




**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR ANNUAL INCOME TAX RETURN**

The Management of **Leisure and Resorts World Corporation** is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2020. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached financial statements for year ended December 31, 2020 and the accompanying Annual Income Tax Return are in accordance with the books and records of the **Leisure and Resorts World Corporation**, complete and correct in all material respects. Management likewise affirms that:

- (a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
- (b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to Philippine Financial Reporting Standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the Company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;
- (c) **Leisure and Resorts World Corporation** has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

  
**EUSEBIO H. TANCO**  
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

  
**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. 631-46-90  
Rm. 314 J&B Bldg., 251 EDSA,  
Mandaluyong City

Doc. No. : 046 Signed this MAY 30 2021 day of MAY 31 2021  
Age : 71 at MANDALUYONG CITY  
Book : 50 with No. : \_\_\_\_\_ as strong proof of her/his identity.  
Series of : 0021





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**Shirley Sanchez**

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Bureau of Internal Revenue

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Republic of the Philippines  
Department of Finance  
Bureau of Internal Revenue

For BIR BCS/  
Use Only Item:

BIR Form No.  
**1702-RT**  
January 2018(ENCS)  
Page 1

**Annual Income Tax Return**  
Corporation, Partnership and Other Non-Individual  
Taxpayer Subject Only to REGULAR Income Tax Rate  
*Enter all required information in CAPITAL LETTERS. Mark applicable boxes with an "X".  
Two copies MUST be filled with the BIR and one held by the taxpayers.*



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<b>1</b> For <input checked="" type="radio"/> Calendar <b>2</b> Year Ended (MM/20YY) 12 - December 20 20	<b>3</b> Amended Return? <input type="radio"/> Yes <input checked="" type="radio"/> No	<b>4</b> Short Period Return <input type="radio"/> Yes <input checked="" type="radio"/> No	<b>5</b> Alphanumeric Tax Code (ATC) IC 055--Minimum Corporate Income Tax (MCIT) JC010 - CORPORATION IN GENERAL - JAN 1, 2009
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**Part I - Background Information**

<b>6</b> Tax Identification Number (TIN) 000 - 108 - 278 - 00000	<b>7</b> RDO Code 126
<b>8</b> Registered Name (Enter only 1 letter per box using CAPITAL LETTERS) LEISURE & RESORTS WORLD CORPORATION	
<b>9</b> Registered Address (Indicate complete address. If the registered address is different from the current address, go to the RDO to update registered address by using BIR Form No. 1905) 26TH FLR.WEST TOWER PSE CENTER EXCHANGE ROAD ORTIGAS CTR. SAN ANTONIO PASIG CITY	
<b>9A</b> ZIP Code 1605	
<b>10</b> Date of Incorporation/Organization (MM/DD/YYYY) 05/02/1997	<b>11</b> Contact Number 8638-5559
<b>12</b> Email Address shirley.sanchez@lrwc.com.ph	

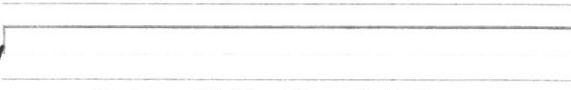
**13** Method of Deductions  Itemized Deductions [Section 34 (A-J), NIRC]  Optional Standard Deduction (OSD) - 40% of Gross Income [Section 34(L), NIRC as amended]

**Part II - Total Tax Payable** (Do NOT enter Centavos; 49 Centavos or Less drop down; 50 or more round up)

<b>14</b> Tax Due	0
<b>15</b> Less: Total Tax Credits/Payments	0
<b>16</b> Net Tax Payable (Overpayment) (Item 14 Less Item 15)	0
Add: Penalties	
<b>17</b> Surcharge	0
<b>18</b> Interest	0
<b>19</b> Compromise	0
<b>20</b> Total Penalties (Sum of Items 17 to 19)	0
<b>21</b> TOTAL AMOUNT PAYABLE (Overpayment) (Sum of Items 16 and 20)	0


If Overpayment, mark one(1) box only (Once the choice is made, the same is irrevocable)  
 To be refunded  To be issued a Tax Credit Certificate (TCC)  To be carried over as a tax credit for next year/quarter

We declare under the penalties of perjury that this return, and all its attachments, have been made in good faith, verified by us, and to the best of our knowledge and belief, are true and correct, pursuant to the provisions of the National Internal Revenue Code, as amended, and the regulations issued under authority thereof. (If signed by an Authorized Representative, indicate TIN and attach authorization letter)

MS. LUCY DONG  Signature over Printed Name of President/Principal Officer/Authorized Representative	 Signature over Printed Name of Treasurer/Assistant Treasurer	<b>22</b> Number of Attachments 000
Title of Signatory DEPUTY CFO TIN 9609-682-149	Title of Signatory TIN	

**Part III - Details of Payment**

Particulars	Drawee Bank/ Agency	Number	Date(MM/DD/YYYY)	Amount
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BIR Form No. <b>1702-RT</b> January 2018(ENCS) Page 2	<b>Annual Income Tax Return</b> <b>Corporation, Partnership and Other Non-Individual</b> <b>Taxpayer Subject Only to REGULAR Income Tax Rate</b>	 1702-RT 01/18ENCS P2
<b>Taxpayer Identification Number(TIN)</b> <input style="width:100%;" type="text"/>	<b>Registered Name</b> <input style="width:100%;" type="text"/>	

**Part IV - Computation of Tax**

*(DO NOT enter Centavos: 49 Centavos or Less drop down; 50 or more round up)*

27 Sales/Revenues/Receipts/Fees	<input style="width:95%;" type="text"/>
28 Less: Sales Returns, Allowances and Discounts	<input style="width:95%;" type="text"/>
29 Net Sales/Revenues/Receipts/Fees <i>(Item 27 Less Item 28)</i>	<input style="width:95%;" type="text"/>
30 Less: Cost of Sales/Services	<input style="width:95%;" type="text"/>
31 Gross Income from Operation <i>(Item 29 less Item 30)</i>	<input style="width:95%;" type="text"/>
32 Add: Other Taxable Income Not Subjected to Final tax	<input style="width:95%;" type="text"/>
33 Total Taxable Income <i>(Sum of Items 31 and 32)</i>	<input style="width:95%;" type="text"/>
Less: Deductions Allowable under Existing Law	
34 Ordinary Allowable Itemized Deductions	<input style="width:95%;" type="text"/>
35 Special Allowable Itemized Deductions	<input style="width:95%;" type="text"/>
36 NOLCO <i>(Only for those taxable under Sec. 27(A to C); Sec. 28(A)(1)(A)(6)(b) of Tax code, as amended)</i>	<input style="width:95%;" type="text"/>
37 Total Deductions <i>(Sums of Items 34 to 36)</i>	<input style="width:95%;" type="text"/>
<b>OR [in case taxable under Sec 27(A) &amp; 28(A)(1)]</b>	
38 Optional Standard Deduction (OSD) <i>(40% of Item 33)</i>	<input style="width:95%;" type="text"/>
39 Net Taxable Income/(Loss) <i>if itemized: Item 33 Less Item 37; if OSD: Item 33 Less Item 38</i>	<input style="width:95%;" type="text"/>
40 Applicable Income Tax Rate	<input style="width:95%;" type="text"/> %
41 Income Tax Due other than Minimum Corporate Income Tax(MCIT) <i>(Item 39 x Item 40)</i>	<input style="width:95%;" type="text"/>
42 MCIT Due <i>(2% of Item 33)</i>	<input style="width:95%;" type="text"/>
43 Tax Due <i>(Normal Income Tax Due in Item 41 OR the MCIT Due in Item 42, whichever is higher)</i>	<input style="width:95%;" type="text"/>
Less: Tax Credits/Payments(attach proof)	
44 Prior Year's Excess Credits Other Than MCIT	<input style="width:95%;" type="text"/>
45 Income Tax Payment under MCIT from Previous Quarter/s	<input style="width:95%;" type="text"/>
46 Income Tax Payment under Regular/Normal Rate from Previous Quarter/s	<input style="width:95%;" type="text"/>
47 Excess MCIT Applied this Current Taxable Year	<input style="width:95%;" type="text"/>
48 Creditable Tax Withheld from Previous Quarter/s per BIR Form No. 2307	<input style="width:95%;" type="text"/>
49 Creditable Tax Withheld per BIR Form No. 2307 for the 4th Quarter	<input style="width:95%;" type="text"/>
50 Foreign Tax Credits, if applicable	<input style="width:95%;" type="text"/>
51 Tax Paid in Return Previously Filed, if this is an Amended Return	<input style="width:95%;" type="text"/>
52 Special Tax Credits	<input style="width:95%;" type="text"/>
Other Credits/Payments <i>(Specify)</i>	
53 <input style="width:40%;" type="text"/>	<input style="width:60%;" type="text"/>
54 <input style="width:40%;" type="text"/>	<input style="width:60%;" type="text"/>
55 Total Tax Credits/Payments <i>(Sum of Items 44 to 54)</i>	<input style="width:95%;" type="text"/>

<b>56 Net Tax Payable (Overpayment)</b> <i>(Item 43 Less Item 55)</i>	0
<b>Part V - Tax Relief Availment</b>	
<b>57 Special Allowable Itemized Deductions</b> <i>(Item 35 of Part IV x Applicable Income Tax Rate)</i>	0
<b>58 Add: Special Tax Credits</b>	0
<b>59 Total Tax Relief Availment</b> <i>(Sum of Items 57 &amp; 58)</i>	0

**Annual Income Tax Return**  
Corporation, Partnership and Other Non-Individual  
Taxpayer Subject Only to REGULAR Income Tax Rate



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<b>Taxpayer Identification Number(TIN)</b>				<b>Registered Name</b>	
000	108	278	00000	LEISURE & RESORTS WORLD CORPORATION	

**Part VI - Schedules** (DO NOT enter Centavos; 49 Centavos or Less drop down; 50 or more round up)

**Schedule I - Ordinary Allowable Itemized Deductions** (Attach additional sheet/s if necessary)

1	Amortization	0
2	Bad Debts	0
3	Charitable and Other Contributions	0
4	Depletion	0
5	Depreciation	10,202,264
6	Entertainment, Amusement and Recreation	0
7	Fringe Benefits	0
8	Interest	0
9	Losses	0
10	Pension Trusts	0
11	Rental	23,558,648
12	Research and Development	0
13	Salaries, Wages and Allowances	75,006,335
14	SSS, GSIS, Philhealth, HDMF and Other Contributions	48,861,689
15	Taxes and Licenses	3,695,958
16	Transportation and Travel	0
17	Others(Deductions Subject to Withholding Tax and Other Expenses) (Specify below; Add additional sheet(s), if necessary)	
a	Janitorial and Messengerial Services	0
b	Professional Fees	17,504,025
c	Security Services	0
d	CONTRACTED SERVICES	16,622,470
e	COMMUNICATION AND UTILITIES	2,573,910
f	SUPPLIES	953,012
g	OTHERS	19,859,154
h	FINANCE EXPENSE	14,306,194
i		0
18	<b>Total Ordinary Allowable Itemized Deductions</b> (Sum of Items 1 to 17i)	233,143,659

**Schedule II - Special Allowable Itemized Deductions** (Attach additional sheet/s, if necessary)

	Description	Legal Basis	Amount
1			0
2			0
3			0
4			0
5	<b>Total Special Allowable Itemized Deductions</b> (Sum of Items 1 to 4)		0

Taxpayer Identification Number(TIN)	Registered Name

<b>Schedule III - Computation of Net Operating Loss Carry Over (NOLCO)</b>	
1 Gross Income	0
2 Less: Ordinary Allowable Itemized Deductions	233,143,659
3 Net Operating Loss (Item 1 Less Item 2) (To Schedule IIIA, Item 7A)	(233,143,659)

**Schedule IIIA - Computation of Available Net Operating Loss Carry Over (NOLCO)** (DO NOT enter Centavos; 49 Centavos or Less drop down; 50 or more round up)

Year Incurred	Net Operating Loss A) Amount	B) NOLCO Applied Previous Year/s
4 2020	233,143,659	0
5 2019	403,015,554	0
6 2018	412,445,042	0
7	0	0

Continuation of Schedule IIIA (Item numbers continue from table above)

Year	C) NOLCO Expired	D) NOLCO Applied Current Year	E) Net Operating Loss (Unapplied) [ E = A Less (B + C + D)]
4	0	0	233,143,659
5	0	0	403,015,554
6	0	0	412,445,042
7	0	0	0
<b>8 Total NOLCO (Sum of Items 4D to 7D)</b>		0	

**Schedule IV -Computation of Minimum corporate Income Tax(MCIT)**

Year	A) Normal Income Tax as Adjusted	B) MCIT	C) Excess MCIT over Normal Income Tax
1	0	0	0
2	0	0	0
3	0	0	0

Continuation of Schedule IV (Item numbers continue from table above)

Year	D) Excess MCIT Applied/Used in Previous Years	E) Expired Portion of Excess MCIT	F) Excess MCIT Applied this Current Taxable Year	G) Balance of Excess MCIT Allowable as Tax Credit for Succeeding Year/s [G = C Less (D + E + F)]
1	0	0	0	0
2	0	0	0	0
3	0	0	0	0
<b>4 Total Excess MCIT Applied (Sum of Items 1F to 3F)</b>			0	

**Schedule V - Reconciliation of Net Income per Books Against Taxable Income** (Attach additional sheet/s, if necessary)

1 Net Income/(Loss) per Books	(410,252,211)
Add: Non-deductible Expenses/Taxable Other Income	
2 IMPAIRMENT LOSS	94,139,697
3 OTHERS	121,812,550
4 Total (Sum of Items 1 to 3)	(194,299,964)
Less: A) Non-Taxable Income and Income Subjected to Final Tax	



5	INTEREST INCOME	73,281
6	OTHERS	38,770,414
	B) Special Deductions	
7		0
8		0
9	Total (Sum of Items 5 to 8)	38,843,695
10	Net taxable Income (Loss) (Item 4 Less Item 9)	(233,143,659)



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**1709**  
December 2020 (ENC5)  
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**INFORMATION RETURN  
ON TRANSACTIONS WITH RELATED PARTY  
(FOREIGN AND/OR DOMESTIC)**



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Enter all required information in CAPITAL LETTERS using BLOCK ink. Mark applicable boxes with an "X". Two copies must be filed with the BIR and one held by the Taxpayer.

1 For the  Calendar  Fiscal | 2 Year Ended (MM/YYYY) | 1 2 2 0 2 0 | 3 Number of Sheet/s Attached

**Part I - Background Information**

4 Taxpayer Identification Number (TIN) | 000 / / / 108 / / / 278 / / / 000 | 5 RDO Code | 126

6 Taxpayer's Name (Last Name, First Name, Middle Name for Individual OR Registered Name for Non-Individual)  
LEISURE & RESORTS WORLD CORPORATION

7 Registered Address (separate location address. If none, address of principal office. If the registered address is different from the principal office, go to the RDO to obtain registered address by using BIR Form No. 180)  
26TH FLOOR, WEST TOWER, PSEC, EXCHANGE ROAD, ORTIGAS CENTER, SAN ANTONIO, PASIG CITY

8 Contact Number (Landline/Cellphone No.) | 9 Email Address | 7A ZIP Code | 1600

+632 8637-5291 to 93 | info@lres.com.ph

**Part II - Details of Related Parties**  
(Fill out the table properly. Write N/A if not applicable and use additional sheet/s, if necessary.)

**A. Foreign Related Parties**

Name	Nature of Relationship	Country of Residence	Foreign TIN	Local TIN	With Permanent Establishment (PE) in the Philippines? (Yes/No)	TIN of PE
NOT APPLICABLE						

**B. Domestic Related Parties**

Name	Nature of Relationship	TIN	Registered Address
FIRST CAGAYAN LEISURE AND RESORTS CORPORATION	SUBSIDIARY	006-297-841-000	CEZA COMPLEX CASAMBALANSAN STA ANA CAGAYAN
LR LAND DEVELOPERS INC.	SUBSIDIARY	006-929-003-000	CYBERPARK BLDG. BARANGAY VISITACION CAGAYAN -3514
AB LEISURE EXPONENT INC.	SUBSIDIARY	004-472-121-000	5TH FLR UNITS 536-542B BLDG D, SM MEGAMALL, EDSA WACK-WACK MANDALUYONG CITY 1550
BLUE CHIP GAMING AND LEISURE CORPORATION	SUBSIDIARY	007-252-385-000	KINGS ROYAL HOTEL & LEISURE PARK, O.G. ROAD MACABACLE BACOLOR PAMPANGA 2001
TOTAL GAMEZONE XTREME INC.	SUBSIDIARY	008-808-189-000	GF SGC BLDG II #172 C, RAYMUNDO AVE MAYBINGSA PASIG
AB LEISURE GLOBAL INC.	SUBSIDIARY	007-425-812-000	D, MACAPAGAL AVE, CORNER BELLE AVE, ASEANA BLVD, BRGY, TAMBO, PARANAQUE
PRIME INVESTMENT KOREA, INC.	SUBSIDIARY	008-410-374-000	2702 ROXAS BLVD BRGY 076 PASAY CITY
LR DATA CENTER AND SOLUTIONS, INC.	SUBSIDIARY	009-298-030-000	26TH FLOOR, WEST TOWER, PSEC EXCHANGE ROAD, ORTIGAS CENTER, BRGY SAN ANTONIO, PASIG CITY
FIRST CAGAYAN CONVERGE DATA CENTER INC.	SUBSIDIARY	006-516-354-000	CEZA COMPLEX CASAMBALANSAN STA ANA CAGAYAN

**Part III - Related Party Transactions**

**A. Sale of Goods and Provision of Services**

Name of Related Party	Description and Type of Transaction	Amount in Foreign Currency (if applicable)	Amount (Php)	Were you granted treaty benefit in the source country? (Yes/No)	Income Tax Withheld by the Income Payor
NOT APPLICABLE					

**B. Purchase of Goods and Services Except Those Provided by Key Management Personnel (KMP)**

Name of Related Party	Description and Type of Transaction	Amount in Foreign Currency (if applicable)	Amount (Php)	Did the income recipient claim treaty benefit? (Yes/No)	Was a TTRA filed therefor? (Yes/No)	Income Tax Withheld by the Income Payor	Is the income payment attributable to PE? (Yes/No)
NOT APPLICABLE							

INFORMATION RETURN ON TRANSACTIONS WITH RELATED PARTY (FOREIGN AND/OR DOMESTIC)



Taxpayer Identification Number (TIN) 0 0 0 0 1 3 4 9 7 4 0 0 0 0 0 0 0 0 Taxpayer's Name LEISURE & RESORTS WORLD CORPORATION

Continuation of Part III

C. Loans Granted to or Non-Trade Receivable from (Related Parties)

Table with 7 columns: Name of Related Party, Opening Balance, Loans Granted During the Taxable Period, Terms and Condition, Outstanding Balance as of the End of Taxable Period, Provisions for Doubtful Debts (if any), Bad Debts Expense Recognized During the Period (if any). Rows include AB LEISURE EXPONENT, INC., BLUE CHIP GAMING AND LEISURE CORPORATION, TOTAL GAMEZONE XTREME INC., AB LEISURE GLOBAL, INC., and PRIME INVESTMENT KOREA, INC.

D. Loans Received from or Non-Trade Payable to (Related Parties)

Table with 5 columns: Name of Related Party, Opening Balance, Loans Received During the Taxable Year, Terms and Conditions, Outstanding Balance as of the end of the Year. Rows include FIRST CAGAYAN LEISURE AND RESORTS CORPORATION, LR LAND DEVELOPERS INC., LR DATA CENTER AND SOLUTIONS, INC., and FIRST CAGAYAN CONVERGE DATA CENTER INC.

E. Other Related Party Transactions Excluding Compensation Paid to KMP, Dividends and Branch Profit Remittances

Table with 5 columns: Name of Related Party, Description and Type of Transaction, Amount in Foreign Currency (if applicable), Amount (in Php). Row includes AB LEISURE EXPONENT, INC. with transaction type RETIREMENT.

Part IV - Additional Disclosure

A. Brief business overview of the ultimate parent and immediate parent/s of the taxpayer

TAXPAYER IS THE ULTIMATE PARENT COMPANY.

B. Brief business overview/functional profile of the taxpayer

LEISURE & RESORTS WORLD CORPORATION (THE PARENT COMPANY) WAS REGISTERED WITH THE PHILIPPINE SECURITIES AND EXCHANGE COMMISSION (SEC) ON OCTOBER 10, 1957. THE PARENT COMPANY IS A PUBLIC COMPANY UNDER SECTION 17.2 OF THE SECURITIES REGULATION CODE AND ITS SHARES ARE LISTED ON THE PHILIPPINE STOCK EXCHANGE, INC. (PSE). THE PARENT COMPANY'S PRIMARY PURPOSE IS TO ENGAGE IN REALTY DEVELOPMENT FOCUSING ON LEISURE BUSINESS WHICH INCLUDES MANAGEMENT AND OPERATION OF THE ACTIVITIES CONDUCTED THEREIN PERTAINING TO GENERAL AMUSEMENT AND RECREATION ENTERPRISE, HOTEL AND GAMING FACILITIES, INCLUDING BUT NOT LIMITED TO BINGO PARLOR. SINCE 1999, HOWEVER, THE PARENT COMPANY HAS FUNCTIONED MAINLY AS A HOLDING COMPANY.

C. Has there been any change in the functional profile of the taxpayer? If yes, please provide details.

Yes No

NOT APPLICABLE

D. Has there been any change in the ownership structure of the taxpayer? If yes, please provide details.

Yes No

NOT APPLICABLE

E. Did you undergo business restructuring during the taxable period or the last five (5) years? If yes, please provide details.

Yes No

NOT APPLICABLE

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December 2020 (ENCS)

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INFORMATION RETURN ON TRANSACTIONS WITH RELATED PARTY (FOREIGN AND/OR DOMESTIC)



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Taxpayer Identification Number (TIN) 0 0 9 1 3 1 9 7 4 0 0 0 0 0

Taxpayer's Name LEISURE & RESORTS WORLD CORPORATION

F. Have you prepared a Transfer Pricing Documentation (TPD) for the related party transaction as prescribed under Revenue Regulations No.2-2013? The details of the TPD include, but are not limited to the following: (a) Organizational Structure; (b) Nature of the Business/Industry and Market Conditions; (c) Controlled Transactions; (d) Assumptions, Strategies, and Policies; (e) Cost Contribution Arrangement (CCA); (f) Comparability, Functional and Risk Analysis; (g) Selection of the Transfer Pricing Method (TPM); (h) Application of the TPM; (i) Background Documents; (j) Index to Documents. Yes No

G. Do you have pending application/s for relief with the BIR or with the tax authority of other country/ies? If yes, please provide details. NOT APPLICABLE

H. Do you have an Advance Pricing Agreement (APA) with your related parties? Yes No

We declare under the penalties of perjury that this return has been made in good faith, verified by me/us, and to the best of my/our knowledge and belief, is true and correct, pursuant to the provisions of the National Revenue Code, as amended, and the regulations issued under the authority thereof. Further, I/we give my/our consent to the processing of my/our information as contemplated under Republic Act No. 10173, otherwise known as the Data Privacy Act of 2012, for legitimate and lawful purposes. (If authorized representative, please attach an authorization letter.)

Signature and printed name of Taxpayer/Authorized Representative/ Tax Agent (indicate Title and TIN) LUCY DONG, DEPUTY CHIEF FINANCE OFFICER, 769-682-148

Stamp of receiving Office Date of Receipt RO's Signature

Tax Agent Accreditation Number/My's Roll Number (if applicable) NOT APPLICABLE Date of Issue (MM/DD/YYYY) NOT APPLICABLE Date of Expiry (MM/DD/YYYY) NOT APPLICABLE

## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on the Audit of the Parent Company Financial Statements**

#### **Opinion**

We have audited the parent company financial statements of Leisure & Resorts World Corporation (the Parent Company), which comprise the parent company statements of financial position as at December 31, 2020 and 2019, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including a summary of significant accounting policies.

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

#### **Basis for Opinion**

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

#### **Material Uncertainty Related to Going Concern**

We draw attention to Note 1 to the financial statements which discusses that the Coronavirus disease 2019 (COVID-19) pandemic and its consequences have significantly impacted the Parent Company's business, operations, and financial results. The Parent Company incurred total comprehensive loss of ₱404,147,781 in 2020 and negative operating cash flows of ₱208,975,006 and ₱393,165,420 in 2020 and 2019, respectively. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.



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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Parent Company to cease to continue as a going concern.



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

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

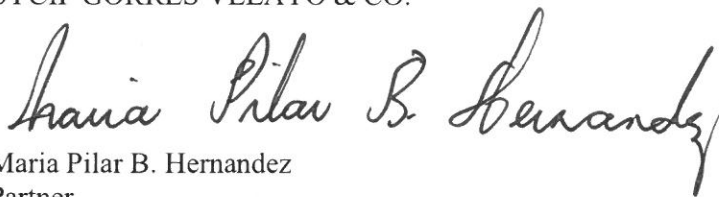
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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

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

SYCIP GORRES VELAYO & CO.



Maria Pilar B. Hernandez

Partner

CPA Certificate No. 105007

SEC Accreditation No. 1558-AR-1 (Group A),

February 26, 2019, valid until February 25, 2022

Tax Identification No. 214-318-972

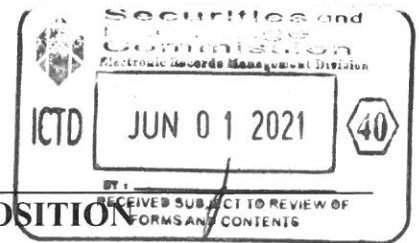
BIR Accreditation No. 08-001998-116-2019,

January 28, 2019, valid until January 27, 2022

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

May 30, 2021





**LEISURE & RESORTS WORLD CORPORATION**  
**PARENT COMPANY STATEMENTS OF FINANCIAL POSITION**

December 31

2020 2019

**ASSETS**

**Current Assets**

Cash (Note 4)	<b>₱13,486,870</b>	₱650,687,800
Dividends and other receivables - net (Notes 5 and 14)	<b>1,594,975,428</b>	1,594,666,266
Due from related parties (Note 14)	<b>2,299,910,796</b>	3,366,315,671
Prepaid expenses and other current assets (Note 6)	<b>4,703,410</b>	5,923,774
<b>Total Current Assets</b>	<b>3,913,076,504</b>	5,617,593,511

**Noncurrent Assets**

Property and equipment (Note 7)	<b>40,671,232</b>	16,932,115
Investments and advances (Note 8)	<b>4,841,173,663</b>	5,005,753,367
Financial assets at fair value through other comprehensive income (FVOCI) (Note 8)	<b>112,630,736</b>	106,725,824
Other noncurrent assets (Note 9)	<b>51,716,952</b>	44,834,418
<b>Total Noncurrent Assets</b>	<b>5,046,192,583</b>	5,174,245,724

**₱8,959,269,087 ₱10,791,839,235**

**LIABILITIES AND EQUITY**

**Current Liabilities**

Short-term loans payable (Note 11)	<b>₱139,000,000</b>	₱140,500,000
Dividend and other payables (Note 10)	<b>78,598,198</b>	175,590,296
Due to related parties (Note 14)	<b>1,933,545,726</b>	1,618,093,232
Long-term loans payable - current portion (Note 11)	<b>149,066,380</b>	142,396,435
Lease liability - current portion (Note 13)	<b>16,878,572</b>	-
<b>Total Current Liabilities</b>	<b>2,317,088,876</b>	2,076,579,963

**Noncurrent Liabilities**

Long-term loans payable - net of current portion (Note 11)	-	37,266,595
Lease liability - net of current portion (Note 13)	<b>18,534,835</b>	-
Deferred tax liability (Note 15)	-	199,520
<b>Total Noncurrent Liabilities</b>	<b>18,534,835</b>	37,466,115
<b>Total Liabilities</b>	<b>2,335,623,711</b>	2,114,046,078

**Equity**

Capital stock (Note 12)	<b>4,067,500,000</b>	4,067,500,000
Additional paid in capital	<b>4,239,070,615</b>	4,239,070,615
Treasury shares (Note 12)	<b>(1,650,000,000)</b>	-
Fair value reserve (Note 8)	<b>6,503,145</b>	598,233
Retained earnings (Deficit)	<b>(39,428,384)</b>	370,624,309
<b>Total Equity</b>	<b>6,623,645,376</b>	8,677,793,157

**₱8,959,269,087 ₱10,791,839,235**

See Notes to the Parent Company Financial Statements.





**LEISURE & RESORTS WORLD CORPORATION**  
**PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME**

	Years Ended December 31	
	2020	2019
<b>REVENUES</b>		
Dividend income (Note 14)	P-	P610,000,000
<b>OPERATING EXPENSES</b>		
Salaries, wages and other benefits	102,300,537	173,652,949
Provision for impairment loss (Notes 8 and 9)	94,139,697	137,169,474
Depreciation and amortization (Note 7 and 13)	27,843,188	56,164,988
Professional and directors' fees	17,504,025	17,176,408
Contracted services	16,622,470	23,166,030
Repairs and maintenance	9,780,699	15,328,556
Rent (Note 13)	6,355,722	10,064,767
Transportation and travel	3,937,504	9,013,884
Taxes and licenses	3,695,958	21,571,748
Communication and utilities	2,573,910	7,324,004
Printing and office supplies	953,012	861,383
Listing and filing fees	765,465	5,242,983
Advertising and marketing	466,485	47,375
Insurance	159,762	241,261
Representation and entertainment	12,624	8,675,049
Donations	-	2,004,606
Others	4,749,241	4,499,301
	<b>291,860,299</b>	<b>492,204,766</b>
<b>INCOME (LOSS) FROM OPERATIONS</b>	<b>(291,860,299)</b>	<b>117,795,234</b>
<b>OTHER INCOME (EXPENSE) - net</b>		
Share in net income (loss) of a joint venture (Note 8)	(102,440,007)	149,007,689
Interest expense (Notes 11 and 13)	(15,953,838)	(57,039,783)
Interest income (Note 4)	73,281	934,909
Other charges - net	(71,350)	(5,541,608)
	<b>(118,391,914)</b>	<b>87,361,207</b>
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	<b>(410,252,213)</b>	<b>205,156,441</b>
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 15)</b>		
Current	-	21,795
Deferred	(199,520)	107,615,237
	<b>(199,520)</b>	<b>107,637,032</b>
<b>NET INCOME (LOSS)</b>	<b>(410,052,693)</b>	<b>97,519,409</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
Item that will not be reclassified to profit or loss -		
Changes in fair value on financial asset at FVOCI (Note 8)	5,904,912	(61,454,830)
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>(P404,147,781)</b>	<b>P36,064,579</b>
<b>Basic/Diluted Earnings per Share (Note 12)</b>	<b>(P0.1696)</b>	<b>(P0.0659)</b>

See Notes to the Parent Company Financial Statements.



**LEISURE & RESORTS WORLD CORPORATION**  
**PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	Capital Stock (Note 12)		Additional Paid-in Capital	Treasury Shares	Fair Value Reserve	Retained Earnings	Total
	Common Shares	Preferred Shares					
Balance at January 1, 2020	₱2,417,500,000	₱1,650,000,000	₱4,329,070,615	₱—	₱598,233	₱370,624,309	₱8,677,793,157
Net loss during the year	—	—	—	—	—	(410,052,693)	(410,052,693)
Other comprehensive income	—	—	—	—	5,904,912	—	5,904,912
Total comprehensive loss	—	—	—	—	5,904,912	(410,052,693)	(404,147,781)
Redemption of preferred shares	—	—	—	(1,650,000,000)	—	—	(1,650,000,000)
<b>Balance at December 31, 2020</b>	<b>₱2,417,500,000</b>	<b>₱1,650,000,000</b>	<b>₱4,239,070,615</b>	<b>(₱1,650,000,000)</b>	<b>₱6,503,145</b>	<b>(₱39,428,384)</b>	<b>₱6,623,645,376</b>
Balance at January 1, 2019	₱1,199,852,512	₱1,650,000,000	₱1,089,790,986	₱—	₱62,053,063	₱506,249,900	₱4,507,946,461
Net income during the year	—	—	—	—	—	97,519,409	97,519,409
Other comprehensive loss	—	—	—	—	(61,454,830)	—	(61,454,830)
Total comprehensive loss	—	—	—	—	(61,454,830)	97,519,409	36,064,579
Issuance of capital stock	1,217,647,488	—	3,149,279,629	—	—	—	4,366,927,117
Dividends declared (Note 12)	—	—	—	—	—	(233,145,000)	(233,145,000)
<b>Balance at December 31, 2019</b>	<b>₱2,417,500,000</b>	<b>₱1,650,000,000</b>	<b>₱4,239,070,615</b>	<b>—</b>	<b>₱598,233</b>	<b>₱370,624,309</b>	<b>₱8,677,793,157</b>

See Notes to the Parent Company Financial Statements.



**LEISURE & RESORTS WORLD CORPORATION**  
**PARENT COMPANY STATEMENTS OF CASH FLOWS**

	<b>Years Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income (loss) before income tax	<b>(P410,252,213)</b>	P205,156,441
Adjustments for:		
Share in net loss (income) of a joint venture (Note 8)	<b>102,440,007</b>	(149,007,689)
Depreciation and amortization (Note 7)	<b>27,843,188</b>	56,164,988
Interest expense (Notes 11 and 13)	<b>15,953,838</b>	57,039,783
Provision for impairment loss (Notes 8 and 9)	<b>94,139,697</b>	137,169,474
Movement in retirement obligation (Note 14)	<b>(16,900,134)</b>	16,510,979
Interest income (Note 4)	<b>(73,281)</b>	(934,909)
Operating income (loss) before working capital changes	<b>(186,848,898)</b>	322,099,067
Increase in:		
Dividends and other receivables	<b>(309,162)</b>	(607,084,858)
Prepaid expenses and other current assets	<b>1,220,364</b>	235,736
Increase (decrease) in other payables	<b>(20,842,098)</b>	18,599,875
Net cash used in operations	<b>(206,779,794)</b>	(266,150,180)
Benefits paid (Note 14)	<b>(2,268,493)</b>	(127,950,149)
Interest received	<b>73,281</b>	934,909
Net cash flows used in operating activities	<b>(208,975,006)</b>	(393,165,420)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease (increase) in:		
Due from related parties	<b>1,066,404,875</b>	(1,679,913,553)
Investment and advances (Note 8)	<b>(32,000,000)</b>	(200,000,000)
Other noncurrent assets	<b>(6,882,534)</b>	(21,941,206)
Additions to property and equipment (Note 7)	<b>(654,738)</b>	(1,704,509)
Net cash flows provided by (used in) investing activities	<b>1,026,867,603</b>	(1,903,559,268)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Redemption of preferred shares (Note 12)	<b>(1,650,000,000)</b>	-
Increase (decrease) in due to related parties	<b>334,621,121</b>	(659,977,244)
Payments of:		
Dividends (Note 10)	<b>(76,150,000)</b>	(156,994,999)
Long-term Loans (Note 11)	<b>(30,596,650)</b>	(201,703,637)
Lease liability (Note 13)	<b>(17,202,926)</b>	(17,202,926)
Interest	<b>(14,265,072)</b>	(56,463,554)
Short-term Loans (Note 11)	<b>(1,500,000)</b>	(503,000,000)
Proceeds from:		
Issuance of capital stock (Note 12)	-	4,366,927,117
Loans (Note 11)	-	129,200,000
Net cash flows provided by (used in) financing activities	<b>(1,455,093,527)</b>	2,900,784,757
<b>NET (DECREASE)INCREASE IN CASH</b>	<b>(637,200,930)</b>	604,060,069
<b>CASH AT BEGINNING OF YEAR</b>	<b>650,687,800</b>	46,627,731
<b>CASH AT END OF YEAR (Note 4)</b>	<b>P13,486,870</b>	P650,687,800

See Notes to the Parent Company Financial Statements.



# LEISURE & RESORTS WORLD CORPORATION

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## NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

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### 1. Corporate Information

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

The Parent Company's registered office address is at 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, 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 March 16, 2020 until 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 of the subsidiaries. This also impacted the Parent Company's business, operations and financial results as it affected the subsidiaries' ability to declare dividend. Accordingly, the Parent Company incurred total comprehensive loss of ₱404,147,781 in 2020 and negative operating cash flow of ₱208,975,006 in 2020 and ₱393,165,420 in 2019. The COVID-19 pandemic is still prevailing and continues to affect the operations of the subsidiaries (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 indicate that a material uncertainty exists that may cast significant doubt on the Parent Company's ability to continue as a going concern and, therefore, the Parent Company may not be able to realize its assets and discharge its liabilities in the normal course of business.

Short-term liquidity issues of the Parent Company 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 banks to restructure and extend 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 parent company financial statements have been prepared on a going concern basis of accounting.

As at May 30, 2021, the Parent Company obtained the approval of AUB for the restructuring of the loan agreement which extended the maturity date to November 2022 (see Note 11).

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

The parent company financial statements as at and for the years ended December 31, 2020 and 2019 were approved and authorized by the Board of Directors (BOD) on May 30, 2021.

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

### Statement of Compliance

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

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

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

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

### New and Amended Standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2020. The Parent Company 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 parent company financial statements.

- **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 Parent Company 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.



The Parent Company did not enter into any rent concession in 2020.

Standards issued but not yet effective

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

*Effective beginning on or after January 1, 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 Parent Company 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 Parent Company 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 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 Parent Company 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 Parent Company.

- 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 Parent Company 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 Parent Company.

- 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 Parent Company 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 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 Parent Company.

#### Current versus Noncurrent Classification

The Parent Company presents assets and liabilities in the parent company statement of financial position based on current/noncurrent classification.

An asset is current when:

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

All other assets are classified as noncurrent.

A liability is current when:

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

All other liabilities are classified as noncurrent.

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



### Financial Instruments – Initial Recognition and Subsequent Measurement

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

#### a. Financial Assets

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial



recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash in bank, receivables and advances, and due from related parties, the Parent Company applies a general approach in calculating ECLs. The Parent Company recognizes a loss allowance based on 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 Parent Company considers a financial asset to be in default when internal or external information indicates that the Parent Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Parent Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

*Determining the stage for impairment.* At each reporting date, the Parent Company 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 Parent Company's financial liabilities include short-term and long-term loans payable, dividend and other payables and due to related parties which are classified as loans and borrowings.

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

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

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

c. Offsetting of Financial Instruments

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

Classification of Financial Instruments between Debt and Equity

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

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



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

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

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

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

#### Determination of Fair Value Measurement

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

Fair value is the 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 Parent Company.

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

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

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

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



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

#### Investments and Advances

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

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

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

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

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

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

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

#### Property and Equipment

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

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





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

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

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

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

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

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

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

#### Impairment of Nonfinancial Assets

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

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



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

#### Leases

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

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

#### *Lease liabilities*

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

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

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

The Company applies the short-term lease recognition exemption to its short-term leases of office spaces (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below ₱250,000). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

#### 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 Stock

Shares of the Parent Company that are acquired by the Parent Company are recorded at cost and deducted from equity in the parent company statement of financial position. No gain or loss is recognized in the parent company statement of income on the purchase, sale, re-issue or cancellation of treasury shares. Any difference between the carrying amount and the consideration, if re-issued, is recognized in capital in excess of par value.

Retained Earnings

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

Revenue Recognition

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

The following specific recognition criteria is applied:

*Dividend Income*

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

*Management Income*

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

*Other Income*

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

*Interest Income*

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

Cost and Expense Recognition

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

Income Tax

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

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



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

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

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

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

#### Contingencies

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

#### Events After the Reporting Period

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



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

#### Use of Estimates and Judgments

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

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

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

#### Judgments

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

*Assessment of Going Concern.* The Parent Company is a holding company but its subsidiaries are engaged in gaming and tourism industry related businesses. In addition, the Parent Company has a joint venture in Hotel Enterprises of the Philippines, Inc. (HEPI) who 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 Parent Company has incurred total comprehensive loss of ₱404,147,781 in 2020 and negative operating cash flow of ₱208,975,006 in 2020 and ₱393,165,420 in 2019. The Parent Company has ongoing plans for suitable financing options.

As at May 30, 2021, the Parent Company obtained the approval of AUB for the restructuring of the loan agreement which extended the maturity date to November 2022 (see Note 11).

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 Parent Company and its subsidiaries to meet its obligations when they fall due and address the Parent Company and its subsidiaries' liquidity requirements to support its operations. Accordingly, the accompanying parent company financial statements have been prepared on a going concern basis of accounting.

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



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

*Determination of lease term of contracts with renewal and termination options – Company as a lessee.* The Parent Company has a lease contract that include extension and termination options. The Parent Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Parent Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

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

#### Estimates

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

#### *Estimating Allowance for Expected Credit Losses*

- a. *Definition of Default and Credit-Impaired Financial Assets.* The Parent Company defines financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:
- *Quantitative Criteria.* The borrower is more than 90 days past due on its contractual payments, which is consistent with the Parent Company's definition of default.
  - *Qualitative Criteria.* The borrower meets unlikelihood to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where: a. the borrower is experiencing financial difficulty or is insolvent; b. the borrower is in breach of financial covenant(s); c. concessions have been granted by the Parent Company, for economic or contractual reasons relating to the borrower's financial difficulty; or d. it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

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

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

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



As at December 31, 2020 and 2019, the aggregate carrying amounts of dividends and other receivables and due from related parties amounted to ₱3,894,886,224 and ₱4,960,981,937, respectively. As at December 31, 2020 and 2019, the allowance for ECL amounted to ₱3,009,459 (see Notes 5 and 14).

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

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

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

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

As at December 31, 2020 and 2019, the following are the carrying amounts of nonfinancial assets:

	2020	2019
Property and equipment - net (Note 7)	₱40,671,232	₱16,932,115
Investments and advances - net (Note 8)	4,841,173,663	5,005,753,367

a. *Investment in joint venture*

The Parent Company assess impairment of investment 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 Parent Company consider important, which could trigger an impairment review include the following:

- a downgrade of a joint venture's credit rating or a decline in the fair value of the 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 Parent Company's share in net losses of HEPI. These events and conditions are impairment indicators requiring the assessment of the recoverable amount of the Parent Company's investment in HEPI.

The Parent Company determined that the recoverable amount of its investment in HEPI based on value in use calculation using cashflow projection from financial budgets. The Parent Company 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 exceed its carrying amount, thus, no impairment loss was recognized in 2020. The carrying value of the Parent Company'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 8).

As at December 31, 2020 and 2019, allowance for impairment loss on investment and advances amounted to ₱256,511,144 and ₱162,371,447. Impairment losses recognized on the Parent Company's and investments and advances amounted to ₱94,139,697 in 2020 and ₱100,000,000 in 2019 (see Note 8).

*Estimating Realizability of Deferred Tax Assets.* Management uses judgment in reviewing the carrying amount of deferred tax assets. The carrying amount of deferred tax assets is reviewed at each financial reporting date and reduced to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred tax assets to be utilized.

As at December 31, 2020 and 2019, the Parent Company did not recognize any deferred tax assets since management believes that no sufficient future taxable income will be generated to allow all or part of the deferred tax assets to be utilized.

*Leases - Estimating the incremental borrowing rate (IBR).* The Parent Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Parent Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Parent Company "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Parent Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating). The IBR used by the Parent Company to measure lease liabilities is 4.27% in 2020 and 6.86% in 2019.

As at December 31, 2020 and 2019, The Parent Company's lease liabilities amounted to ₱35,413,407 and nil, respectively (see Note 13).





#### 4. Cash

	2020	2019
Cash in banks	P13,061,870	P650,282,800
Cash on hand	425,000	405,000
	<b>P13,486,870</b>	<b>P650,687,800</b>

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

Interest income recognized in profit or loss amounted to P73,281 in 2020 and P934,909 in 2019.

#### 5. Dividends and Other Receivables

	2020	2019
Dividends receivable (see Note 14)	P1,551,250,034	P1,551,250,034
Advances to:		
Stockholder	31,231,461	31,231,461
Third parties	3,009,459	3,009,459
Others	12,493,933	12,184,771
	<b>1,597,984,887</b>	<b>1,597,675,725</b>
Less allowance for ECL	3,009,459	3,009,459
	<b>P1,594,975,428</b>	<b>P1,594,666,266</b>

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

In 2020 and 2019, the Parent Company used the general approach in estimating the ECL on its other receivables.

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

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

	2020	2019
Prepaid expenses	P2,278,706	P3,493,160
Advances to officers and employees	2,424,704	2,430,614
	<b>P4,703,410</b>	<b>P5,923,774</b>

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

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



## 7. Property and Equipment - net

	Office Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Computer Software	Right-of-use Asset – Office Space	Total
<b>Cost</b>						
December 31, 2018	₱45,368,323	₱6,693,024	₱40,275,378	₱71,950,635	₱16,626,697	₱180,914,057
Additions	1,527,723	–	–	176,786	–	1,704,509
December 31, 2019	46,896,046	6,693,024	40,275,378	72,127,421	16,626,697	182,618,566
Additions	339,672	–	–	315,066	50,927,567	51,582,305
<b>December 31, 2020</b>	<b>47,235,718</b>	<b>6,693,024</b>	<b>40,275,378</b>	<b>72,442,487</b>	<b>67,554,264</b>	<b>234,200,871</b>
<b>Accumulated Depreciation and Amortization</b>						
December 31, 2018	29,847,628	1,968,218	29,824,716	47,880,901	–	109,521,463
Depreciation and amortization	8,786,410	1,465,976	10,375,130	19,575,843	15,961,629	56,164,988
December 31, 2019	38,634,038	3,434,194	40,199,846	67,456,744	15,961,629	165,686,451
Depreciation and amortization	4,743,641	1,133,573	75,532	4,249,518	17,640,924	27,843,188
<b>December 31, 2020</b>	<b>43,377,679</b>	<b>4,567,767</b>	<b>40,275,378</b>	<b>71,706,262</b>	<b>33,602,553</b>	<b>193,529,639</b>
<b>Carrying Amount</b>						
December 31, 2019	₱8,262,008	₱3,258,830	₱75,532	₱4,670,677	₱665,068	₱16,932,115
<b>December 31, 2020</b>	<b>₱3,858,039</b>	<b>₱2,125,257</b>	<b>₱–</b>	<b>₱736,225</b>	<b>₱33,951,711</b>	<b>₱40,671,232</b>

## 8. Investments and Advances and Financial Assets at FVOCI

	Percentage of Ownership	2020	Percentage of Ownership	2019
Investments				
Subsidiaries:				
AB Leisure Global, Inc. (ABLGI)	100%	₱1,550,000,000	100%	₱1,550,000,000
AB Leisure Exponent, Inc. (ABLE)	100%	750,000,000	100%	750,000,000
Total Gamezone Xtreme Incorporated (TGXI)	100%	652,000,000	100%	620,000,000
LR Land Developers, Inc. (LRLDI)	100%	225,000,000	100%	225,000,000
First Cagayan Leisure & Resort Corporation (FCLRC)	69.68%	161,375,000	69.68%	161,375,000
Prime Investment Korea Inc., (PIKI)	100%	1,000,000	100%	1,000,000
LR Data Center and Solutions Inc. (LRDCSI)	80%	20,000,000	80%	20,000,000
Blue Chip Gaming & Leisure Corporation (BCGLC)	100%	19,628,028	100%	19,628,028
Bingo Bonanza (HK) Limited (BBL)	60%	35,398	60%	35,398
		<b>3,379,038,426</b>		<b>3,347,038,426</b>
Associate:				
Binondo Leisure Resources, Inc. (BLRI):				
Common shares	30%	1,200,000	30%	1,200,000
Preferred shares		20,000,000		20,000,000
		<b>21,200,000</b>		<b>21,200,000</b>
Joint venture:				
Hotel Enterprises of the Philippines, Inc. (HEPI) cost	51%	750,938,000	51%	750,938,000
Accumulated share in net income (loss):				
Balance at beginning of year		449,115,085		300,107,396
Share in net income (loss) during the year		(102,440,007)		149,007,689
Balance at end of year		<b>346,675,078</b>		<b>449,115,085</b>
		<b>1,097,613,078</b>		<b>1,200,053,085</b>

(Forward)



	Percentage of Ownership	2020	Percentage of Ownership	2019
Advances:				
HEPI		₱364,557,557		₱364,557,557
Eco Leisure and Hospitality Holding Company, Inc. (Eco Leisure)		26,136,049		26,136,049
Pacific Visionary Int'l Marketing Corp. (Pacific)		94,139,697		94,139,697
Others		115,000,000		115,000,000
		<b>599,833,303</b>		<b>599,833,303</b>
Allowance for impairment losses on investments in BBL, BLRI, Eco Leisure, Pacific and Others				
		<b>(256,511,144)</b>		<b>(162,371,447)</b>
		<b>₱4,841,173,663</b>		<b>₱5,005,753,367</b>

#### Investment in ABLGI

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

#### Investment in ABLE

ABLE was registered with the SEC on March 31, 1995. ABLE was incorporated in the Philippines and 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.

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.

#### Investment in TGXI

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

On November 17, 2020, the Parent Company subscribed to additional 320,000 common shares of TGXI for a total consideration of ₱32,000,000.

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.

#### Investment in LRLDI

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



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

#### Investment in FCLRC

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

In 2019, the Parent Company entered into Deed of Assignments and Contract to Sell with the minority shareholders of FCLRC to purchase for and in consideration amounting to ₱100,000,000. However, the transfer of ownership of the respective shares were not completed until 2020, thus, did not result in change in the percentage of ownership of the Parent Company with FCLRC.

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.

#### Investment in PIKI

PIKI was incorporated in the Philippines and its primary purpose is to engage in the business of gaming, recreation, leisure and lease of property.

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.

#### Investment in LRDCSI

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

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. 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.

#### Investment in BCGLC

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

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. Its operations resumed on June 16, 2020.



Investment in BBL

BBL's primary purpose is to engage in the business of gaming, recreation, leisure and lease of property. BBL was incorporated under the Companies Ordinance of Hong Kong. BBL started commercial operations in March 2012. It is currently non-operational and in the process of liquidation. The Parent Company provided in full impairment loss on the investment in BBL amounting to ₱35,398.

Investment in BLRI

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

The Parent Company recognized its share in net loss of BLRI up to the extent of investment cost. Unrecognized accumulated equity in net loss of BLRI amounted to ₱26,409,942 and ₱27,065,669 as at December 31, 2020 and 2019, respectively. Unrecognized share in net income amounted to ₱655,727 in 2020 and ₱899,634 in 2019.

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

The summarized financial information of BLRI follows:

	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>	₱—
Revenues	<b>₱7,258,780</b>	₱29,023,074
Net income/total comprehensive income	<b>₱2,185,757</b>	₱2,998,779
Parent Company's unrecognized share of total comprehensive income	<b>₱655,727</b>	₱899,634

Investment in HEPI

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



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 Parent Company's share in net losses of HEPI. The Parent Company 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 is presented below.

	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

	2020	2019
Revenues	<b>₱150,377,420</b>	₱747,101,225
Net income/total comprehensive income	<b>(200,862,759)</b>	292,171,939
Parent Company's share of total comprehensive income	<b>₱102,440,007</b>	149,007,689

\*Including cash of ₱15,322,712 in 2020 and ₱56,285,665 in 2019

\*\*Including current financial liabilities excluding trade and other payables of ₱193,275,413 in 2020 and ₱234,166,313 in 2019

\*\*\*Including noncurrent financial liabilities of ₱557,010,568 in 2020 and ₱556,948,400 in 2019

#### Advances to HEPI

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

#### Advances to Eco Leisure

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

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

#### 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.

In 2020, the Parent Company has recognized provision for ECL amounting to ₱94,139,697.



Advances to Others

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

The advances to others was fully provided with allowance for expected credit loss amounting to ₱115,000,000 as at December 31, 2020 and 2019.

Financial Assets at FVOCI

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

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

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

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

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

**9. Other Noncurrent Assets**

	2020	2019
Input VAT - net	₱26,836,223	₱20,100,774
Premium on group pension plan	12,864,965	12,864,965
Rent deposits (see Note 13)	6,832,354	6,685,269
CWT - net	120,910	120,910
Others	5,062,500	5,062,500
	<b>₱51,716,952</b>	<b>₱44,834,418</b>

In 2019, the Parent Company written off its CWT and input VAT amounting to ₱26,371,477 and ₱10,797,997, respectively, since these are not recoverable.



## 10. Dividend and Other Payables

	2020	2019
Accrued expenses and other payables:		
Payable to suppliers	<b>₱70,986,269</b>	₱62,785,695
Salaries, wages and employee benefits	<b>5,361,011</b>	15,284,278
Payable to government agencies	<b>2,136,754</b>	21,256,159
Dividends payable (see note 12)	-	76,150,000
Others	<b>114,164</b>	114,164
	<b>₱78,598,198</b>	₱175,590,296

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

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

## 11. Loans Payable

- a. Loans payable with Asia United Bank (AUB)

Terms and conditions are as follows:

December 31, 2020			
	Interest Rate	Maturity Date	Carrying Amount
<b>Long Term</b>			
AUB	6.58%	June 2015 - November 2021	₱149,066,380
Less current portion			149,066,380
			<b>₱-</b>
December 31, 2019			
	Interest Rate	Maturity Date	Carrying Amount
Long Term			
AUB	8.42%	June 2015 - February 2021	₱157,733,030
AUB	8.42%	May 2018 - January 2020	21,930,000
			179,663,030
Less current portion			142,396,435
			<b>₱37,266,595</b>

The loan is payable in 60 equal consecutive monthly installments on its respective repayment dates beginning June 12, 2015 until May 12, 2020 and secured by a chattel mortgage over LRWC's shares of stocks held by ABLE and stockholders amounting to 95,731,000 shares.

The fair value of the mortgaged shares of stocks amounted to ₱183,803,520 and ₱229,754,400 as at December 31, 2020 and 2019, respectively.

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

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





the continuing suretyship by ABLE and TGXI. On February 1, 2020, the interest rate was repriced to 6.58%.

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

As at December 31, 2020, the Parent Company is in compliance with the debt-to-equity ratio 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 and has accordingly classified the outstanding balance as of December 31, 2020 as a current liability in the 2020 parent company statement of financial position.

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.

b. Credit line facilities with AUB

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

Terms and conditions are as follows:

	December 31, 2020		
	Interest Rate	Maturity Date	Carrying Amount
<b>Short Term</b>			
AUB	6.25%	December 2020 - February 2021	₱139,000,000
	December 31, 2019		
	Interest Rate	Maturity Date	Carrying Amount
Short Term			
AUB	7.25%	May 2019 - May 2020	₱140,500,000

Total interest expense recognized in profit or loss amounted to ₱14,265,072 in 2020 and ₱56,463,554 in 2019.

c. Short-term loan agreements

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

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

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



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

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

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

## 12. Equity

	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 Code

Pursuant to the registration statement rendered effective by the SEC on February 6, 1958 and permit to sell issued by the SEC dated February 6, 1958, 15,000,000 common shares of LRWC were registered and may be offered for sale at an offer price of ₱1.33 per common share. As at December 31, 2020 and 2019, the Parent Company has issued and outstanding common shares totaling 2,417,500,000. As at December 31, 2020 and 2019, the Parent Company had 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 Parent Company called for a Special Stockholder's Meeting for the approval of the issuance of up to 1,300,147,488 common shares from the unissued capital stock through a private placement at a price based on a premium over the Parent Company's shares closing price on November 29, 2018.

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

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

#### Listing of Preferred Shares and Warrants

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

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

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

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. These shares are recorded as treasury shares.

#### Declaration of Cash Dividends

Cash dividends declared by the BOD to preferred stockholders of the Parent Company in 2019 are as follows:

<u>Date of Declaration</u>	<u>Date of Record</u>	<u>Amount</u>	<u>Amount Per Share</u>
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.

As at December 31, 2020 and 2019, unpaid dividends, included under "Dividend and other payables" account in the parent company statements of financial position, amounted to nil and ₱76,150,000, respectively (see Note 10).



EPS Computation

a. Basic EPS

	2020	2019
Net income (loss)	(P410,052,693)	P97,519,409
Dividends on preferred shares	-	(233,145,000)
Effect of preferred shares held by ABLE	-	3,102,500
Income (loss) attributable to ordinary stockholders of the Parent Company (a)	(410,052,693)	(132,523,091)
Adjusted weighted average number of shares outstanding (b)	2,417,500,000	2,011,616,836
Basic earnings per share (a/b)	(P0.1696)	(P0.0659)

b. Diluted EPS

	2020	2019
Income (loss) attributable to ordinary stockholders of the Parent Company (a)	(P410,052,693)	(P97,519,409)
Adjusted weighted average number of shares outstanding (b)	2,417,500,000	2,011,616,836
Effect of dilutive potential common shares* (c)	80,675,000	80,675,000
Adjusted weighted average number of shares outstanding (d=b+c)	2,498,175,000	2,092,291,836
Diluted earnings per share (a/d)	(P0.1696)**	(P0.0659)**

\* Adjusted for the convertible warrants.

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

**13. Lease Agreements**

Parent Company as a Lessee

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

The lease agreement is non-cancellable and provides for, among others, rent deposits which is refundable upon termination of the lease. As at December 31, 2020 and 2019, the Parent Company recognized rent deposits in the parent company statement of financial position amounting to P6,832,354 and P6,685,269, respectively.



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

	2020	2019
Depreciation expense of right-of-use assets included in property and equipment (Note 7)	<b>₱17,640,924</b>	₱15,961,629
Interest expense on lease liabilities	<b>1,688,766</b>	576,229
Expenses relating to short-term leases	<b>6,355,722</b>	10,064,767
	<b>₱25,685,412</b>	₱26,602,625

The rollforward analysis of lease liabilities follows:

	2020	2019
Balance at beginning of year	<b>₱-</b>	₱-
Additions	<b>50,927,567</b>	16,626,697
Interest expense	<b>1,688,766</b>	576,229
Payments	<b>(17,202,926)</b>	(17,202,926)
Balance at year-end	<b>35,413,407</b>	-
Less current portion of lease liability	<b>16,878,572</b>	-
Lease liability - net of current portion	<b>₱18,534,835</b>	₱-

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



#### 14. Related Party Disclosures

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

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

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

Categories Subsidiary	Nature of Transaction	Year	Note	Amount of		Outstanding Balance		Terms	Conditions
				Transactions for the Year	Due from Related Parties	Due to Related Parties	Due to Related Parties		
FCLRC	Cash advances	2020	a, b	₱94,515,153	₱-	₱1,549,247,899		Demandable; non interest-bearing	Unsecured
		2019		341,895,042	-	1,454,732,746			
LRLDI	Cash advances	2020	a	1,290,942,543	-	106,757,295		Demandable; non interest-bearing	Unsecured; no impairment
		2019		77,599,805	1,184,185,248	-			
ABLE	Retirement	2020	c	(19,168,627)	-	68,664,758		Demandable; non interest-bearing	Unsecured
		2019		16,510,979	-	87,833,385			
	Cash advances	2020	a	(13,601,913)	53,714,075	-		Demandable; non interest-bearing	Unsecured
		2019		397,359,678	40,112,162	-			
	Management income	2020	a	-	112,717,031	-		Demandable; non interest-bearing	Unsecured
		2019		-	112,717,031	-			

(Forward)



Categories	Nature of Transaction	Year	Note	Amount of		Outstanding Balance		Terms	Conditions
				Transactions for the Year	Due from Related Parties	Due to Related Parties	Due to Related Parties		
BCGLC	Cash advances	2020	a, b	<b>₱149,392,303</b>	<b>₱5,685,518</b>	<b>₱-</b>		Demandable; non interest-bearing	Unsecured; no impairment
		2019		27,148,124	149,392,303	-			
TGXI	Cash advances	2020	a	<b>62,739,343</b>	<b>72,845,020</b>	-		Demandable; non interest-bearing	Unsecured; no impairment
		2019		6,590,251	135,584,363	-			
ABLGI	Cash advances	2020	a	<b>347,813,170</b>	<b>1,709,850,649</b>	-		Demandable; non interest-bearing	Unsecured
		2019		852,716,414	1,362,037,479	-			
PIKI	Management income	2020	a	-	<b>63,092,815</b>	-		Demandable; non interest-bearing	Unsecured
		2019		-	63,092,815	-			
LRDCSI	Cash advances	2020	a	<b>586,592</b>	<b>282,005,688</b>	-		Demandable; non interest-bearing	Unsecured; no impairment
		2019		515,526	282,592,280	-			
FCCDCI	Cash advances	2020	a	<b>38,219,689</b>	-	<b>1,617,699</b>		Demandable; non interest-bearing	Unsecured
		2019		35,551,995	36,601,990	-			
<b>Total</b>	Cash advances	2020	a	<b>131,730,974</b>	-	<b>207,258,075</b>		Demandable; non interest-bearing	Unsecured
		2019		30,729,159	-	75,527,101			
		<b>2020</b>		<b>₱2,299,910,796</b>	<b>₱1,933,545,726</b>				
		2019		<b>₱3,366,315,671</b>	<b>₱1,618,093,232</b>				



- a. Cash advances to/from subsidiaries are intended for working capital requirements and to finance acquisitions and capital requirements. These are to be settled in cash.
- b. Dividend income consists of:

	2020	2019
LRLDI	P-	P450,000,000
BCGLC	-	160,000,000
	<b>P-</b>	<b>P610,000,000</b>

Dividend receivable from subsidiaries amounted to P1,551,250,034 as at December 31, 2020 and 2019 (see Note 5).

- c. The Parent Company's employees are included in group wide retirement plan of the ABLE. The pertinent information about the plan and related information on the allocation of defined benefits cost and contribution in 2020 and 2019 are disclosed in ABLE's financial statements.

The details of key management compensation are as follows:

	2020	2019
Salaries and employee benefits	<b>P29,978,045</b>	P41,614,834
Directors' fees	<b>6,920,000</b>	5,830,000

## 15. Income Taxes

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

	2020	2019
Current	P-	P21,795
Deferred	<b>(199,520)</b>	107,615,237
	<b>(P199,520)</b>	<b>P107,637,032</b>

The reconciliation of income tax expense is as follows:

	2020	2019
Income (loss) before income tax	<b>(P410,252,213)</b>	P205,156,441
Income (loss) tax at statutory income tax rate of 30%	<b>(P123,075,664)</b>	P61,546,932
Additions to (reductions in) income taxes resulting from tax effects of:		
Expired NOLCO	<b>107,092,663</b>	130,676,815
Change in unrecognized deferred tax assets	<b>(43,177,516)</b>	105,172,268
Nondeductible expense	<b>28,250,979</b>	44,608,563
Share in net income (loss) of a joint venture	<b>30,732,002</b>	(44,702,307)
Interest income subjected to final tax	<b>(21,984)</b>	(280,473)
Dividend income exempt from tax	-	(183,000,000)
Excess MCIT	-	21,795
Others	-	(6,406,561)
	<b>(P199,520)</b>	<b>P107,637,032</b>





The Parent Company's deferred tax liability pertains to right-of-use asset amounting to nil and ₱199,520 in 2020 and 2019, respectively

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

	2020	2019
NOLCO	<b>₱1,048,616,878</b>	₱1,172,436,139
Unamortized past service cost	<b>37,338,822</b>	42,006,174
Retirement liability*	<b>(8,492,320)</b>	8,407,814
Lease liability net of right-of-use asset	<b>1,461,695</b>	-
MCIT	<b>21,795</b>	21,795
	<b>₱1,078,946,870</b>	₱1,222,871,922

\*Included as part of "Due to related parties" in the statements of financial position.

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

Incurred In	Amount	Expired	Balance	Year of Expiry
2017	₱356,975,543	(₱356,975,543)	₱-	2020
2018	412,445,042	-	412,445,042	2021
2019	403,015,554	-	403,015,554	2022
2020	233,156,282	-	233,156,282	2025
	<b>₱1,405,592,421</b>	<b>(₱356,975,543)</b>	<b>₱1,048,616,878</b>	

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

#### *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.

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

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

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



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

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

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

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

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

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

#### Credit Risk

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



The Parent Company's exposure to credit risk mainly pertains to cash in bank and trade and other receivables (excluding advances to officers and employees). This exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of the financial assets. The table below shows the maximum exposure to credit risk as at December 31, 2020 and 2019, without considering the effects of collaterals and other risk mitigation techniques:

	2020	2019
Cash in banks	<b>₱13,061,870</b>	₱650,282,800
Receivables	<b>1,594,975,428</b>	1,594,666,266
Due from related parties	<b>2,299,910,796</b>	3,366,315,671
Rent deposits*	<b>6,832,354</b>	6,685,269
Financial assets at FVOCI	<b>112,630,736</b>	106,725,824
	<b>₱4,027,411,184</b>	<b>₱5,724,675,830</b>

\*Included as part of "Other noncurrent assets" in the statements of financial position.

#### *Cash in Banks*

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

#### *Dividends and Other Receivables*

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

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

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

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

#### *Rental Deposits*

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



*Financial assets at FVOCI*

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

*Due from Related Parties*

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

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

	2020					ECL	Total
	Current	Past Due			ECL		
		30 Days	60 Days	More than 90 Days			
Cash in banks	₱13,061,870	₱-	₱-	₱-	₱-	₱13,061,870	
Receivables - net	-	-	17,000	1,594,958,428	3,009,459	1,597,984,887	
Due from related parties	-	-	-	2,299,910,796	-	2,299,910,796	
Rent deposits*	6,832,354	-	-	-	-	6,832,354	
Financial assets at FVOCI	112,630,736	-	-	-	-	112,630,736	
	<b>₱132,524,960</b>	<b>₱-</b>	<b>₱17,000</b>	<b>₱3,894,869,224</b>	<b>₱3,009,459</b>	<b>₱4,030,420,643</b>	

\*Included as part of "Other noncurrent assets" in the statements of financial position.

	2019					ECL	Total
	Current	Past Due			ECL		
		30 Days	60 Days	More than 90 Days			
Cash in banks	₱650,282,800	₱-	₱-	₱-	₱-	₱650,282,800	
Receivables - net	610,742,757	308,559	-	983,614,950	3,009,459	1,597,675,725	
Due from related parties	1,679,913,552	-	-	1,686,402,119	-	3,366,315,671	
Rent deposits*	6,685,269	-	-	-	-	6,685,269	
Financial assets at FVOCI	106,725,824	-	-	-	-	106,725,824	
	<b>₱3,054,350,202</b>	<b>₱308,559</b>	<b>₱-</b>	<b>₱2,670,017,069</b>	<b>₱3,009,459</b>	<b>₱5,727,685,289</b>	

\*Included as part of "Other noncurrent assets" in the statements of financial position.

*Credit risk under general and simplified approach*

	2020				Total
	General Approach			Simplified Approach	
	Stage 1	Stage 2	Stage 3		
Cash in banks	₱13,061,870	₱-	₱-	₱-	₱13,061,870
Receivables	1,597,984,887	-	-	-	1,597,984,887
Due from related parties	2,299,910,796	-	-	-	2,299,910,796
Rent deposits	6,832,354	-	-	-	6,832,354
Financial assets at FVOCI	112,630,736	-	-	-	112,630,736
	<b>₱4,030,420,643</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱4,030,420,643</b>

	2019				Total
	General Approach			Simplified Approach	
	Stage 1	Stage 2	Stage 3		
Cash in banks	₱650,282,800	₱-	₱-	₱-	₱650,282,800
Receivables	1,597,675,725	-	-	-	1,597,675,725
Due from related parties	3,366,315,671	-	-	-	3,366,315,671
Rent deposits	6,685,269	-	-	-	6,685,269
Financial assets at FVOCI	106,725,824	-	-	-	106,725,824
	<b>₱5,727,685,289</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱5,727,685,289</b>



### Liquidity Risk

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

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

The table summarizes the maturity profile of the Parent Company's financial assets used for liquidity management and liabilities as at December 31, 2020 and 2019 based on contractual undiscounted payments.

	2020			Total
	3 to 12 Months	More than 1 Year to 5 Years	More than 5 Years	
<b>Financial assets:</b>				
Cash in banks	₱13,061,870	₱-	₱-	₱13,061,870
Receivables	1,594,975,428	-	-	1,594,975,428
Due from related parties	2,299,910,796	-	-	2,299,910,796
Rent deposits	6,832,354	-	-	6,832,354
Financial assets at FVOCI	112,630,736	-	-	112,630,736
	<b>4,027,411,184</b>	-	-	<b>4,027,411,184</b>
<b>Financial liabilities:</b>				
Dividend and other payables*	76,461,444	-	-	76,461,444
Short-term loans payable	139,000,000	-	-	139,000,000
Long-term loans, including current portion**	158,056,132	-	-	158,056,132
Due to related parties	1,933,545,726	-	-	1,933,545,726
	<b>2,307,063,302</b>	-	-	<b>2,307,063,302</b>
<b>Net financial assets (liabilities)</b>	<b>₱1,720,347,882</b>	<b>₱-</b>	<b>₱-</b>	<b>₱1,720,347,882</b>

\*Excluding local and other taxes and payable to government agencies amounting to ₱2,136,754.

\*\*Including interest payments and excluding debt issue cost.

	2019			Total
	3 to 12 Months	More than 1 Year to 5 Years	More than 5 Years	
<b>Financial assets:</b>				
Cash in banks	₱650,282,800	₱-	₱-	₱650,282,800
Receivables	1,594,666,266	-	-	1,594,666,266
Due from related parties	3,366,315,671	-	-	3,366,315,671
Rent deposits	6,685,269	-	-	6,685,269
Financial assets at FVOCI	106,725,824	-	-	106,725,824
	<b>5,724,675,830</b>	-	-	<b>5,724,675,830</b>
<b>Financial liabilities:</b>				
Dividend and other payables*	154,334,137	-	-	154,334,137
Short-term loans payable	140,500,000	-	-	140,500,000
Long-term loans, including current portion**	153,258,836	38,057,504	-	191,316,340
Due to related parties	1,618,093,232	-	-	1,618,093,232
	<b>2,066,186,205</b>	<b>38,057,504</b>	-	<b>2,104,243,709</b>
<b>Net financial assets (liabilities)</b>	<b>₱3,658,489,625</b>	<b>(₱38,057,504)</b>	<b>₱-</b>	<b>₱3,620,432,121</b>

\*Excluding local and other taxes and payable to government agencies amounting to ₱21,256,159.

\*\*Including interest payments and excluding debt issue cost

### Market Risk

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



*Equity Price Risk*

Equity price risk is such risk where the fair values of investments in quoted equity securities could decrease as a result of changes in the levels of equity indices and the value of individual stocks. The management strictly monitors the movement of the share prices pertaining to its investments. The Parent Company is exposed to equity securities price risk because of investments held by the Parent Company, which are classified in the parent company financial position as financial asset at FVOCI as at December 31, 2020 (see Note 8).

The effect on equity, as a result of a possible change in the fair value of the Parent Company's equity instruments classified as financial assets at FVOCI as at December 31, 2020 and 2019, that could be brought by changes in equity indices with all other variables held constant, are as follows:

Change in quoted prices of investment carried at fair value	2020	2019
Increase by 10%	<b>₱11,263,074</b>	₱10,672,582
Increase by 5%	<b>5,631,537</b>	5,336,291
Decrease by 10%	<b>(11,263,074)</b>	(10,672,582)
Decrease by 5%	<b>(5,631,537)</b>	(5,336,291)

*Interest Rate Risk*

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

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

The Parent Company has not entered into interest rate swaps and options in 2020 and 2019.

The sensitivity to a reasonably possible change in interest rates with all other variables held constant of the Parent Company's profit before tax in December 31, 2020 and 2019 follows:

Change in interest rates (in basis points)	2020	2019
300bp rise	<b>₱8,641,991</b>	₱9,604,891
300bp fall	<b>(8,641,991)</b>	(9,604,891)

*1 basis point is equivalent to 0.01%.*

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

*Fair Values*

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

*Cash/Receivables/Due from Related Parties /Rent Deposits/Dividend and Other Payables/Short-term Loans Payable/Due to Related Parties*

The carrying amount cash approximates its fair value since it can be readily withdrawn and used for operations. The carrying amounts of receivables, due from related parties, dividend and other payables, short-term loans payable and due to related parties approximate their fair values due to liquidity, short maturity and nature of these financial instruments. The carrying amount of rent deposit approximates its fair value as the effect of discounting using the prevailing market rate is not significant.



### Long-term Loans Payable

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

### Financial Asset at FVOCI

The fair value of the financial asset at FVOCI is based on the quoted market price of the investment in equity as at December 31, 2020 and 2019. The fair value is under Level 1 of the fair value hierarchy.

### Capital Management

The Parent Company considers its equity as its capital.

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

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

The BOD has overall responsibility for monitoring of capital in proportion to risk. The BOD seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Parent Company defines capital as equity, which includes capital stock, additional paid-in capital, retained earnings and fair value reserve equity amounting to ₱6,623,645,376 and ₱8,677,793,157 as at December 31, 2020 and 2019, respectively. There were no changes in the Parent Company's approach to capital management as at December 31, 2020 and 2019. The Parent Company is not subject to externally-imposed capital requirements.

### Changes in Liabilities Arising from Financing Activities

	2020				December 31, 2020
	January 1, 2020	Cash Flows	Foreign Exchange Movement	Others	
Redemption of preferred shares	₱-	(₱1,650,000,000)	₱-	₱1,650,000,000	₱-
Due to related parties	1,618,093,232	334,621,121	-	(19,168,627)	1,933,545,726
Dividends payable	76,150,000	(76,150,000)	-	-	-
Current and non-current portion of long-term loans payable	179,663,030	(30,596,650)	-	-	149,066,380
Short-term loans payable	140,500,000	(1,500,000)	-	-	139,000,000
Current and non-current portion of lease liability	-	(17,202,926)	-	52,616,333	35,413,407
Accrued interest payable	-	(14,265,072)	-	14,265,072	-
<b>Total liabilities from financing activities</b>	<b>₱2,014,406,262</b>	<b>(₱1,455,093,527)</b>	<b>₱-</b>	<b>₱1,697,712,778</b>	<b>₱2,257,025,513</b>

	2019				December 31, 2019
	January 1, 2019	Cash Flows	Foreign Exchange Movement	Others	
Due to related parties	₱2,752,602,461	(₱659,977,244)	-	(₱474,531,985)	₱1,618,093,232
Dividends payable	17,318,600	(156,994,999)	-	215,826,399	76,150,000
Current and non-current portion of long-term loans payable	252,166,667	(201,703,637)	-	129,200,000	179,663,030
Short-term loans payable	643,500,000	(503,000,000)	-	-	140,500,000
Lease liability	16,626,697	(17,202,926)	-	576,229	-
Accrued interest payable	5,000,000	(56,463,554)	-	51,463,554	-
Issuance of capital stock	-	4,366,927,117	-	(4,366,927,117)	-
Proceeds from loans	-	129,200,000	-	(129,200,000)	-
<b>Total liabilities from financing activities</b>	<b>₱3,687,214,425</b>	<b>₱2,900,784,757</b>	<b>₱-</b>	<b>(₱4,573,592,920)</b>	<b>₱2,014,406,262</b>



“Others” include the acquisition of treasury shares, share in group wide retirement plan of ABLE, interest expense pertaining to lease liability and loans payables and the effect of accrued interest on long-term debts that were not yet paid as at December 31, 2020. The Parent Company classifies interest paid as part of cash flows from financing activities.

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## 17. Events After the Reporting Date

### 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 Parent Company:

- 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%.
- Minimum corporate income tax (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 Parent Company 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 Parent Company in 2020 is 27.50%. This has no effect on the Parent Company’s income tax and income tax payable since the Parent Company is in a tax loss position.
- This has no effect on the Parent Company’s deferred tax assets and liabilities as at December 31, 2020 and provision for deferred tax for the year ended December 31, 2020 as the Parent Company’s deferred tax assets are unrecognized.





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

The Parent Company reported and/or paid the following types of taxes in 2020.

a. Value Added Tax

	Amount
Input VAT	
Beginning of the year	₱20,100,774
Domestic purchase of services	6,395,089
Domestic purchases of goods other than capital goods	340,360
	₱26,836,223

b. Withholding Taxes

Movements in withholding taxes for 2020 are as follows:

	Tax on Compensation and Benefits	Expanded Withholding Taxes
Balance at beginning of year	₱1,432,299	₱663,883
Additions	11,185,331	1,925,122
Applications/remittances	(11,075,772)	(2,404,105)
Balance at end of year	₱1,541,858	₱184,900

c. Other Taxes

	Amount
Other taxes paid during the year recognized under "Taxes and Licenses" in profit or loss:	
License and permit fees	₱1,546,397
Documentary stamp tax	1,936,745
Others	212,816
	₱3,695,958

d. Tax Cases

The Parent Company did not receive final assessment notice during 2020.

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

