC recognized amounted to (₱15,573,758) in 2020, ₱34,414,640 in 2019, and ₱31,445,659 in 2018.

### Changes in the Present Value of Defined Benefit Obligation

	ABLE		FCLRC	
	2020	2019	2020	2019
Present value of defined benefit obligation at beginning of year	<b>₱169,199,636</b>	₱217,596,818	<b>₱11,138,542</b>	₱8,225,366
Actuarial loss/(gain)	<b>13,450,929</b>	(26,029,168)	<b>(7,633,505)</b>	803,277
Current service cost	<b>14,791,390</b>	16,366,331	<b>1,912,315</b>	1,548,521
Interest cost	<b>8,872,783</b>	15,908,679	<b>537,368</b>	591,109
Past service cost/credit	<b>(41,687,614)</b>	-	-	-
Net acquired/(released) obligation due to employee transfers	-	133,668	-	(29,731)
Benefits paid	<b>(23,773,190)</b>	(54,776,692)	-	-
Present value of defined benefit obligation at end of year	<b>₱140,853,934</b>	₱169,199,636	<b>₱5,954,720</b>	₱11,138,542



As at December 31, 2020 and 2019, the total retirement benefits liability amounted to ₱146,808,654 and ₱180,338,178, respectively.

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

	ABLE			FCLRC		
	2020	2019	2018	2020	2019	2018
Actuarial loss (gain) from:						
Financial assumptions	<b>₱25,413,273</b>	₱48,586,288	(₱47,832,203)	<b>₱463,238</b>	₱2,008,719	(₱1,207,677)
Experience adjustments	<b>(11,962,344)</b>	(68,158,463)	21,091,473	<b>(8,096,743)</b>	(1,205,442)	42,075
Demographic assumptions	-	(6,456,993)	-	-	-	-
	<b>₱13,450,929</b>	(₱26,029,168)	(₱26,740,730)	<b>(₱7,633,505)</b>	₱803,277	(₱1,165,602)

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

	ABLE		FCLRC	
	2020	2019	2020	2019
Discount rate at end of year	<b>3.99%</b>	5.25%	<b>4.09%</b>	4.86%
Future salary increases	<b>4.00%</b>	4.00%	<b>4.00%</b>	4.00%

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

	ABLE		FCLRC	
	2020	2019	2020	2019
Average expected future service years	<b>7.00</b>	7.00	<b>11.00</b>	11.00

#### Sensitivity Analysis

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

	ABLE		FCLRC	
	1% Increase	1% Decrease	1% Increase	1% Decrease
Discount rate	120,123,959	166,045,460	5,366,731	6,666,450
Future salary growth	166,549,173	119,383,424	6,693,838	5,332,529

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

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

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

#### Funding

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



#### Asset-liability Matching

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

Maturity analysis of the benefit payments:

	2020				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1-5 Years	More than 5 Years
ABLE	₱140,853,934	₱864,300,794	₱233,571	₱8,970,282	₱855,096,941
FCLRC	5,954,720	51,649,018	170,241	2,942,686	48,536,091
	<b>₱146,808,654</b>	<b>₱915,949,812</b>	<b>₱403,812</b>	<b>₱11,912,968</b>	<b>₱903,633,032</b>

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

#### 19. Finance Income/Finance Expense/Other Income

Finance income consists of:

	Note	2020	2019	2018
Interest income on cash in banks	4	₱2,846,356	₱4,169,920	₱1,396,080
Interest income on receivables from TCAMI	9	23,357,168	-	-
		<b>₱26,203,524</b>	<b>₱4,169,920</b>	<b>₱1,396,080</b>

Finance expense consists of:

	Note	2020	2019	2018
Interest expense on loans payable	12	₱254,712,334	₱436,612,672	₱422,773,300
Interest expense on lease liabilities	17	49,153,260	51,323,077	-
Interest expense on late payments		8,942,694	55,512,277	-
Interest expense on unpaid CEZA fees	16	-	6,828,032	5,403,043
		<b>₱312,808,288</b>	<b>₱550,276,058</b>	<b>₱428,176,343</b>

Interest expense on loans payable includes amortization of transaction costs related to loan of ABLGI with BDO. The Group recognized amortization of transaction costs amounting to ₱11,132,258 for the years 2020, 2019 and 2018 (see Note 12).

The Group recognized gain on lease concession amounting to ₱3,969,000 for ABLGI resulting from forgiveness of rental payments from April 2020 up to March 2021. The gain is recognized as deduction in interest expense on lease liabilities.





Other income - net consists of:

	<i>Note</i>	<b>2020</b>	2019	2018
Finance charges		<b>(₱2,859,000)</b>	(₱21,674,258)	₱-
Marketing allowance		<b>5,659,596</b>	42,000,000	60,000,000
Application fee income		<b>4,618,560</b>	306,620	4,290,000
Loss on sublease	17	-	(123,918,498)	-
Management fee income		-	951,370	-
Consultancy fees		-	-	168,675,000
Commission income		-	-	13,770,722
Others - net		<b>4,747,619</b>	(5,019,719)	(8,402,699)
		<b>₱12,166,775</b>	<b>(₱107,354,485)</b>	<b>₱238,333,023</b>

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

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

Others - net mainly consists of other income from the Group's investment, professional fee and replacement fee for lost bingo cards.



**20. Related Party Disclosures**

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

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

Other than those disclosed in Notes 5 and 9, the Group's significant transactions and balances with related parties follow:

Categories	Nature of Transaction	Year	Amount of Transactions for the Year	Outstanding Balance Receivable (Notes 5 and 9)	Due from Related Parties	Terms	Conditions
TCAMI – Joint Venture Partner	Sale of Techzone shares	2020	₱50,000,000	₱531,506,675	₱–	Payable in 10 years; non-interest bearing; – to be settled in cash	
		2019	1,750,000,000	558,149,507	–		
Individual stockholder	Cash advances	2020	–	–	5,000,000	Demandable; non-interest bearing	Unsecured; no impairment
		2019	–	–	5,000,000	to be settled in cash	
Advances to affiliates	Cash advances	2020	–	–	150,000,000	Demandable; non-interest bearing	Unsecured; no impairment
		2019	–	–	150,000,000	to be settled in cash	
<b>Total</b>		<b>2020</b>		<b>₱531,506,675</b>	<b>₱155,000,000</b>		
Total		2019		₱558,149,507	₱155,000,000		

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



All intra-group balances, transactions, including income and expenses and profits and losses resulting from intra-group transactions are eliminated. Intergroup balances and transactions before eliminations amounted to ₱2,554,309,200 and ₱2,588,239,893 as at December 31, 2020 and 2019, respectively.

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

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

	2020	2019	2018
Salaries and employee benefits	<b>₱56,863,737</b>	₱66,304,834	₱34,644,203
Directors' fees	<b>6,920,000</b>	5,830,000	10,000,000

## 21. Income Taxes

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

	2020	2019	2018
Current tax expense	<b>₱20,580,457</b>	₱32,792,120	₱26,168,752
Deferred tax expense	<b>81,276,880</b>	835,201,656	522,973,342
	<b>₱101,857,337</b>	₱867,993,776	₱549,142,094

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

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

	2020	2019	2018
Income (loss) before income tax	<b>(₱1,236,237,492)</b>	₱975,096,353	₱1,014,224,943
Income tax (benefit) using statutory tax rate of 30%	<b>(₱370,871,248)</b>	₱292,528,906	₱304,267,483
Additions to (reductions in) income taxes resulting from tax effects of:			
Nondeductible operating expenses	<b>3,036,677,350</b>	8,478,138,096	7,417,169,260
Income exempt from income tax	<b>(2,688,262,389)</b>	(8,195,674,725)	(7,423,408,389)
Expired NOLCO	<b>147,298,451</b>	138,525,193	11,931,047
Change in unrecognized deferred tax assets	<b>(53,077,038)</b>	227,910,143	295,186,670
Equity in net loss (earnings) of joint ventures	<b>30,732,002</b>	(44,702,307)	(34,459,847)
Interest income subject to final tax	<b>(853,907)</b>	(1,250,976)	(417,562)
Equity in net loss (earnings) of associates	<b>214,116</b>	(27,480,554)	(21,126,568)
	<b>₱101,857,337</b>	₱867,993,776	₱549,142,094



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

	2020	2019
Deferred income	P-	P18,420
Unrealized loss on foreign exchange differences	-	2,056
	<b>P-</b>	<b>P20,476</b>

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

	2020	2019
Unrealized gain on changes in fair value of investment properties	<b>P1,450,163,150</b>	P1,375,327,712
Unamortized transaction cost	<b>6,401,048</b>	9,740,726
Unrealized gain on foreign exchange differences	<b>2,222,238</b>	(493,552)
Accrued rental income	<b>1,048,307</b>	-
Others	<b>6,037,500</b>	-
	<b>P1,465,872,243</b>	<b>P1,384,574,886</b>

As at December 31, 2020, the Group's unrecognized deferred tax assets pertain to the following items:

	Tax Base	Amount
NOLCO	<b>P1,628,501,049</b>	<b>P488,550,315</b>
Lease liabilities	<b>114,616,981</b>	<b>34,385,094</b>
Allowance for impairment loss	<b>95,630,719</b>	<b>28,689,216</b>
Retirement benefits liability	<b>37,071,869</b>	<b>11,121,561</b>
Unrealized loss on foreign exchange differences	<b>20,832,630</b>	<b>1,637,543</b>
MCIT	<b>3,883,968</b>	<b>3,883,968</b>
Unearned revenue	<b>1,944,418</b>	<b>583,325</b>
	<b>P1,902,481,634</b>	<b>P568,851,022</b>

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

	Tax Base	Amount
NOLCO	<b>P1,790,357,840</b>	<b>P537,107,353</b>
Retirement benefits liability	<b>199,551,824</b>	<b>59,865,547</b>
Allowance for impairment loss	<b>53,633,994</b>	<b>16,090,198</b>
Lease liabilities	<b>13,042,940</b>	<b>1,861,796</b>
Unrealized loss on foreign exchange differences	<b>5,790,401</b>	<b>1,593,052</b>
MCIT	<b>5,354,297</b>	<b>5,354,297</b>
Unearned revenue	<b>186,057</b>	<b>55,817</b>
	<b>P2,067,917,353</b>	<b>P621,928,060</b>

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



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

Year Incurred	Amount	Expired/ Applied	Balance	Expiry Date
2020	₱339,892,074	₱ –	₱339,892,074	December 31, 2025
2019	744,300,023	(6,777,304)	737,522,719	December 31, 2022
2018	566,189,665	(15,103,409)	551,086,256	December 31, 2021
2017	490,994,837	(490,994,837)	–	December 31, 2020
	<b>₱2,141,376,599</b>	<b>(₱512,875,550)</b>	<b>₱1,628,501,049</b>	

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

Year Incurred	Amount	Expired/ Applied	Balance	Expiry Date
2020	₱527,329	₱–	₱527,329	December 31, 2023
2019	21,795	–	21,795	December 31, 2022
2018	6,469,732	(3,134,888)	3,334,844	December 31, 2021
2017	1,997,658	(1,997,658)	–	December 31, 2020
	<b>₱9,016,514</b>	<b>(₱5,132,546)</b>	<b>₱3,883,968</b>	

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

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

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

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

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

The Group determined its income taxes on these components on the premise that the results from casino operations are no longer subject to regular income taxes in pursuant to Sec 13(2) of Presidential Decree 1869 (PAGCOR Charter) which states that "the five (5%) percent franchise tax of the gross revenue or earnings derived by PAGCOR and all its contractees and licensees shall be due and payable quarterly to the National Government and shall be in lieu of all kinds of taxes, levies,



fees or assessments of any kind, nature or description, levied, established or collected by any municipal, provincial, or national government authority”. The Group assessed that it is exempt from the corporate income tax on these components pursuant to the Supreme Court’s decision to a tax case which categorically held PAGCOR and its contractees and licensees exempt from the payment of corporate income tax and other taxes.

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

*Bayanihan to Recover as One Act (Bayanihan 2).*

On September 30, 2020, the Bureau of Internal Revenue (BIR) issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of “Bayanihan to Recover As One Act” which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

In this regard, the NOLCO incurred in taxable year 2020 can be claimed as deduction from the regular taxable income for the next 5 consecutive taxable years pursuant to the Bayanihan to Recover As One Act. On the other hand, the NOLCO incurred before taxable year 2020 can be claimed as deduction from the regular taxable income for the next 3 consecutive taxable years.

## 22. Earnings Per Share

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

	2020	2019	2018
Net income (loss) attributable to			
Parent Company	<b>(₱1,298,290,376)</b>	₱95,656,550	₱479,645,976
Dividends on preferred shares	–	(233,145,000)	(70,125,000)
Effect of preferred shares held by			
ABLE	–	3,102,500	3,102,500
Income (loss) attributable to			
ordinary stockholders of the			
Parent Company (a)	<b>(1,298,290,376)</b>	(134,385,950)	412,623,476
Adjusted weighted average			
number of shares outstanding			
(b)	<b>2,417,500,000</b>	2,011,616,836	1,199,230,595
<b>Basic earnings per share (a/b)</b>	<b>(₱0.5370)</b>	<b>(₱0.0668)</b>	<b>₱0.3441</b>



Diluted earnings per share is computed as follows:

	2020	2019	2018
Income (loss) attributable to ordinary stockholders of the Parent Company (a)	<b>(₱1,298,290,376)</b>	(₱134,385,950)	₱412,623,476
Adjusted weighted average number of shares outstanding (b)	<b>2,417,500,000</b>	2,011,616,836	1,199,230,595
Effect of dilutive potential common shares* (c)	<b>80,675,000</b>	80,675,000	80,675,000
Adjusted weighted average number of shares outstanding (d=b+c)	<b>2,498,175,000</b>	2,092,291,836	1,279,905,595
Diluted earnings per share (a/d)	<b>(₱0.5370)**</b>	(₱0.0668)**	₱0.3224

\* Adjusted for the convertible warrants (see Note 14).

\*\* The effect of the convertible warrants is antidilutive.

### 23. Segment Information

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

#### Online

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

#### Casino

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

#### Retail

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

#### Property

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



Analysis of financial information by business segment in 2020 is as follows:

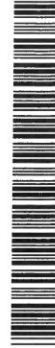
	Online Group	Casino Group	Retail Group	Property Group	Others	Eliminations	Consolidated
External revenue	₱806,090,842	₱344,598,661	₱2,404,142,540	₱28,488,338	₱-	₱-	₱3,583,320,381
Cost and operating expenses	697,489,634	483,848,180	2,792,211,656	42,024,480	197,720,601	-	4,213,294,551
Segment results	108,601,208	(139,249,519)	(388,069,116)	(13,536,142)	(197,720,601)	-	(629,974,170)
Finance expense	(9,029,380)	(27,361,993)	(91,011,322)	(169,451,755)	(15,953,838)	-	(312,808,288)
Unrealized gains on changes in fair values of investment properties - net	1,130,000	-	-	281,184,883	-	-	282,314,883
Impairment loss on financial assets	(101,669,836)	(518,007)	(44,340,832)	-	(94,139,698)	-	(240,668,373)
Impairment loss on non-financial assets	-	(1,524,967)	(51,774,680)	-	(164,792,402)	-	(218,092,049)
Equity in net earnings of a joint venture	-	-	-	-	(102,440,007)	-	(102,440,007)
Gain (loss) on sale of an asset	(52,328,983)	-	4,894,770	-	-	-	(47,434,213)
Finance income	1,702,164	120,172	458,478	23,849,428	73,282	-	26,203,524
Foreign exchange loss - net	(29,538,563)	96,023	(70,449)	24,720,000	1,135	-	(4,791,854)
Equity in net earnings of associates	(69,634,529)	-	(713,720)	-	-	69,634,529	(713,720)
Other income (expenses) - net	4,380,440	75,107	10,530,020	(30,704)	(72,483)	(2,715,605)	12,166,775
Remeasurements of defined benefit liability - net of tax	7,633,506	-	(14,162,491)	-	-	-	(6,528,985)
Unrealized gain on investment in FVOCI	-	-	-	-	5,904,912	-	5,904,912
Income tax	(12,517,874)	(1,967,415)	-	(87,571,568)	199,520	-	(101,857,337)
<b>Total Comprehensive Income (Loss)</b>	<b>(₱151,271,847)</b>	<b>(₱170,330,599)</b>	<b>(₱574,259,342)</b>	<b>₱59,164,142</b>	<b>(₱404,147,778)</b>	<b>(₱97,873,478)</b>	<b>(₱1,338,718,902)</b>
<b>Other Information</b>							
Segment assets	₱3,347,270,660	₱1,596,313,174	₱2,378,736,449	₱12,185,197,974	₱4,118,095,423	(₱7,132,138,751)	₱16,493,474,929
Investments and advances	214,518,190	-	104,798,672	1,058,397,284	4,841,173,663	(4,028,293,049)	2,190,594,760
<b>Total Assets</b>	<b>₱3,561,788,850</b>	<b>₱1,596,313,174</b>	<b>₱2,483,535,121</b>	<b>₱13,243,595,258</b>	<b>₱8,959,269,086</b>	<b>(₱11,160,431,800)</b>	<b>₱18,684,069,689</b>
Total Liabilities	₱2,279,924,902	₱1,697,553,392	₱2,856,679,058	₱7,969,088,399	₱2,335,623,707	(₱8,613,812,345)	₱8,525,057,113
Capital expenditures	₱3,609,073	₱15,224,692	₱18,184,491	₱246,044	₱654,737	₱-	₱37,919,037
Depreciation and amortization	43,971,622	157,226,005	300,979,393	4,270,025	27,843,189	-	534,290,234





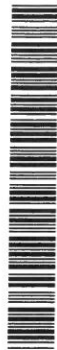
Analysis of financial information by business segment in 2019 is as follows:

	Online Group	Casino Group	Retail Group	Property Group	Others	Eliminations	Consolidated
External revenue	₱1,079,725,322	₱1,325,287,557	₱8,162,258,852	₱46,787,265	₱-	₱-	₱10,614,058,996
Cost and operating expenses	947,832,223	1,173,522,526	7,862,999,434	361,077,613	355,035,294	-	10,700,467,090
Segment results	131,893,099	151,765,031	299,259,418	(314,290,348)	(355,035,294)	-	(86,408,094)
Unrealized gains on changes in fair values of investment properties - net	1,030,000	-	-	2,448,394,356	-	-	2,449,424,356
Loss on sale of an investment	-	-	-	(741,480,264)	-	-	(741,480,264)
Finance expense	(22,292,162)	(41,139,243)	(155,081,668)	(274,723,196)	(57,039,789)	-	(550,276,058)
Equity in net earnings of a joint venture	-	-	-	-	149,007,689	-	149,007,689
Impairment loss on non-financial assets	(1,401,782)	(285,165)	(89,634,544)	(3,572,360)	(37,169,473)	(8,183,009)	(136,673,973)
Impairment loss on financial assets	-	-	(6,843,621)	(100,000,000)	(41,212,400)	-	(110,415,981)
Equity in net earnings of associates	41,212,400	-	-	91,601,846	-	-	91,601,846
Foreign exchange loss - net	8,912,659	2,063,703	1,594,931	1,640,086	(709,982)	-	13,501,397
Finance income	1,781,552	102,327	712,190	4,531,803	934,909	(3,892,861)	4,169,920
Other income (expenses) - net	(118,158,177)	(3,727,807)	29,578,843	(10,215,720)	605,168,376	(610,000,000)	(107,354,485)
Unrealized gain on investment in FVOCI	-	-	-	-	(61,454,830)	-	(61,454,830)
Remeasurements of defined benefit liability - net of tax	(803,278)	-	26,740,730	-	-	-	25,937,452
Income tax	(17,000,513)	(9,391,516)	(5,655,061)	(728,309,654)	(107,637,032)	-	(867,993,776)
Total Comprehensive Income (Loss)	₱25,173,798	₱99,387,330	₱100,671,218	₱473,576,549	₱36,064,574	(₱663,288,270)	₱71,585,199
Other Information							
Segment assets	₱2,896,547,567	₱1,855,972,239	₱3,115,389,930	₱11,309,957,848	₱5,786,085,868	(₱5,822,074,224)	₱19,141,879,228
Investments and advances	291,590,209	-	126,276,497	1,050,079,481	5,005,753,367	(4,184,583,994)	2,289,115,560
Total Assets	₱3,188,137,776	₱1,855,972,239	₱3,241,666,427	₱12,360,037,329	₱10,791,839,235	(₱10,006,658,218)	₱21,430,994,788
Total Liabilities	₱1,747,071,322	₱1,786,836,170	₱2,945,494,227	₱7,140,801,751	₱2,114,046,078	(₱7,414,525,465)	₱8,319,724,083
Capital expenditures	₱4,435,006	₱89,984,225	₱91,576,740	₱499,920	₱1,704,509	₱-	₱188,200,400
Depreciation and amortization	46,266,135	166,736,738	371,591,336	5,851,087	56,164,988	-	646,610,284



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

	Online Group	Casino Group	Retail Group	Property Group	Others	Eliminations	Consolidated
External revenue	₱1,054,365,127	₱1,430,968,478	₱7,403,096,686	₱25,416,844	₱-	₱-	₱9,913,847,135
Cost and operating expenses	984,771,997	1,258,649,424	7,208,502,982	85,532,603	370,648,126	-	9,908,105,132
Segment results	69,593,130	172,319,054	194,593,704	(60,115,759)	(370,648,126)	-	5,742,003
Unrealized gains on changes in fair values of investment properties - net	(83,480,633)	-	-	1,412,889,163	-	-	1,329,408,530
Finance expense	(11,111,631)	(25,982,488)	(82,886,523)	(269,943,153)	(38,252,548)	-	(428,176,343)
Impairment loss on financial assets	(3,492,450)	-	(5,648,774)	(157,500,000)	(15,000,000)	-	(181,641,224)
Equity in net earnings of a joint venture	-	-	-	-	114,866,158	-	114,866,158
Impairment loss on non-financial assets	-	(10,369,524)	(101,496,473)	-	-	-	(111,865,997)
Equity in net earnings of associates	44,001,185	-	(31,296)	70,453,190	-	(44,001,185)	70,421,894
Foreign exchange loss - net	317,631	-	(9,477,871)	(16,482,993)	1,384,052	-	(24,259,181)
Finance income	41,791	27,855	159,974	1,142,908	23,552	-	1,396,080
Other income (expenses) - net	3,689,549	(8,077,324)	86,842,716	157,509,892	(1,631,810)	-	238,333,023
Revaluation surplus - net of tax	(89,182,693)	-	-	-	-	-	(89,182,693)
Unrealized gain on investment in FVOCI	-	-	-	-	14,871,625	-	14,871,625
Remeasurements of defined benefit liability - net of tax	1,165,602	-	26,740,731	-	-	-	27,906,333
Income tax	(14,524,957)	(4,373,527)	(3,630,770)	(395,843,025)	(130,769,815)	-	(549,142,094)
Total Comprehensive Income (Loss)	(₱82,983,476)	₱123,544,046	₱105,165,418	₱742,110,223	(₱425,156,912)	(₱44,001,185)	₱418,678,114
Other Information							
Segment assets	₱2,869,682,502	₱1,477,276,865	₱2,886,540,166	₱7,775,829,278	₱1,740,010,410	(₱3,256,837,276)	₱13,492,501,945
Investments and advances	256,011,589	-	136,037,231	32,593,28746	4,756,745,679	(3,834,338,630)	4,573,784,615
Total Assets	₱3,125,694,091	₱1,477,276,865	₱3,022,577,397	₱11,035,158,024	₱6,496,756,089	(₱7,091,175,906)	₱18,066,286,560
Total Liabilities	₱1,686,896,034	₱1,342,245,771	₱2,516,357,053	₱5,816,145,870	₱2,067,794,954	(₱4,471,730,349)	₱8,957,709,333
Capital expenditures	₱34,456,880	₱74,062,894	₱116,426,556	₱2,389,165	₱8,914,150	₱-	₱236,249,645
Depreciation and amortization	43,964,764	102,496,432	285,922,074	(914,337)	39,833,447	-	471,302,380



There were no intersegment sales recognized among reportable segments in 2020, 2019 and 2018. Unallocated corporate expenses consist of net operating expenses of the Parent Company. Assets of the individual segments mainly comprise investments and advances, due from related parties, property and equipment, and trade receivables. Liabilities of the individual segments include loans payable, trade and other payables, retirement benefits liability, and due to related parties. Capital expenditures on noncurrent assets represent additions to property and equipment and investment properties. Noncash expenses pertain to depreciation and amortization expense attributable to reportable segments.

## 24. Other Matters

### Electronic Bingo and Rapid Bingo

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

#### *Electronic bingo*

	2020	2019	2018
Gross receipts from electronic bingo	<b>₱2,226,870,374</b>	₱6,707,521,455	₱6,087,271,518
Less share of owners of electronic bingo machines	<b>481,194,561</b>	1,418,291,195	1,332,365,257
Net revenues	<b>₱1,745,675,813</b>	₱5,289,230,260	₱4,754,906,261

#### *Rapid bingo*

	2020	2019	2018
Gross receipts from rapid bingo	<b>₱92,437,390</b>	₱306,618,320	₱247,221,904
Less share of owners of rapid bingo machines	<b>6,570,270</b>	22,406,115	16,835,474
Net revenues	<b>₱85,867,120</b>	₱284,212,205	₱230,386,430

### Income from junket operations

On July 3, 2013, PAGCOR awarded PIKI the authority to bring pre-registered non-Philippine junket players to play in the junket Gaming Rooms at PAGCOR's Casino Filipino - Midas, with a minimum gaming table mix to be determined by PAGCOR. The Group's income from PIKI's junket operations amounted to ₱111,551,571 in 2020, ₱689,770,381 in 2019, and ₱895,694,852 in 2018.

### Revenues from e-Casino

ABLE generates income from e-casino representing operator's share in e-Casino game winnings. E-Casino offers popular casino games such as baccarat, poker and roulette via computer terminals. Income generated from these operations which amounted to ₱17,032,507 in 2020, ₱52,201,738 in 2019, and nil in 2018 are presented as part of "Commission income" account in the consolidated statement of comprehensive income.

The Group's revenue from TGXI's commission income from PeGS which amounted to ₱124,926,928 in 2020, ₱301,450,264 in 2019, and ₱291,607,194 in 2018 are presented as part of "Commission income" account in the consolidated statement of comprehensive income.



### Contingencies

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

### Corporate Recovery and Tax Incentives for Enterprises Act (CREATE) Bill.

President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Group:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5 million and with total assets not exceeding ₱100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.
- MCIT rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.
- Imposition of improperly accumulated earnings tax (IAET) is repealed.

Applying the provisions of the CREATE Act, the Group would have been subjected to lower regular corporate income tax rate of 25% effective July 1, 2020.

- Based on the provisions of Revenue Regulations (RR) No. 5-2021 dated April 8, 2021 issued by the BIR, the prorated CIT rate of the Company in 2020 is 27.50%. This will result in lower provision for current income tax for the year ended December 31, 2020 and lower income tax payable as at December 31, 2020, amounting to ₱7,530,737 and ₱1,941,342, respectively, or a reduction of ₱1,017,476. The reduced amounts will be reflected in the Group's 2020 annual income tax return. However, for financial reporting purposes, the changes will only be recognized in the 2021 financial statements.
- This will result in lower deferred tax liabilities as at December 31, 2020 and provision for deferred tax for the year then ended by ₱202,693,473. These reductions will be recognized in the 2021 financial statements.



---

## 25. Financial Risk and Capital Management Objectives and Policies

### Financial Risk Management Objectives and Policies

The Group has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

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

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

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

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

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

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



### Credit Risk

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

Financial information on the Group's maximum exposure to credit risk as at December 31, 2020 and 2019, without considering the effects of collaterals and other risk mitigation techniques, is presented below:

	<i>Note</i>	<b>2020</b>	2019
<b>Amortized cost</b>			
Cash and cash equivalents*	4	<b>₱281,514,428</b>	₱2,470,113,025
Receivables - net	5	<b>1,694,923,124</b>	1,890,682,866
Lease receivables	17	<b>20,419,557</b>	29,803,525
Rental deposits	11	<b>442,854,472</b>	432,823,436
Cash performance bonds	11	<b>306,450,000</b>	298,950,000
Performance cash deposits and betting credit funds	11	<b>32,450,000</b>	32,450,000
Due from related parties	20	<b>155,000,000</b>	155,000,000
		<b>2,933,611,581</b>	5,309,822,852
<b>FVOCI</b>	9	<b>112,630,736</b>	106,725,824
		<b>₱3,046,242,317</b>	₱5,416,548,676

\*Excluding cash on hand and payout fund amounting to ₱92,459,872 and ₱88,532,255 as at December 31, 2020 and 2019, respectively.

### Cash and cash equivalents

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

### Receivables

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

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

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



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

The Group has recognized impairment losses on receivables to third party of ABLE amounting to ₱35,854,607 in 2020, ₱32,942,310 in 2019 and ₱21,641,224 in 2018 due to cessation of operations of its debtors.

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

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

#### *Rental Deposits*

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

#### *Cash Performance Bonds/Performance Cash Deposits and Betting Credit Funds*

The Group's exposure to credit risk is negligible as PAGCOR has sufficient funds to settle these upon the expiration of the respective license agreements.

#### *Financial Assets at FVOCI*

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

#### *Due from Related Parties*

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

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

*Aging Analysis.* Set out below is the aging of financial assets as at December 31, 2020 and 2019

	2020						Total
	Current	Past Due			ECL		
		30 Days	60 Days	90 Days and Above			
Cash and cash equivalents*	₱281,514,428	₱-	₱-	₱-	₱-	₱-	₱281,514,428
Receivables	662,553,825	95,153,141	25,601,174	911,614,984	493,534,727	-	2,188,457,851
Lease receivables	20,419,557	-	-	-	-	-	20,419,557
Rental deposits	442,854,472	-	-	-	-	-	442,854,472
Cash performance bonds	306,450,000	-	-	-	-	-	306,450,000
Performance cash deposits and betting credit funds	32,450,000	-	-	-	-	-	32,450,000
Due from related parties	155,000,000	-	-	-	-	-	155,000,000
Financial assets at FVOCI	112,630,736	-	-	-	-	-	112,630,736
	<b>₱2,013,873,018</b>	<b>₱95,153,141</b>	<b>₱25,601,174</b>	<b>₱911,614,984</b>	<b>₱493,534,727</b>	<b>₱3,539,777,044</b>	

\*Excluding cash on hand and payout fund amounting to ₱92,459,872.



	2019						Total
	Current	Past Due			ECL		
		30 Days	60 Days	90 Days and Above			
Cash in banks*	₱2,470,113,025	₱-	₱-	₱-	₱-	₱2,470,113,025	
Receivables	1,417,920,664	53,632,602	47,171,968	371,957,632	248,408,408	2,139,091,274	
Lease receivables	29,803,525	-	-	-	-	29,803,525	
Rental deposits	432,823,436	-	-	-	-	432,823,436	
Cash performance bonds	298,950,000	-	-	-	-	298,950,000	
Performance cash deposits and betting credit funds	32,450,000	-	-	-	-	32,450,000	
Due from related parties	155,000,000	-	-	-	-	155,000,000	
Financial assets at FVOCI	106,725,824	-	-	-	-	106,725,824	
	<b>₱4,943,786,474</b>	<b>₱53,632,602</b>	<b>₱47,171,968</b>	<b>₱371,957,632</b>	<b>₱248,408,408</b>	<b>₱5,664,957,084</b>	

\*Excluding cash on hand and payout fund amounting to ₱88,532,255.

*Credit risk under general and simplified approach*

	2020					Total
	General Approach			Simplified Approach		
	Stage 1	Stage 2	Stage 3			
Cash and cash equivalent*	₱281,514,428	₱-	₱-	₱-	₱-	₱281,514,428
Receivables - net	-	-	-	1,694,923,124	-	1,694,923,124
Lease receivables	-	-	-	20,419,557	-	20,419,557
Rental deposits	442,854,472	-	-	-	-	442,854,472
Cash performance bonds	306,450,000	-	-	-	-	306,450,000
Performance cash deposits and betting credit funds	32,450,000	-	-	-	-	32,450,000
Due from related parties	155,000,000	-	-	-	-	155,000,000
Financial assets at FVOCI	112,630,736	-	-	-	-	112,630,736
	<b>₱1,330,899,636</b>	<b>₱-</b>	<b>₱-</b>	<b>₱1,715,342,681</b>	<b>₱-</b>	<b>₱3,046,242,317</b>

\*Excluding cash on hand and payout fund amounting to ₱92,459,872.

	2019					Total
	General Approach			Simplified Approach		
	Stage 1	Stage 2	Stage 3			
Cash in banks*	₱2,470,113,025	₱-	₱-	₱-	₱-	₱2,470,113,025
Receivables - net	-	-	-	1,890,682,866	-	1,890,682,866
Lease receivables	-	-	-	29,803,525	-	29,803,525
Rental deposits	432,823,436	-	-	-	-	432,823,436
Cash performance bonds	298,950,000	-	-	-	-	298,950,000
Performance cash deposits and betting credit funds	32,450,000	-	-	-	-	32,450,000
Due from related parties	155,000,000	-	-	-	-	155,000,000
Financial assets at FVOCI	106,725,824	-	-	-	-	106,725,824
	<b>₱3,496,062,285</b>	<b>₱-</b>	<b>₱-</b>	<b>₱1,920,486,391</b>	<b>₱-</b>	<b>₱5,416,548,676</b>

\*Excluding cash on hand and payout fund amounting to ₱88,532,255.

*Simplified Approach.* Set out below is the information about the credit risk exposure on the Group Company's trade receivables using simplified approach (provision matrix):

	2020					Total
	Days Past Due				Credit Impaired	
	Current	<30 days	30-90 days	More than 90 Days		
Expected credit loss rate	0%	0%	0%	0%	100%	
Estimated total gross carrying amount at default	₱682,973,382	₱95,153,141	₱25,601,174	₱911,614,984	₱493,534,727	₱2,208,877,408
Expected credit loss	-	-	-	-	493,534,727	493,534,727
	<b>₱682,973,382</b>	<b>₱95,153,141</b>	<b>₱25,601,174</b>	<b>₱911,614,984</b>	<b>₱-</b>	<b>₱1,715,342,681</b>





	2019					Total
	Days Past Due					
	Current	<30 days	30-90 days	More than 90 Days	Credit Impaired	
Expected credit loss rate	0%	0%	0%	0%	100%	
Estimated total gross carrying amount at default	₱1,447,724,189	₱53,632,602	₱47,171,968	₱371,957,632	₱248,408,408	₱2,168,894,799
Expected credit loss	–	–	–	–	248,408,408	248,408,408
	₱1,447,724,189	₱53,632,602	₱47,171,968	₱371,957,632	₱–	₱1,920,486,391

### Liquidity Risk

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

The Group manages liquidity risk by forecasting projected cash flows and maintaining a balance between continuity of funding and flexibility. Treasury and cash management functions of the Group are centralized. Management has placed controls and procedures to closely monitor the Group's existing obligations. Additionally, the Group has also been negotiating with lenders to restructure and extend its term loans, renewing and obtaining additional credit lines, negotiating new payment terms with some suppliers and lessors, and implementation of its business continuity plan to ensure that sufficient cash is maintained to cover working capital requirements.

In addition, the Group has an omnibus line of credit with a number of Philippine banks consisting of commitments for short term loans, letters of credit and documents against acceptances/documents against payment (DA/DP) facilities trust receipts. As at December 31, 2020 and 2019, the total commitment under the line of credit is ₱1,115,000,000 and ₱1,000,000,000, respectively. As at December 31, 2020 and 2019, the Group has drawn ₱983,012,500 and ₱893,892,480, respectively. All facilities under the omnibus line bear interest at floating rates consisting of a margin over current Philippine treasury rates (see Note 12).

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

	2020				
	Carrying Amount	Contractual Cash Flow	6 Months or Less	6-12 Months	1-5 Years
Other Financial Liabilities					
Trade and other payables	₱1,846,449,268	₱1,846,449,268	₱1,846,449,268	₱–	₱–
Short-term and long-term loans payable	4,130,757,888	4,424,509,825	1,244,229,193	365,487,377	2,814,793,255
Lease liabilities	815,841,312	1,559,186,279	251,463,539	250,308,863	1,057,413,877
Deposits	90,941,546	90,941,546	–	–	90,941,546
	₱6,883,990,014	₱7,921,086,918	₱3,342,142,000	₱615,796,240	₱3,963,148,678

\* Excluding statutory payables amounting to ₱20,719,116.

	2019				
	Carrying Amount	Contractual Cash Flow	6 Months or Less	6-12 Months	1-5 Years
Other Financial Liabilities					
Trade and other payables	₱1,841,261,450	₱1,841,261,450	₱1,841,261,450	₱–	₱–
Short-term and long-term loans payable	3,889,850,445	4,455,853,425	957,269,241	345,171,088	3,153,413,096
Lease liabilities	781,776,527	1,010,556,416	125,582,565	144,613,584	740,360,267
Deposits	97,807,175	97,807,175	–	–	97,807,175
	₱6,610,695,597	₱7,405,478,466	₱2,924,113,256	₱489,784,672	₱3,991,580,538

\* Excluding statutory payables amounting to ₱138,630,807.

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



On January 1, 2019 the stockholders approved the issuance of up to 1,300,147,488 common shares from the unissued capital stock through a private placement at a price based on a premium over the closing price of the shares of LRWC on November 29, 2018. The Board of Directors (BOD) approved and ratified the issuance and subscription of its 1,300,147,488 common shares at an issue price of ₱3.60 on the same date. In March and April 2019, 1,217,647,488 common shares were subscribed at ₱3.60 per share by virtue of the subscription agreements entered into by LRWC with its investors.

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

Market Risk

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

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

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

*Foreign Currency Risk*

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

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

	2020		2019	
	In USD	In PhP	In USD	In PhP
Cash in banks	\$282,893	₱13,581,716	\$422,912	₱21,458,555
Trade receivables	12,679,089	608,723,079	4,527,482	229,724,437
Rental deposits	416,748	20,008,071	416,748	21,145,794
Trade and other payables	(3,776,367)	(181,303,383)	(2,929,891)	(148,662,669)
Net assets	\$9,602,363	₱461,009,483	\$2,437,251	₱123,666,117

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

	2020	2019
PHP average rate	48.06	50.77
PHP spot rate	48.01	50.74

*Sensitivity Analysis*

A 2% strengthening of the Philippine peso against the US dollars would have increased equity and net income by ₱9,220,154 in 2020 and increased equity and net income by ₱2,473,322 in 2019.

A 2% weakening of the Philippine peso against the US dollars as at December 31, 2020 and 2019 would have had the equal but opposite effect, on the basis that all other variables remain constant.



*Interest Rate Risk*

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

Management is tasked to minimize interest rate risk through interest rate swaps and options, and having a mix of variable and fixed interest rates on its loans. Presently, the Group's short-term and long-term bank loans are market-determined, with the long-term loan interest rates based on PSDT-R2 plus a certain mark-up. The Group has not entered into interest rate swaps and options during 2020 and 2019.

The sensitivity to a reasonably possible change in interest rates with all other variables held constant of the Group's profit before tax for the years ended December 31, 2020 and 2019 follows:

Change in Interest Rates (in Basis Points)	2020	2019
300bp rise	<b>(P123,922,737)</b>	(P14,512,333)
225bp rise	<b>(92,942,052)</b>	(10,884,249)
300bp fall	<b>123,922,737</b>	14,512,333
225bp fall	<b>92,942,052</b>	10,884,249

*1 basis point is equivalent to 0.01%.*

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

*Equity Price Risk*

Equity price risk is such risk where the fair values of investments in quoted equity securities could decrease as a result of changes in the levels of equity indices and the value of individual stocks. The management strictly monitors the movement of the share prices pertaining to its investments. The Group is exposed to equity securities price risk because of investments held by the Group, which are classified in the consolidated financial position as financial asset at FVOCI (see Note 9).

The effect on equity, as a result of a possible change in the fair value of the Group's equity instruments held as AFS financial assets as at December 31, 2020, that could be brought by changes in equity indices with all other variables held constant, are as follows:

Change in Quoted Prices of Investments Carried at Fair Value	2020
Increase by 10%	<b>P11,263,074</b>
Increase by 5%	<b>5,631,537</b>
Decrease by 10%	<b>(11,263,074)</b>
Decrease by 5%	<b>(5,631,537)</b>

Fair Values

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

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

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



*Noncurrent Receivable*

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

*Long-term Loans Payable*

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

*Financial assets at FVOCI*

The fair value of the FVOCI is based on the quoted market price of the investment in equity as at December 31, 2020 and 2019. The fair value is under Level 1 of the fair value hierarchy.

Capital Management

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

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

	2020	2019
Income (loss) before income tax	<b>(P1,236,237,492)</b>	P975,096,353
Total equity	<b>10,159,012,576</b>	13,111,270,705
	<b>(12.17%)</b>	7.44%

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. The BOD seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group defines capital as equity, which includes capital stock, additional paid-in capital and retained earnings. There were no changes in the Group's approach to capital management as at December 31, 2020 and 2019.

The Group has a business continuity plan in place to mitigate the loss of revenues as well as to lower the risks involved with its customers and clients. The Group ensures strict compliance with the safety protocols required by PAGCOR and all related government agencies when operations resumed in June 2020, so the playing public may gain confidence in playing within the Group's premises. Costs and expenses were also strictly monitored. The Group has been doing cost saving strategies in the prior year such as negotiating with lessors on the waiver or discount on rentals fees, negotiating with the bank for lower interest rates, reducing personnel cost as operations are still in reduced capacity, among others. As the COVID-19 pandemic has yet to come to an end, the Group will continuously review and revise the Group's business strategies.



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

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Leisure & Resorts World Corporation and Subsidiaries (collectively referred to as "the Company") as at and for the year ended December 31, 2020, included in this Form 17-A and have issued our report thereon dated May 30, 2021. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Maria Pilar B. Hernandez  
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. 8534306, January 4, 2021, Makati City

May 30, 2021



## **INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

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

We have audited in accordance with Philippine Standards on Auditing, the financial statements Leisure & Resorts World Corporation and Subsidiaries (the Company) as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, and have issued our report thereon dated May 30, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 and no material exceptions were noted.

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. 8534306, January 4, 2021, Makati City

May 30, 2021

