COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

BLOOMBERRY RESORTS CORPORATION AND SUBSIDIARIES

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

The Executive Offices, Solaire Resort & Casino, 1 Asean Avenue, Entertainment City, Tambo, Paranaque City

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-Q	**CRMD**	

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
investorrelations@bloomberry.ph	**888-8888**	

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
97	**Any Day in June**	**December 31**

CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Gerard Angelo Emilio J. Festin	**gerardfestin@solaireresort.com**	**883-8921**	

CONTACT PERSON's ADDRESS

The Executive Offices, Solaire Manila Resort & Casino, 1 Asean Avenue, Entertainment City, Tambo Parañaque City

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

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarter ended **31 March 2018**

2. SEC Identification Number **A1999-04864** 3. BIR Tax Identification No. **204-636-102-000**

4. Exact name of issuer as specified in its charter **BLOOMBERRY RESORTS CORPORATION**

5. **Philippines** 6. [ ] (SEC Use Only)
Province, Country or other jurisdiction of incorporation or organization — Industry Classification Code:

7. **The Executive Offices, Solaire Resort & Casino, 1 Asean Avenue, Entertainment City, Tambo Parañaque City** **1701**
Address of principal office — Postal Code

8. **(02) 883-8921**
Issuer's telephone number, including area code

9. **Unit 601 6th Floor Ecoplaza Bldg. Chino Roces Avenue Ext. Makati City**
Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares Outstanding
Unclassified Shares, P1.00 par value	**11,027,315,226 Shares**

11. Are any or all of these securities listed on a Stock Exchange.

Yes [x] No [ ]

If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange
Unclassified Shares

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [x] No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [x] No [ ]

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

The unaudited condensed consolidated financial statements as of March 31, 2018 and for the three months ended March 31, 2018 and 2017 and the audited consolidated statement of financial position as of December 31, 2017 and the related notes to unaudited condensed consolidated financial statements of Bloomberry Resorts Corporation and Subsidiaries (collectively referred to as "the Group") are filed as part of this Form 17-Q on pages 5 to 60.

There is no other material events subsequent to the end of this interim period that had not been reflected in the unaudited condensed consolidated financial statements filed as part of this report.

Bloomberry Resorts Corporation and Subsidiaries

Condensed Consolidated Financial Statements
March 31, 2018 (Unaudited) and December 31, 2017 (Audited)
and For The Three Months Ended March 30, 2018 and 2017
(Unaudited)

BLOOMBERRY RESORTS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

MARCH 31, 2018 AND DECEMBER 31, 2017

	March 31, 2018 *(Unaudited)*	December 31, 2017 *(Audited)*
ASSETS		
Current Assets		
Cash and cash equivalents	**₱27,067,335,146**	₱21,961,406,978
Receivables	**2,374,968,906**	2,283,423,748
Inventories	**297,017,812**	320,836,366
Prepayments and other current assets	**1,373,195,092**	1,340,818,517
Total Current Assets	**31,112,516,956**	25,906,485,609
Noncurrent Assets		
Restricted cash	**2,249,887,594**	2,250,906,354
Property and equipment	**41,804,071,374**	42,470,677,934
Intangible assets	**2,021,436,028**	1,942,408,693
Other noncurrent assets	**177,443,543**	215,972,935
Total Noncurrent Assets	**46,252,838,539**	46,879,965,916
	₱77,365,355,495	₱72,786,451,525
LIABILITIES AND EQUITY		
Current Liabilities		
Payables and other current liabilities	**₱10,861,902,880**	₱9,245,936,992
Current portion of long-term debt	**3,290,608,841**	2,727,330,526
Income tax payable	**1,597,045**	1,597,045
Total Current Liabilities	**14,154,108,766**	11,974,864,563
Noncurrent Liabilities		
Long-term debt - net of current portion	**28,162,281,428**	29,373,489,070
Deferred tax liabilities – net	**408,536,502**	401,378,947
Retirement liability	**481,119,111**	449,557,616
Other noncurrent liability	**313,716,590**	301,810,617
Total Noncurrent Liabilities	**29,365,653,631**	30,526,236,250
Total Liabilities	**43,519,762,397**	42,501,100,813
Equity Attributable to Equity Holders of the Parent Company		
Capital stock	**11,032,998,225**	11,032,998,225
Additional paid-in capital	**13,103,098,168**	13,141,571,978
Equity reserve	**(27,138,558)**	(27,138,558)
Treasury shares	**(73,460,194)**	(125,192,149)
Share-based payment plan	**161,125,382**	159,743,028
Other comprehensive loss	**(163,861,209)**	(18,821,215)
Retained earnings	**9,790,617,746**	6,093,273,408
Total Equity Attributable to Equity Holders of the Parent Company	**33,823,379,560**	30,256,434,717
Equity Attributable to Non-controlling Interests	**22,213,538**	28,915,995
Total Equity	**33,845,593,098**	30,285,350,712
	₱77,365,355,495	₱72,786,451,525

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

BLOOMBERRY RESORTS CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017

	2018	2017
REVENUES		
Gaming	**₱10,699,966,919**	₱7,811,185,912
Hotel, food and beverage	**579,022,950**	578,722,602
Retail and others	**222,864,007**	193,657,536
	11,501,853,876	8,583,566,050
OPERATING COSTS AND EXPENSES	**8,052,836,047**	6,520,756,473
INCOME BEFORE OTHER INCOME (EXPENSE) AND INCOME TAX	**3,449,017,829**	2,062,809,577
OTHER INCOME (EXPENSES)		
Interest expense	**(512,591,283)**	(557,777,958)
Foreign exchange gains – net	**738,249,767**	637,333,403
Interest income	**13,903,543**	13,411,937
Mark-to-market losses	**(1,548,628)**	(4,290,144)
	238,013,399	88,677,238
INCOME BEFORE INCOME TAX	**3,687,031,228**	2,151,486,815
BENEFIT FROM INCOME TAX	**(3,610,654)**	(1,852,167)
NET INCOME	**3,690,641,882**	2,153,338,982
OTHER COMPREHENSIVE INCOME		
Items that will be reclassified to profit or loss in subsequent period:		
Exchange difference on translation of foreign operations	**(145,189,992)**	133,158,255
Revaluation of AFS	**150,000**	–
TOTAL OTHER COMPREHENSIVE INCOME	**(145,039,992)**	133,158,255
TOTAL COMPREHENSIVE INCOME	**₱3,545,601,890**	₱2,286,497,237
Net Income (Loss) Attributable To		
Equity holders of the Parent Company	**₱3,697,344,339**	₱2,141,154,620
Non-controlling interests	**(6,702,457)**	12,184,362
	₱3,690,641,882	₱2,153,338,982
Total Comprehensive Income (Loss) Attributable To		
Equity holders of the Parent Company	**₱3,552,304,347**	₱2,274,312,875
Non-controlling interests	**(6,702,457)**	12,184,362
	₱3,545,601,890	₱2,286,497,237
Earnings Per Share on Net Income Attributable to Equity Holders of the Parent Company		
Basic	**₱0.336**	₱0.195
Diluted	**₱0.335**	₱0.194

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

BLOOMBERRY RESORTS CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017

	Equity Attributable to									
	Capital Stock	Additional Paid-in Capital	Equity Reserve	Treasury Shares	Share-based Payment Plan	Other Comprehensive Income/(losses)	Retained Earnings	Total	Non-controlling Interests	Total Equity
Balances at January 1, 2018 (Audited)	**₱11,032,998,225**	**₱13,141,571,978**	**(₱27,138,558)**	**(₱125,192,149)**	**₱159,743,029**	**(₱18,821,217)**	**₱6,093,273,407**	**₱30,256,434,715**	**₱28,915,995**	**₱30,285,350,710**
Net income	–	–	–	–	–	–	3,697,344,339	3,697,344,339	(6,702,457)	3,690,641,882
Exchange difference on translation of foreign operations	–	–	–	–	–	(145,189,992)	–	(145,189,992)	–	(145,189,992)
Unrealized gain on available-for-sale investment	–	–	–	–	–	150,000	–	150,000	–	150,000
Total comprehensive income	–	–	–	–	–	(145,039,992)	3,697,344,339	3,552,304,347	(6,702,457)	3,545,601,890
Share-based payments	–	–	–	–	43,260,498	–	–	43,260,498	–	43,260,498
Purchase of treasury shares	–	–	–	(28,620,000)		–	–	(28,620,000)	–	(28,620,000)
Issuance of treasury shares for share-based payments	–	(38,473,810)	–	80,351,955	(41,878,145)	–	–	–	–	–
Balances at March 31, 2018 (Unaudited)	**₱11,032,998,225**	**₱13,103,098,168**	**(₱27,138,558)**	**(₱73,460,194)**	**₱161,125,382**	**(₱163,861,209)**	**₱9,790,617,746**	**₱33,823,379,560**	**₱22,213,538**	**₱33,845,593,098**
Balances at January 1, 2017 (Audited)	**₱11,032,998,225**	**₱13,166,617,236**	**(₱27,138,558)**	**(₱214,589,978)**	**₱78,291,899**	**(₱15,862,820)**	**₱86,713,263**	**₱24,107,029,267**	**₱37,446,117**	**₱24,144,475,384**
Net income	–	–	–	–	–	–	2,141,154,620	2,141,154,620	12,184,362	2,153,338,982
Other comprehensive income	–	–	–	–	–	133,158,255	–	133,158,255	–	133,158,255
Total comprehensive income	–	–	–	–	–	133,158,255	2,141,154,620	2,274,312,875	12,184,362	2,286,497,237
Share-based payments	–	–	–	–	11,432,118	–	–	11,432,118	–	11,432,118
Issuance of treasury shares for share-based payments	–	(32,447,776)	–	74,325,980	(41,878,204)	–	–	–	–	–
Balances at March 31, 2017 (Unaudited)	**₱11,032,998,225**	**₱13,134,169,460**	**(₱27,138,558)**	**(₱140,263,998)**	**₱47,845,813**	**₱117,295,435**	**₱2,227,867,883**	**₱26,392,774,260**	**₱49,630,479**	**₱26,442,404,739**

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

BLOOMBERRY RESORTS CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱3,687,031,228**	₱2,151,486,815
Adjustments for:		
Unrealized foreign exchange gains - net	**(738,249,767)**	(637,333,403)
Interest income	**(13,903,543)**	(13,411,937)
Retirement expense	**21,765,412**	13,713,017
Interest expense	**512,591,283**	557,777,958
Share-based payment expense	**43,260,498**	11,432,118
Mark-to-market losses	**1,548,628**	4,290,144
Depreciation and amortization	**1,073,622,194**	1,080,426,731
Operating income before working capital changes	**4,587,665,933**	3,168,381,443
Decrease (increase) in:		
Receivables	**148,812,296**	492,221,326
Inventories	**23,818,553**	22,630,712
Prepayments and other current assets	**(32,376,574)**	(11,582,081)
Increase in:		
Payables and other current liabilities	**1,786,227,212**	652,193,730
Noncurrent liabilities	**11,905,974**	–
Net cash generated from operations	**6,526,053,394**	4,323,845,130
Income tax paid	**–**	(1,201,630)
Interest received	**13,903,543**	13,411,937
Net cash provided by operating activities	**6,539,956,937**	4,336,055,437
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	**(244,529,734)**	(208,931,399)
Decrease (increase) in:		
Other noncurrent assets	**(85,689,496)**	(159,712,692)
Restricted cash	**1,018,760**	72,001
Net cash used in investing activities	**(329,200,470)**	(368,572,090)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of principal	**(669,073,125)**	(417,393,125)
Payment of interest	**(682,852,610)**	(632,349,026)
Purchase of treasury shares	**(28,620,000)**	–
Net cash used in financing activities	**(1,380,545,735)**	(1,049,742,151)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**275,717,436**	237,308,249
NET INCREASE IN CASH AND CASH EQUIVALENTS	**5,105,928,168**	3,155,049,445
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**21,961,406,978**	14,325,511,167
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**₱27,067,335,146**	₱17,480,560,612

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

BLOOMBERRY RESORTS CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Business

a. Corporate Information

Bloomberry Resorts Corporation (referred to as “Bloomberry” or “Parent Company”), was incorporated in the Philippines and registered with the Securities and Exchange Commission (“SEC”) on May 3, 1999. The Parent Company’s corporate life is 50 years and can be extended for another 50 years before the expiration of its term. The Parent Company’s primary purpose is to subscribe, acquire, hold, sell, assign or dispose shares stock and other securities of any corporation, including those engaged in hotel and/or gaming and entertainment business, without engaging in dealership in securities or in the stock brokerage business or in the business of an investment company, to the extent permitted by law, and to be involved in the management and operations of such investee companies; and to guarantee the obligations of its subsidiaries or affiliates or any entity in which the Parent Company has lawful interest.

Bloomberry’s shares of stock are publicly traded in the Philippine Stock Exchange (PSE).

The Parent Company’s registered office address is at The Executive Offices, Solaire Resort & Casino, 1 Asean Avenue, Entertainment City, Tambo, Parañaque City.

b. Change in Ownership of Bloomberry

On January 26, 2012, Prime Metroline Holdings, Inc. (PMHI, formerly Prime Metroline Transit Corporation) acquired 60,000,000 shares of Bloomberry, constituting 75% of its outstanding capital stock, from Wespac Holdings Incorporated and other shareholders through a cross sale transaction in the PSE.

On February 27, 2012, the SEC approved the increase in Bloomberry’s authorized capital stock to ₱15.0 billion divided into 15.0 billon shares with par value of ₱1 per share and the following amendments in its articles of incorporation, among others: change in the corporate name from Active Alliance, Incorporated to Bloomberry Resorts Corporation and change in the primary purpose to that of a holding company.

In November and December 2014, PMHI subscribed to 435.0 million shares and 8,197,669 shares, respectively, to replace the same number of shares that it sold in a private placement to various investors in a placing and subscription transaction to raise funds for Bloomberry and the shares that the Parent Company borrowed for share-based payments.

As of March 31, 2018, PMHI (the ultimate parent company) owns 53.80% of Bloomberry.

c. Subsidiaries of Bloomberry

Sureste Properties, Inc. (“Sureste”) and Bloomberry Resorts and Hotels Inc. (“BRHI”)
On February 6, 2012, Prime Metroline Holdings, Inc. (“PMHI”, the ultimate parent company) sold 100% of its ownership interest in Sureste to Bloomberry for ₱5.9 billion. Sureste owns 100% of BRHI.

Sureste was incorporated in the Philippines and was registered with the SEC on April 16, 1993. Its wholly-owned subsidiary, BRHI, was incorporated in the Philippines and registered with the SEC on February 27, 2008. The primary purpose of Sureste and BRHI is to develop and operate tourist facilities, including hotel-casino entertainment complexes with hotel, retail, amusement areas and themed development components.

Solaire Korea Co., Ltd. (“Solaire Korea”), Golden & Luxury Co., Ltd. (“G&L”) and Muui Agricultural Corporation (“Muui”)
In December 2014, Solaire Korea was established by Bloomberry to hold the Parent Company’s investment in the leisure and entertainment business in Republic of Korea. On April 24, 2015, Solaire Korea acquired 77.26% of the outstanding shares of G&L. Subsequently on May 22, 2015, Solaire Korea acquired additional 18.97% of G&L, bringing its ownership in G&L to 96.23% (see Note 3). On August 20, 2015, Bloomberry acquired 10.00% of the outstanding shares of G&L from Solaire Korea. On March 8, 2016, Muui was established with a total capitalization of Korean Won (W)200.0 million (₱8.2 million). Solaire Korea owns 80% of the outstanding shares of Muui.

Bloom Capital B.V. and Solaire de Argentina S.A.
Bloomberry subscribed to 60% of the capital stock of Bloom Capital B.V., a financial holding entity incorporated in the Netherlands as a private company with limited liability under the Dutch law on November 21, 2013. On October 23, 2014, Bloomberry acquired the remaining 40% of the capital stock of Bloom Capital B.V. In 2014, Bloom Capital B.V. acquired 94% shares in Solaire de Argentina S.A.

d. Status of Operations

Sureste and BRHI
The Philippine Amusement and Gaming Corporation (“PAGCOR”) granted BRHI the Provisional License on April 8, 2009 to develop an integrated casino, hotel and entertainment complex within Entertainment City (the “Project”). BRHI is one of four licensees for Entertainment City. The Provisional License, as well as the regular license issued to replace it, is concurrent with PAGCOR’s congressional franchise. PAGCOR’s franchise will expire on July 11, 2033 and may be renewed when PAGCOR’s franchise is renewed by law. On May 7, 2015, BRHI’s Provisional License was replaced with a regular casino Gaming License upon full completion of the Project, referred to as “Solaire”. The Gaming License has the same terms and conditions as the Provisional License.

Solaire is one of the Philippines’ first premium/luxury hotel and gaming resort. It is a gaming and integrated resort complex on a 9.2 hectare land along Asean Avenue in Parañaque City and is the first casino to operate within Entertainment City. BRHI, as the license holder, operates the casino while Sureste operates the hotel and non-gaming business.

On March 16, 2013, BRHI and Sureste commenced commercial operations, upon completion of Phase 1 of Solaire, now referred to as the Bay Tower, along with the opening of the main gaming area and initial non-gaming amenities, such as Solaire's hotel, food and beverage outlets.

On November 22, 2014, the Group opened the Sky Tower, which was previously referred to as Phase 1A development of Solaire. Contiguous to the existing Solaire Resort and Casino, the Sky Tower consists of a 312 all-suite hotel, additional ten VIP gaming salons with 66 gaming tables and 223 slot machines, an exclusive House of Zhou Chinese restaurant and The Macallan Whisky and Cigar Bar for VIP gamers, state-of-the art meeting rooms (The Forum) and a lyrical theater (The Theatre). The Sky Tower also features two restaurants, the Waterside Restobar and Oasis Garden Café. The Theatre is a certified 1,760-seat lyric theatre designed to provide a superior audio-visual experience for wide range of theatre plays and musicals, dance performances, concerts, and amplified music and speech events. The Forum is a 2,000 square meters of meeting facility with eight meeting rooms, two boardrooms and a column-free grand ballroom and a flexible pre-function area. In 2016, retail stores, including premium brands such as Saint Laurent, Bvlgari, Salvatore Ferragamo and Givenchy, were opened in The Shoppes in the Sky Tower. In January 2017, Louis Vuitton and Prada were opened.

G&L

G&L operated a hotel and casino property in Jeju, Korea under the brand name "T.H.E Hotel" and "LVegas Casino". Upon takeover of operation by Bloomberry, the property was rebranded as "Jeju Sun Hotel & Casino" ("Jeju Sun"). The property consists of 202-room hotel with 5 Hibiscus rating, 2,000 square meters of gaming operation with 36 tables and 20 electronic gaming machines. The property has four food and beverage outlets to service its hotel guest and casino players. The casino operation of Jeju Sun was temporarily closed in May 2015 for the renovation and expansion of the gaming area of the property. The casino operation resumed on September 15, 2015. However, the gaming regulator Casino Regulation Division ("CRD") imposed a one-month suspension which started on November 16, 2015 due to the result of the CRD's investigation of the gaming tax (tourism tax) payment practices of the casino under its old management and owners. On December 15, 2015, Jeju Sun opened its upgraded and expanded facilities. In June 2016, the Parent Company and Solaire Korea entered into an agreement to sell its investment in G&L. However, the sale did not push through. The Parent Company decided to again operate Jeju Sun under normal course of business. In the third quarter of 2017, a major reorganization was implemented to address certain management issues. The CEO, COO, CFO, SVP operations and other managerial level officers of G&L were replaced.

2. Summary of Significant Accounting Policies and Disclosures

Basis of Preparation

The unaudited condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standards (PAS) 34, Interim Financial Reporting. Accordingly, the unaudited condensed consolidated financial statements do not include all of the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as of and for the year ended December 31, 2017.

The unaudited condensed consolidated financial statements have been prepared under the historical cost basis, except for the derivative assets that have been measured at fair value. The unaudited condensed consolidated financial statements are presented in Philippine Peso, the functional and presentation currency of the Parent Company and its subsidiaries, and all values are rounded to the nearest peso, except when otherwise indicated.

Basis of Consolidation

The unaudited consolidated financial statements include the financial statements of Bloomberry and its subsidiaries (collectively referred to as the "Group").

On February 6, 2012, Bloomberry completed the acquisition of Sureste from PMHI through a cash transaction. Sureste, a subsidiary of PMHI, was deemed to be the accounting acquirer for accounting purposes under the principles of Philippine Financial Reporting Standards (PFRS) 3, *Business Combinations*. The acquisition was accounted for similar to a reverse acquisition following the guidance provided by the standard. In a reverse acquisition, the legal parent is identified as the acquiree for accounting purposes because based on the substance of the transaction, the legal subsidiary is adjudged to be the entity that gained control over the legal parent. Accordingly, the consolidated financial statements of Bloomberry have been prepared as a continuation of the consolidated financial statements of Sureste. Sureste has accounted for the accounting acquisition of Bloomberry on January 26, 2012 which was the date when PMHI acquired Bloomberry.

Reverse acquisition applies only to the consolidated financial statements. The parent company financial statements will continue to represent Bloomberry as a stand-alone entity.

As of March 31, 2018 and December 31, 2017, subsidiaries of Bloomberry include:

	Effective Percentage of Ownership	
	March 31, 2018 *(Unaudited)*	December 31, 2017 *(Audited)*
Sureste	**100.0**	100.0
BRHI	**100.0**	100.0
Bloom Capital B.V.*	**100.0**	100.0
Solaire Korea	**100.0**	100.0
G&L (through Solaire Korea)	**96.2**	96.2
Muui Agricultural Corporation (through Solaire Korea)	**80.0**	80.0
Solaire de Argentina S.A. (through Bloom Capital B.V.)*	**94.0**	94.0
Falconer Aircraft Management Inc. (through BRHI)*	**49.0**	-

**has not started commercial operations*

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Parent Company controls an investee, if and only if, the Parent Company has:

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

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

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. The financial statements of subsidiaries are prepared for the same reporting period as the Group, using uniform accounting policies for like transactions and other events in similar circumstances. Intercompany balances and transactions are eliminated in full.

Non-Controlling Interests. Non-controlling interests represent the portion of profit or loss and net assets in the subsidiaries not held by the Group and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to equity holders of the Group.

<u>Changes in Accounting Policies and Disclosures</u>

The Group's accounting policies are consistent with those of the previous financial year, except for the adoption of the following new accounting pronouncements effective January 1, 2017.

- Amendment to PFRS 12, *Disclosure of Interests in Other Entities, Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)

  The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

  Adoption of these amendments did not have any impact on the consolidated financial statements.

- Amendments to PAS 7, *Statement of Cash Flows*, *Disclosure Initiative*

  The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

  The Group has provided the required information in Note 23 to the financial statements. As allowed under the transition provisions of the standard, the Group did not present comparative information for the year ended December 31, 2016.

- Amendments to PAS 12, *Income Taxes*, *Recognition of Deferred Tax Assets for Unrealized Losses*

  The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

  The Group applied the amendments retrospectively. However, their application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

<u>Standards Issued But Not Yet Effective</u>
The Group will adopt the following new pronouncements when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new pronouncements to have a significant impact on the consolidated financial statements.

Effective January 1, 2018

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

  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted. The Group is currently assessing the potential effect of the amendments on its consolidated financial statements.

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

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

- PFRS 15, *Revenue from Contracts with Customers*

  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

  The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Group is currently assessing the impact of adopting this standard.

- PFRS 9, *Financial Instruments*

  PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of

PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption will also have an effect on the amount of the Group's credit losses. The Group is currently assessing the impact of adopting this standard.

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

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

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

  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

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

  The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the

interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Effective January 1, 2019

- PFRS 16, *Leases*

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

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

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

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

  Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

  The Group is currently assessing the impact of adopting PFRS 16.

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

  The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

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

  The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS

9. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

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

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

  The interpretation specifically addresses the following:

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

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

  The Group is currently assessing the impact of adopting this interpretation.

Deferred Effectivity

- Amendments to PFRS 10 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, *Business Combinations*. 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 FRSC postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

The Group has not early adopted the previously mentioned pronouncements. The Group continues to assess the impact of the above new pronouncements effective subsequent to December 31, 2017 on its consolidated financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the consolidated financial statements when these amendments are adopted.

Significant Accounting Policies

Business Combinations and Goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are recognized as expense and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with PAS 39 either in profit or loss or as a change to OCI. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity. Subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss. If the initial accounting for business combination can be determined only provisionally by the end of the period by which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the Group accounts the combination using provisional values. Adjustments to these provisional values as a result of completing the initial accounting shall be made within 12 months from the acquisition date. The carrying amount of an identifiable asset, liability or contingent liability that is recognized as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date and goodwill or any gain recognized shall be adjusted from the acquisition date by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

The seller in a business combination may contractually indemnify the acquirer for the outcome of a contingency or uncertainty related to all or part of a specific asset or liability. As a result, the acquirer obtains an indemnification asset. The acquirer shall recognize an indemnification asset at the same time that it recognizes the indemnified item measured on the same basis as the indemnified item, subject to the need for a valuation allowance for uncollectible amounts. Therefore, if the indemnification relates to an asset or a liability that is recognized at the acquisition date and measured at its acquisition-date fair value, the acquirer shall recognize the indemnification asset at the acquisition date measured at its acquisition-date fair value.

In some circumstances, the indemnification may relate to an asset or a liability that is an exception to the recognition or measurement principles. In those circumstances, the indemnification asset shall be recognized and measured using assumptions consistent with those used to measure the indemnified item, subject to management's assessment of the collectibility of the indemnification asset and any contractual limitations on the indemnified amount.

At the end of each subsequent reporting period, the acquirer shall measure an indemnification asset that was recognized at the acquisition date on the same basis as the indemnified liability or asset, subject to any contractual limitations on its amount and, for an indemnification asset that is not subsequently measured at its fair value, management's assessment of the collectibility of the indemnification asset. The acquirer shall derecognize the indemnification asset only when it collects the asset, sells it or otherwise loses the right to it.

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as noncurrent.

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

Financial Instruments

Date of recognition
Financial instruments within the scope of PAS 39 are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized using trade date accounting.

Initial recognition of financial instruments
All financial instruments are initially recognized at fair value. The initial measurement of financial instruments includes transaction costs, except for financial instruments at fair value through profit or loss (FVPL). The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, and loans and receivables. Financial liabilities are classified as either financial liabilities at FVPL or other financial liabilities. The classification depends on the purpose for which the investments were acquired or liabilities incurred and whether they are quoted in an active market. Management determines the classification of its instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every financial reporting date.

Determination of fair value
The fair value for financial instruments traded in active markets at financial reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction. For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques.

"Day 1" difference
Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the consolidated statement of comprehensive income, unless it qualifies for recognition as some other type of asset or liability. In cases where data which is not observable are used, the difference between the transaction price and model value is only recognized in the consolidated statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference amount.

Financial assets and liabilities at FVPL
Financial assets and liabilities at FVPL include financial assets and liabilities held for trading purposes and financial assets and liabilities designated upon initial recognition as at FVPL.

Financial assets and liabilities are classified as held for trading if these are acquired for the purposes of selling and repurchasing in the near term.

Derivatives, including any separated embedded derivatives, are also classified under financial assets or liabilities at FVPL, unless these are designated as hedging instruments in an effective hedge.

Financial assets or liabilities may be designated by management on initial recognition as at FVPL when any of the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis;
- the assets and liabilities are part of a group of financial assets, liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets and liabilities at FVPL are recorded in the consolidated statement of financial position at fair value. Subsequent changes in fair value are recognized in the consolidated statement of comprehensive income. Interest earned or incurred is recorded as interest income or expense, respectively, while dividend income is recorded as other income when the right to receive payment has been established.

Derivatives embedded in host contracts are accounted for as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value. These embedded derivatives are measured at fair value with gains or losses arising from changes in fair value recognized in the consolidated statement of comprehensive income. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

The Group's derivative asset arising from the loan prepayment option is classified as financial assets at FVPL as of March 31, 2018 and December 31, 2017. The Group has no financial liability at FVPL as of March 31, 2018 and December 31, 2017.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified or designated as AFS financial assets or financial assets at FVPL. Loans and receivables are classified as current assets if maturity is within 12 months from financial reporting date. Otherwise, these are classified as noncurrent assets.

After initial recognition, loans and receivables are subsequently measured at amortized cost using the effective interest rate (EIR) method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. Interest earned or incurred is recognized as "Interest income" in the consolidated statement of comprehensive income. Gains and losses are recognized in the consolidated statement of comprehensive income

when the loans and receivables are derecognized and impaired, as well as through the amortization process.

The Group's cash and cash equivalents, receivables, restricted cash and security deposit are classified as loans and receivables.

HTM investments
HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Group's management has the positive intention and ability to hold to maturity. Where the Group sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS financial assets. After initial recognition, these investments are subsequently measured at amortized cost using the EIR method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral parts of the EIR. Interest earned or incurred is recognized in "Interest income" in the consolidated statement of comprehensive income. Gains and losses are recognized in the consolidated statement of comprehensive income when the HTM investments are derecognized and impaired, as well as through the amortization process. The effects of restatement on foreign currency-denominated HTM investments are also recognized in the consolidated statement of comprehensive income.

The Group has no HTM investments as of March 31, 2018 and December 31, 2017.

AFS financial assets
AFS financial assets are those non-derivative financial assets which are designated as such or do not qualify to be classified in any of the three preceding categories. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. AFS financial assets are classified as current assets if management intends to sell these financial assets within 12 months from financial reporting date. Otherwise, these are classified as noncurrent assets.

After initial recognition, AFS financial assets are subsequently measured at fair value, with unrealized gains and losses being recognized as other comprehensive income account until the investment is derecognized or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income reserve account is recognized in the consolidated statement of comprehensive income. The Group uses the specific identification method in determining the cost of securities sold. Interest earned on holding AFS debt securities is included under "Interest income" using the EIR method in the consolidated statement of comprehensive income. Dividends earned on holding AFS equity investments are recognized in the consolidated statement of comprehensive income when the right of payment has been established.

The Group's investment in club shares is classified as AFS financial assets as of March 31, 2018 and December 31, 2017.

Other financial liabilities
This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings. Other financial liabilities are initially recognized at the fair value of the consideration received less directly attributable transaction costs. After initial

recognition, other financial liabilities are subsequently measured at amortized cost using the EIR method.

Gains and losses are recognized in the consolidated statement of comprehensive income 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 integral part of the EIR. The EIR amortization is included the consolidated statement of comprehensive income.

Other financial liabilities include payables and other current liabilities and long-term debt as of March 31, 2018 and December 31, 2017.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented at gross amounts in the consolidated statement of financial position.

Impairment of Financial Assets
The Group assesses annually whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that the debtor will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost
For financial assets at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The estimated future cash flows are discounted at the financial asset's original EIR. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount based on the original EIR of the asset. The financial asset together with the associated allowance are written-off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in our consolidated statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its original amortized cost at the reversal date. If a future write-off is later recovered, the recovery is recognized in the consolidated statement of comprehensive income.

Derecognition of Financial Assets and Liabilities

Financial assets
A financial asset (or where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when: (1) the rights to receive cash flows from the asset have expired; or (2) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either: (a) the Group has transferred substantially all the risks and rewards of the asset; or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a "pass-through" arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognized to the extent of the Group's continuing involvement in the asset.

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

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

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 a derecognition of the original liability and the recognition of a new liability, and the difference in the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including

any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of comprehensive income.

Cash and Cash Equivalents

Cash includes cash on hand and in banks, including bank accounts maintained by the Group as collateral for its long-term debt and cash that is restricted for meeting cash commitments in the next twelve months related to the construction of the Project. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from the date of acquisition, and for which there is an insignificant risk of change in value.

Restricted Cash

Restricted cash represents cash in escrow account as required by a lending bank of Sureste.

Inventories

Inventories are valued at the lower of cost or Net Realizable Value (NRV). Cost is determined using the moving average method except for table card inventories (presented as part of operating supplies) where the first in, first out method is being utilized. NRV is based on estimated selling prices less estimated costs to be incurred on completion and disposal. NRV of operating and other supplies is the current replacement cost.

Prepayments

Prepayments are carried at cost and are amortized on a straight-line basis, over the period of intended usage, which is equal to or less than 12 months or within the normal operating cycle.

Advances to Suppliers

Advances to suppliers primarily represent advance payments made to a service provider for the Group's aircraft operation and management. Advances to Suppliers is presented under the "Prepayments and other current assets" account in the consolidated statement of financial position.

Creditable Withholding Taxes (CWT)

CWT represents the amount of tax withheld by counterparties from the Group. These are recognized upon collection and are utilized as tax credits against income tax due as allowed by the Philippine taxation laws and regulations. CWT is presented under the "Prepayments and other current assets" account in the consolidated statement of financial position. CWT is stated at its estimated NRV.

Property and Equipment

Property and equipment are carried at cost, excluding the costs of day-to-day servicing, less accumulated depreciation, amortization and any impairment in value.

The initial cost of property and equipment comprises its construction cost or purchase price and any directly attributable costs of bringing the property and equipment to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operations, are normally charged to income in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally

assessed standard of performance, such expenditures are capitalized as additional costs of property and equipment. When assets are sold or retired, their costs and accumulated depreciation, amortization and impairment losses, if any, are eliminated from the accounts and any gain or loss resulting from their disposal is included in the consolidated statement of comprehensive income of such period.

The useful lives and depreciation and amortization method are reviewed at least at each financial year-end to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives of the assets, or the term of the lease whichever is shorter:

Land improvements	10 years
Building and improvements	40 years
Machineries	10 years
Gaming equipment	5 years
Office furniture and fixtures	5 years
Transportation equipment	5 years
Leasehold improvements	3 years
Office and communication equipment	5 years

During the fourth quarter of 2016, the Group changed the estimated useful life for depreciation of the building and improvements from 20 years (remaining term for the lease of land with PAGCOR) to 40 years (expected utility of the building based on the technical study).

Property and equipment includes costs incurred in the construction of the hotel and casino entertainment complex classified under "Construction in Progress". These include costs of construction, equipment and other direct costs such as borrowing cost. Upon completion, these costs will be amortized over the life of the asset. During the period of construction, construction in progress is tested for impairment if any impairment indicators are present.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and

are recognized in profit or loss in the consolidated statement of comprehensive income when the asset is derecognized.

Operating Equipment

Operating equipment (shown as part of "Intangible and other noncurrent assets" account) includes linen, china, glassware, silver, and other kitchen wares, which are carried at cost. Items of operating equipment with expected period of consumption of one year or less are classified as current. Bulk purchases of items of operating equipment with expected usage period of beyond one year are classified as noncurrent assets and are amortized over two to three years. Subsequent purchases of operating equipment upon start of business operations are recognized in profit or loss in the consolidated statement of comprehensive income.

Impairment of Nonfinancial Assets

The Group assesses at each reporting date whether there is any indication that its nonfinancial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of the recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash generating unit to which it belongs. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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.

An impairment loss is charged to operations in the year in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to the revaluation increment of the said asset.

For nonfinancial assets, excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Intangible assets with indefinite useful lives are tested for impairment annually, at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

Goodwill and casino license with indefinite useful life are tested for impairment annually, and when circumstances indicate that the carrying value may be impaired. Impairment is

determined for goodwill and casino license with indefinite useful life by assessing the recoverable amount of each cash-generating unit (“CGU”) (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized in profit or loss in the consolidated statement of comprehensive income. Impairment losses relating to goodwill cannot be reversed in future periods.

Equity
Capital stock is measured at par value for all shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction of proceeds, net of tax. Proceeds and/or fair value of considerations received in excess of par value are recognized as additional paid-in capital (APIC).

Equity reserve pertains to costs incurred in 2011, in connection with the issuance of capital stock such as taxes and legal fees. The account also includes the effect of the reverse acquisition when Bloomberry acquired Sureste from the ultimate parent in 2012.

Treasury shares are the Parent Company’s own equity instruments which are reacquired and are recognized at cost and presented as reduction in equity. No gain or loss is recognized in the consolidated statement of comprehensive income on the purchase, sale, reissuance or cancellation of the Parent Company’s own equity instruments. Any difference between the carrying amount and the consideration upon reissuance or cancellation of shares is recognized as APIC.

Retained earnings represents the Group’s cumulative net earnings/losses, net of dividends declared.

Share-based Payment Plan
Certain qualified officers and employees of the Parent Company and subsidiaries receive remuneration for their services in the form of equity shares of the Parent Company (“equity-settled transactions”).

The cost of equity-settled transactions with officers and employees is measured by reference to the fair value of the stock at the date on which these are granted.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (‘the vesting date’).

The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest. The consolidated statement of income expense or credit for a period represents the movement in cumulative expense recognized at the beginning and end of that period and is recognized as share-based payment expense as part of “Salaries and benefits” under operating costs and expenses.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transaction for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting

condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Foreign Currency Transactions and Translations

The Group's financial statements are presented in Philippine Peso. The Philippine Peso is the currency of the primary economic environment in which the Group operates.

Transactions and Balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates prevailing at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized in profit or loss in the consolidated statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

Group Companies

On consolidation, the assets and liabilities of foreign operations are translated into Philippine peso at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at the average exchange rates for the year. The exchange differences arising on translation for consolidation are recognized in OCI and taken directly to a separate component of equity as translation adjustments. On disposal of these subsidiaries, the amount of deferred cumulative translation adjustments recognized in equity relating to subsidiaries shall be recognized in profit or loss in the consolidated statements of comprehensive income.

Revenue Recognition

The Group recognizes revenue when the amount of revenue can be reliably measured, it is possible that future economic benefits will flow into the entity and specific criteria have been met for each of the Group's activities described below. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

Gaming revenue

Gaming revenue is measured by the aggregate net difference between gaming wins and losses, with liabilities recognized for funds deposited by customers before gaming play occurs and for chips in customers' possession. Revenues are recognized net of certain sales incentives. Accordingly, the Group's gaming revenues are reduced by discounts, rebates paid through the gaming promoters, progressive jackpot liabilities and points earned in customer loyalty programs totaling to ₱3,046.7 million and ₱2,904.3 million for

the three months ended March 31, 2018 and 2017, respectively.

Hotel, food and beverage, retail and other operating revenues
Hotel, food and beverage, retail and other operating revenues are recognized when services are performed or the retail goods are sold. Deposits received from customers in advance on rooms or other services are recorded as liabilities until services are provided to the customers.

The retail value of accommodation, food and beverage, and other services furnished to guests without charge is excluded from total operating revenues in the accompanying consolidated statement of comprehensive income. The amounts of such promotional allowances excluded from total operating revenues for the three months ended March 31, 2018 and 2017 are as follows:

	March 31, 2018	March 31, 2017
Hotel, food and beverage	**₱410,769,291**	₱393,402,005
Retail and others	**40,309,276**	44,544,150
	₱451,078,567	₱437,946,155

Retail and other revenue includes sale of various merchandise, communication and transportation services to Solaire guests and players.

Interest income
Interest income is recognized as it accrues on a time proportion basis taking into account the principal amount outstanding and the EIR. Interest income represents interest earned from cash and cash equivalents and restricted cash comprising of cash in escrow and cash allocated to the Project.

Cost and Expenses
Costs and expenses are recognized in the consolidated statement of comprehensive income upon utilization of the service or at the date they are incurred.

Costs incurred prior to obtaining the license were expensed as incurred.

Gaming Taxes
Being a PAGCOR licensee, BRHI is required to pay license fees on its gross gaming revenues on a monthly basis starting from the date the casino commences operations. These license fees are reported under “Operating costs and expenses” in the consolidated statements of comprehensive income.

Retirement expense
The Group has an unfunded, non-contributory defined benefit plan covering all of its regular employees. Retirement costs are determined based on the provisions of Republic Act No. 7641, “Retirement Pay Law”. These benefits are unfunded. The cost of employee benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements, comprising of actuarial gains and losses, excluding amounts included in interest on the defined benefit liability are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings

through OCI in the period in which they occur. Remeasurements are not classified to profit or loss in subsequent periods.

Interest is calculated by applying the discount rate to the defined benefit liability. The Group recognized the change in defined benefit obligation such as service cost and interest costs under "Operating costs and expenses" in the consolidated statement of comprehensive income.

Provisions

Provisions are recognized when the Group has present obligations, legal or constructive, as a result of past events, when 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. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of comprehensive income, net of any reimbursements. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to passage of time is recognized as interest expense.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Qualifying assets are assets that necessarily take a substantial period of time to get ready for its intended use or sale. Capitalization of borrowing costs commences when the activities necessary to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are available for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds, as well as exchange differences arising from foreign currency borrowings used to finance these projects to the extent that they are regarded as an adjustment to interest cost.

All other borrowing costs are expensed as incurred.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at the 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. A reassessment is made after the inception of the lease only if one of the following applies: (a) there is a change in contractual terms, other than a renewal or extension of the agreement; (b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term; (c) there is a change in the determination of whether the fulfillment is dependent on a specified asset; or (d) there is a substantial change to the asset.

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

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

As a lessor
Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Taxes

Current income tax
Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting period.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the profit or loss.

Deferred income tax
Deferred income tax is provided using the liability method on temporary differences at the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences except: (1) when the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and (2) with respect to taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carry-over (NOLCO) to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward benefit of unused tax credits and unused tax losses can be utilized except: (1) when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and (2) with respect to deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable

future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting period.

Deferred income tax relating to items recognized directly in other comprehensive income account is included in the other comprehensive income account of the consolidated statement of comprehensive income.

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

Value-Added Tax (VAT)
Revenue, expenses and assets are recognized net of the amount of VAT, except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; or
- Receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from/payable to the taxation authority is included as part of the “Prepayments and other current assets” and “Payables and other current liabilities” accounts in the consolidated statement of financial position.

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

Events After the Reporting Date
Post year-end events that provide additional information about the Group’s financial position at the end of the reporting period (adjusting events) are reflected in the unaudited condensed consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to unaudited condensed consolidated financial statements when material.

Earnings (Loss) Per Share
The Group presents basic and diluted earnings (loss) per share rate for its shares.

Basic Earnings (loss) Per Share (EPS) is calculated by dividing net income (loss) for the period attributable to equity shareholders by the weighted average number of shares outstanding during the period after giving retroactive effect to any stock dividend declarations.

Diluted earnings (loss) per share is computed in the same manner, adjusted for the effect of the shares issuable to qualified officers and employees under the Parent Company's stock incentive plan which are assumed to be exercised at the date of grant. Where the effect of the vesting of stock under the stock incentive plan is anti-dilutive, basic and diluted earnings per share are stated at the same amount.

Segment Reporting
A segment is a distinguishable component of the Group that is engaged either in providing products or services within a particular economic environment subject to risks and rewards that are different from those of other segments, which operating results are regularly reviewed by the chief operating decision maker to make decisions about how resources are to be allocated to each of the segments and to assess their performances, and for which discrete financial information is available. Management views the hotel and casino business as one integrated business segment, i.e., an integrated resort facility. A single management team for each geographical area reports to the chief operating decision-maker. The Group operates in two geographical areas in 2018 and 2017 where it derives its revenue.

Management's Use of Judgments, Estimates and Assumptions

The preparation of the unaudited condensed consolidated financial statements in conformity with PFRS requires the Group to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and disclosure of contingent liabilities at the reporting date. The uncertainties inherent in these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the assets or liabilities affected in the future years.

Judgments
In the process of applying the Group'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 unaudited condensed consolidated financial statements.

Determination of Functional Currency. The functional currencies of the Parent Company and its subsidiaries are the currency of the primary economic environment in which each entity operates. It is the currency that mainly influences the revenue from and cost of rendering services.

Based on the economic substance of the underlying circumstance relevant to the Parent Company, the functional and presentation currency of the Parent Company is the Philippine peso. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of

exchange ruling at reporting date. For income tax purposes, exchange gains or losses are treated as taxable income or deductible expenses in the year such are realized.

The functional currency of the Parent Company's foreign subsidiaries, i.e., Solaire Korea and G&L, is the Korean won.

Evaluating Lease Commitments. The evaluation of whether an arrangement contains a lease is based on its substance. An arrangement is, or contains a lease when the fulfilment of the arrangement depends on a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a Lessee
The Group has entered into various operating lease agreements as a lessee. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that the lessor retains all the significant risks and rewards of ownership of these properties because the lease agreements do not transfer to the Group the ownership over the assets at the end of the lease term and do not provide the Group with a bargain purchase option over the leased assets and so accounts for the contracts as operating leases.

Determination of Casino License's Useful Life. The Group's casino license has been acquired through a business combination. The license has no expiration and renewal is not necessary. Further, it may only be cancelled under specific rare circumstances. Accordingly, management has assessed that the Group's casino license has an indefinite useful life.

Estimates and assumptions
The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year are discussed as follows:

Contingencies. On April 13, 2013, the BIR issued RMC No. 33-2013, which may affect the tax exemption of BRHI. On June 4, 2014, BRHI filed a petition with the Supreme Court to annul the provision of RMC No. 33-2013, which subjects PAGCOR licensees to corporate income tax. In a decision dated August 10, 2016, the Supreme Court ruled in favour of BRHI and nullified the questioned provision of RMC No. 33-2013. Also, the Group is involved with a legal case relative to its terminated agreement with Global Gaming Philippines LLC ("GGAM"). The Group's estimate of the probable cost for the implication of these matters has been developed in consultation with its legal counsels and is based upon an analysis of potential results. Management and its legal counsels do not believe these will have a material adverse effect on its financial position or performance. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of strategies relating to this matter.

Estimating Allowance for Doubtful Accounts. The Group reviews its receivables at each reporting date to assess whether a provision for doubtful accounts should be recorded in the consolidated statement of financial position. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. In addition to specific allowance against individually significant receivables, the Group also makes a collective impairment allowance against exposures which,

although not specifically identified as requiring specific allowance, have a greater risk of default than when the credit was originally granted.

Management evaluates provision for doubtful accounts based on a specific review of customer accounts as well as experience with collection trends in the casino industry and current economic and business conditions. As customer payment experience evolves, management will continue to refine the estimated provision for doubtful accounts. Accordingly, the associated doubtful accounts expense charge may fluctuate. Because individual customer account balances can be significant, the provision and the expense can change significantly between periods, as information about a certain customer becomes known or as changes in a region's economy or legal systems occur.

There were no provision for doubtful accounts for the three months ended March 31, 2018 and 2017. The net carrying amount of receivables amounted to ₱2,375.0 million and ₱2,283.4 million as of March 31, 2018 and December 31, 2017, respectively.

Net Realizable Value of Inventories. The Group writes down the cost of inventories whenever net realizable value of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. The lower of cost and net realizable value of inventories is reviewed on a monthly basis to reflect the accurate valuation in the financial records. Inventories and supplies identified to be obsolete and unusable are also written off and charged as expense for the period.

There were no provision for inventory obsolescence for the three months and nine months ended March 31, 2018 and 2017. Inventories at cost amounted to ₱297.0 million and ₱320.8 million as of March 31, 2018 and December 31, 2017, respectively.

Estimating Useful Lives of Property and Equipment. Management determines the estimated useful lives and the related depreciation and amortization charges for its property and equipment based on the period over which the property and equipment are expected to provide economic benefits. Management's estimation of the useful lives of property and equipment is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. These estimations are reviewed periodically and could change significantly due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. Management will increase the depreciation and amortization charges where useful lives are less than the previously estimated useful lives.

In 2016, the Group reassessed the estimated useful life of the building and improvements in view of the developments in the casino industry which consequently impacts the Group's expectation to extend the lease. Accordingly, during the fourth quarter of 2016, the Group changed the estimated useful life of the building and improvements from 20 years (remaining term for the lease of land with PAGCOR) to 40 years (expected utility of the building based on technical study) to better reflect the estimated period during which the building and improvements are expected to remain in service. The change in estimated useful life was accounted for prospectively. Depreciation for the year ended December 31, 2016 would have been higher by ₱188.0 million had the change in useful life not taken place. Annual depreciation will be lower by ₱752.1 million in future years. The aggregate net book value of the Group's property and equipment (excluding construction in progress) amounted to ₱41,661.8 million and ₱42,302.4 million as of March 31, 2018 and December 31, 2017, respectively.

Estimating Useful Life of Operating Equipment. Bulk purchases of operating equipment items are estimated to be consumed over a period of two to three years. This estimation is reviewed periodically and could change significantly due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. Management will increase the amortization charges where period of consumption is less than the previously estimated period of consumption.

Amortization for the three months ended March 31, 2018 and 2017 amounted to ₱3.2 million and ₱25.8 million, respectively. The carrying value of the Group's operating equipment amounted to ₱5.6 million and ₱7.0 million as of March 31, 2018 and December 31, 2017, respectively.

Impairment of Nonfinancial Assets. An impairment review is performed when certain impairment indicators are present. Nonfinancial assets are subject to annual impairment test or whenever there is a strong indication that the assets will be impaired. The Group recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using the value in use approach or based on the fair values using the latest sales price available in the market. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

Management is required to make estimates and assumptions to determine the recoverable amounts. While the Group believes that the assumptions used are reasonable and appropriate, these estimates and assumptions can materially affect the consolidated financial statements. Future adverse events may cause the management to conclude that the affected assets are impaired and may have a material impact on the Group's financial condition and results of operations.

There was no impairment loss recognized for the three months ended March 31, 2018, and 2017.

The carrying values of nonfinancial assets subject to impairment review are as follows:

	March 31, 2018 *(Unaudited)*	December 31, 2017 *(Audited)*
Property and equipment	**₱41,804,071,374**	₱42,470,677,934
Casino license and goodwill	**2,021,436,028**	1,942,408,693
Advances to contractors	**95,244,772**	117,840,549
Operating equipment	**5,616,865**	7,019,640
	₱43,926,369,039	₱44,537,946,816

Recognition of Gaming Promoters' Expense. The Group pays the gaming promoters, who introduce VIP players to Solaire, a percentage of the gross gaming win generated by each gaming promoter. Approximately 80% of the amount paid to gaming promoters is netted against casino revenues, because such percentage approximates the amount of rebates returned to the VIP players through the gaming promoters, which will be used by the players to purchase additional chips and will eventually result in incremental casino revenue, and approximately 20% is included in operating expenses, which approximates the amount ultimately retained by the gaming promoters for their compensation.

Gaming promoters' expense which was netted against revenue and the amount presented as part of operating costs and expenses amounted to ₱2,135.9 million and

₱533.9 million, respectively, for the three months ended March 31, 2018 and ₱2,122.2 million and ₱530.6 million, respectively, for the three months ended March 31, 2017.

Determining Retirement Benefits. The determination of the Group's obligation and cost for retirement benefits is dependent on the selection of certain assumptions used by the Group's actuaries in calculating such amounts. While it is believed that the Group's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's retirement liabilities.

Retirement benefits obligation amounted to ₱481.1 million and ₱449.6 million as of March 31, 2018 and December 31, 2017, respectively.

Recognition of Deferred Tax Assets and Liabilities. The Group reviews the carrying amounts at the end of each reporting period and reduced the deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences is based on the level and timing of forecasted taxable income of the subsequent reporting periods. The forecast is based on past results and future expectations on revenues and expenses as well as future tax planning strategies. However, there is no assurance that the Group will generate sufficient taxable income to allow all or part of its deferred income tax assets to be utilized.

The Group has no net deferred tax assets balance as of March 31, 2018 and December 31, 2017. The Group's temporary differences, for which no deferred tax assets/liabilities have been recognized amounted to ₱8,794.3 million as of March 31, 2018 and December 31, 2017, resulting from (a) Sureste's position that it will not have any taxable profits in the future in which it could utilize its deferred tax assets. On the other hand, BRHI has no unrecognized deferred tax asset/liability as of December 31, 2016 since it will no longer have future taxable nor deductible temporary differences from its operations given that its income tax exemption on gaming operations has already been confirmed by the Supreme Court.

3. Cash and Cash Equivalents

This account consists of:

	March 31, 2018 *(Unaudited)*	December 31, 2017 *(Audited)*
Cash on hand	**₱2,583,454,425**	₱1,776,561,344
Cash in banks	**21,848,849,313**	17,583,055,499
Temporary cash investments	**987,525,074**	963,002,888
Debt collateral accounts	**1,647,506,334**	1,638,787,247
	₱27,067,335,146	₱21,961,406,978

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

Temporary cash investments are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at the prevailing short-term investment rates.

Debt collateral accounts are bank accounts maintained by the Group as collateral for its long-term debt.

4. Restricted Cash

Prior to the issuance of the Gaming License on May 7, 2015, restricted cash includes the escrow account required in the Provisional License issued by PAGCOR and restricted funds allocated for the construction of the Project.

Under the Provisional License granted by PAGCOR, the Group is required to set up and maintain an escrow account amounting to US$100.0 million with a universal bank mutually agreed by PAGCOR and BRHI. All funds for the construction of the Project (see Note 1) shall pass through the escrow account and all drawdowns of funds from the said escrow account must be applied to the Project. The escrow account should have a maintaining balance of US$50.0 million. PAGCOR released BRHI from the requirement to maintain the escrow account upon completion of the Project and grant of a regular license to BRHI on May 7, 2015.

The Group still maintains the escrow account as security to Sureste's loan (to be fully settled in 2026). As of March 31, 2018 and December 31, 2017, the escrow account amounting to ₱2,249.9 million and ₱2,250.9 million is presented under the noncurrent assets section in the consolidated statements of financial position.

5. Receivables

This account consists of:

	March 31, 2018 *(Unaudited)*	December 31, 2017 *(Audited)*
Casino	**₱2,425,575,335**	₱2,290,513,611
Hotel	**115,085,497**	132,109,525
Advances to officers and employees	**110,922,987**	117,241,378
Others	**67,268,449**	83,806,686
	2,718,852,268	2,623,671,200
Less allowance for doubtful accounts	**343,883,362**	340,247,452
	₱2,374,968,906	₱2,283,423,748

Casino receivables primarily consist of casino markers issued to fixed room junket operators and VIP premium casino players. Casino markers are issued for gaming instruments (chips and credits) to approved casino players. These markers are noninterest bearing and are normally collected within 90 days.

Hotel receivables pertain to various food, beverage, and hotel service fees receivable from hotel occupants, which are collected upon checkout. This also includes credit card transactions, which are normally collected within one month.

Advances to officers and employees primarily pertain to cash advances which are normally settled within one year through salary deduction.

Accrued interest, presented as part of “Others”, pertains to interest from temporary cash investments and restricted cash account, which are normally received within one year.

Allowance for doubtful accounts pertain to casino markers that the Group has assessed as doubtful on an individual and collective basis to be collectible.

6. Property and Equipment

Construction in progress represents costs incurred related to the ongoing development. Costs incurred mainly include raw materials procurement, general construction works, architectural design services, engineering consultancy and construction supervision services and interior design services. As of March 31, 2018 and December 31, 2017, property and equipment includes construction in progress pertaining to the costs related to improvement of Solaire property.

Bloomberry through Solaire Korea has purchased 12.2 hectares property in Muui Island and the entire 20.96 hectares Silmi Island in the Republic of Korea. Muui Island and Silmi Island are within the coverage of the Incheon Free Economic Zone. They are intended to be developed into a leisure and tourism complex with entertainment facilities and mixed uses developments.

Fully depreciated assets still in use in operations as of March 31, 2018 and December 31, 2017 amounted to ₱440.2 million. The Group has no idle property and equipment as of March 31, 2018 and December 31, 2017.

As of March 31, 2018 and December 31, 2017, BRHI’s and Sureste’s property and equipment under mortgage have carrying values of ₱35.6 billion.

There were no major disposals or write-downs of property and equipment for the three months ended March 31, 2018. Additions for the period amounted to ₱244.5 million. As of March 31, 2018 and December 31, 2017, property and equipment amounted to ₱41,804.1 million and ₱42,470.7 million, respectively.

7. **Intangible and other Noncurrent Assets**

a. Intangible Assets

The movements in the goodwill and casino license follow:

	March 31, 2018 *(Unaudited)*	December 31, 2017 *(Audited)*
Balance at beginning of year	**₱1,942,408,693**	₱1,959,867,224
Impairment loss	**–**	(271,574,086)
Translation adjustment	**79,027,335**	254,115,555
Balance at the end of the period	**₱2,021,436,028**	₱1,942,408,693

Casino license pertains to G&L's license to operate a casino business in Jeju, South Korea.

b. Other Noncurrent Assets

This account consists of:

	March 31, 2018 *(Unaudited)*	December 31, 2017 *(Audited)*
Advances to contractors	**₱95,244,772**	₱117,840,549
Security deposits classified as noncurrent	**59,363,878**	66,684,841
Available-for-sale investment	**16,500,000**	16,350,000
Operating equipment	**5,616,865**	7,019,640
Others	**718,028**	8,077,905
	₱177,443,543	₱215,972,935

Advances to contractors pertain to advance payments to various contractors for gaming equipment, hotel furniture and fixtures, operating equipment and other gaming and hotel equipment related to the development of hotel and gaming facility of Solaire. As of March 31, 2018 and December 31, 2017, advances to contractors primarily pertain to advance payments for hotel furnitures and fixtures and other gaming and hotel equipment and for construction costs related to the Sky Tower, respectively.

Security deposits classified as noncurrent primarily pertain to deposits to utility companies which are refundable upon service termination.

Available-for-sale investment represents the Group's investment in quoted Manila Polo Club shares.

Operating equipment are bulk purchases of linen, china, glassware, silver, and other kitchenware, which are carried at cost with expected usage period of beyond one year.

Others mainly represent noncurrent portion of rental deposit and advance rent that will be applied to the last two/three months of the lease term.

8. **Payables and Other Current Liabilities**

This account consists of trade payables, accrued project costs, current portion of accrued rent, accrued taxes and interest, withholding tax payable, accrued pre-opening expenses, income tax payable, dividends payable and others. Accrued project costs and other accruals are expected to be settled within one year.

Accrued rent arises from the recognition of lease on a straight-line basis.

Withholding tax payable and other payables are normally settled within one year.

As of March 31, 2018 and December 31, 2017, payables and other current liabilities amounted to ₱10,861.9 million and ₱9,245.9 million, respectively.

9. **Long-term Debt**

This account consists of:

	March 31, 2018 *(Unaudited)*	December 31, 2017 *(Audited)*
Principal:		
Original facility	**₱8,144,109,375**	₱8,252,697,500
Expansion facility	**12,286,560,000**	12,789,920,000
Corporate notes	**11,253,625,000**	11,310,750,000
	31,684,294,375	32,353,367,500
Less unamortized debt discount	**231,404,106**	252,547,904
	31,452,890,269	32,100,819,596
Less current portion of long-term debt	**3,290,608,841**	2,727,330,526
	₱28,162,281,428	₱29,373,489,070

Future repayment of the principal follows:

	March 31, 2018 *(Unaudited)*	December 31, 2017 *(Audited)*
Within one year	**₱3,176,850,625**	₱2,815,152,500
After one year but not more than five years	**24,381,095,000**	25,194,690,000
Beyond five years	**4,126,348,750**	4,343,525,000
	₱31,684,294,375	₱32,353,367,500

a. Original Facility

On January 24, 2011, Sureste and BRHI entered into an aggregate of ₱9.87 billion (₱7.62 billion for Sureste and ₱2.25 billion for BRHI), seven-year term loan facilities (“Original Facility”) with Banco de Oro Unibank, Inc. (the “Lender” or “BDO”) as the lender to finance the construction of the hotel, gaming and entertainment facility, including but not limited to purchase of furniture, fixture and equipment and payment of consultants. Sureste’s loan has an escrow portion in the amount of ₱2.25 billion,

which is secured by the assignment and hold-out on the escrow account maintained by BRHI as previously required under the Provisional License from PAGCOR (see Note 4). On April 4, 2012, Sureste's loan agreement with BDO was amended to, among others, provide for an additional ₱4.73 billion loan facility, making an aggregate available facility for Sureste of ₱12.35 billion.

The Original Facility is payable over seven years in 16 consecutive quarterly installments on each repayment date commencing on the 39th month from the initial drawdown date while the interest on the unpaid principal amount shall be paid in quarterly payments from the initial drawdown date. The loan bears an interest rate based on a spread of 1% over the 3-month PDST-F rate with respect to the escrow portion of Sureste's loan in the amount of ₱2.25 billion and 3% over the 3-month PDST-F rate with respect to the portion not constituting the escrow portion in the amount of ₱12.35 billion.

On December 22, 2016, the Group and the Lender agreed to restructure the terms of the loan facility. Under the revised agreement, the Original Facility is payable over 16 years in 50 consecutive quarterly installments on each repayment date commencing on the 39th month from the initial drawdown date. The loan bears an interest rate on a spread of 1.0% over the 10-year PDST-R2 rate as of December 22, 2016 with respect to the escrow portion of the Group's loan in the amount of ₱2.25 billion and 1.75% over the 10-year PDST-R2 rate as of December 22, 2016 with respect to the portion not constituting the escrow portion in the amount of ₱12.35 billion. The amendment of the terms of the Original Facility was accounted for as a modification, rather than an extinguishment of debt. Thus, the fees incurred on the loan refinancing amounting to ₱43.4 million was adjusted to the carrying value of the Original Facility and will be amortized over the remaining term of the modified liability.

Sureste and BRHI are obliged to pay, on each date of drawdown, for the first three years of the facilities, a commitment fee equivalent to 0.8% per annum for the first year and 0.5% per annum for the second and third years, based on the undrawn portion of the commitment.

As at March 31, 2018 and December 31, 2017, this facility has been fully drawn. Loan principal amounting to ₱108.6 million was paid as of the first quarter in 2018. Outstanding long-term debt, net of unamortized debt discount, as of March 31, 2018 and December 31, 2017 amounted to ₱8,074.1 million and ₱8,181.5 million, respectively.

The Original Facility provides that Sureste/BRHI is permitted to make optional prepayments anytime until maturity. Upon prepayment, Sureste/BRHI shall pay the principal, accrued interest and penalty based on the amount prepaid in the following percentages: (i) 3% for years 1 to 3 from the initial borrowing date; (ii) 2% for year 4; (iii) 1% for year 5; and (iv) 0.5% for year 6.

The prepayment option was assessed as not clearly and closely related to the loan. As at inception date, the value of the prepayment option is not material. Upon additional drawdowns, the option was bifurcated at each drawdown date of the loan, resulting to a value of the bifurcated prepayment option which was offset against additions to capitalized debt issue costs. Accretion of interest on the option amounting to ₱1.8 million and ₱0.3 million in March 31, 2018 and 2017, respectively, were offset against amortization of debt issue costs. Fair value loss on the

prepayment option amounting to ₱1.5 million and ₱4.2 million in March 31, 2018 and 2017, respectively are recognized as part of "Others" under Other income (expenses) in the consolidated statements of comprehensive income.

b. Expansion Facility

In March 2013, the Group executed a second amendment to the loan agreement to provide for an additional ₱14.3 billion loan facility ("Expansion Facility") with BDO Unibank Inc., China Banking Corp., and Philippine National Bank as expansion lenders.

The Expansion Facility of ₱14.3 billion is payable over seven years in 16 consecutive quarterly installments on each repayment date commencing on the 39th month from the initial drawdown date while the interest on the unpaid principal amount shall be paid in quarterly payments from the initial drawdown date. The loan bears an interest rate based on a spread of 2% over the 30-day BSP reverse purchase agreement rate, unless a substitute benchmark rate has been requested 20 banking days prior to an interest payment date.

Similar with the original facility, Sureste and BRHI are obliged to pay, on each date of drawdown, for the first three years of the facilities, a commitment fee equivalent to 0.8% per annum for the first year and 0.5% per annum for the second and third years, based on the undrawn portion of the commitment.

As at March 31, 2018 and December 31, 2017, the facilities has been fully drawn amounting to ₱14.3 billion. Loan principal amounting to ₱503.4 million was paid in the first quarter of 2018. Outstanding long-term debt, net of unamortized debt discount, as of March 31, 2018 and December 31, 2017, amounted to ₱12,164.8 million and ₱12,651.3 million, respectively.

The Expansion Facility provides that Sureste is permitted to make optional prepayments anytime until maturity, but without penalty.

The embedded prepayment option on the Expansion Facility was assessed as clearly and closely related to the loan, thus, not for bifurcation.

c. Corporate Notes

On February 10, 2014, the Group issued ₱11.425 billion unsecured corporate notes ("Corporate Notes") to fund Phase 1A of Solaire. Sureste and BRHI signed a corporate notes facility agreement with BDO Unibank Inc., BDO Leasing and Finance Inc., BDO Private Bank Inc., China Banking Corp., Robinsons Bank Corp. and United Coconut Planters Bank. BRHI served as an issuer, Sureste as surety and BDO Capital & Investment Corp. as the lead arranger and sole bookrunner for the facility.

The Corporate Notes of ₱11.425 billion is payable over seven years in 8 consecutive semi-annual installments on each repayment date commencing on the 36th month from the initial drawdown date while the interest on the unpaid principal amount shall be paid in semi-annual payments from the initial drawdown date. The Corporate Notes bears a fixed interest rate of 6.75% per annum.

As at March 31, 2018 and December 31, 2017, the facilities has been fully drawn. Loan principal amounting to ₱57.1 million has been paid in the first quarter of 2018. The outstanding balance of the Corporate Notes, net of unamortized debt discount, as of March 31, 2018 and December 31, 2017 amounted to ₱11,214.0 million and ₱11,268.0 million, respectively.

The Corporate Notes provide that BRHI is permitted to make optional prepayments anytime until maturity. Upon prepayment, BRHI shall pay the principal, accrued interest and penalty based on the amount prepaid in the following percentages: (i) 0.5% from the first to third anniversary; (ii) 0.25% after the third anniversary to the fifth anniversary; and (iii) no prepayment penalty after the fifth anniversary.

The embedded prepayment option on the Corporate Notes was assessed as clearly and closely related to the loan, thus, not for bifurcation.

All legal and professional fees, including commitment fee, incurred in relation to the loans were capitalized. Debt issue costs were amortized using EIR method.

Unamortized debt discount, representing capitalized debt issue costs and the value of the bifurcated derivatives arising from embedded prepayment option, is presented as deduction from the Group's long-term debt.

Debt Covenant

Sureste's and BRHI's original and expansion facilities contain certain restrictive covenants that require Sureste and BRHI to comply with specified financial ratios and other financial tests at quarterly measurement dates. Sureste's and BRHI's loan agreement includes compliance with certain financial ratios such as debt-to-equity and debt service coverage ratios. Sureste and BRHI are required to maintain a debt service coverage ratio of at least 1.2 times on each testing date after the commencement of the gaming facility's commercial operations while a maximum of debt-to-equity ratio of 2.33 times for consolidated BRHI and Sureste, respectively, on each testing date.

As of March 31, 2018 and December 31, 2017, Sureste and BRHI are in compliance with these debt covenants.

Collateral

Under the original and expansion facilities, collateral includes the following:

(i) Assignment of Accounts and Receivables

To ensure the payment by Sureste/BRHI of the Loan, Sureste/BRHI shall assign, convey, set over and transfer unto the Security Trustee absolutely and unconditionally all of its respective right, title and interest in all monies standing in its Debt Service Payment Account (DSPA) and Debt Service Reserve Account (DSRA) required to be maintained by the Group to service interest and principal payments, all monies standing in the Escrow Account (see Note 4), project receivables, as well as the proceeds, products and fruits of the said accounts.

The level of funds standing in the DSRA on any date commencing on the initial drawdown date shall be at least equal to the amount of principal due on an immediately succeeding repayment date and two times the interest payable on an immediately succeeding interest payment date.

The level of funds standing in the DSPA commencing on the initial drawdown date shall be at least equal to (i) on the 60th day from the start of the relevant interest period, at least fifty percent (50%) of all amounts payable on an immediately succeeding payment date; and (ii) on or before 10:00 am of a payment date, at least one hundred percent (100%) of all amounts payable on such payment date.

In the event the funds in the DSPA fall below the DSPA maintaining balance, and as a result thereof, the funds standing in the DSPA becomes insufficient to cover payments for the relevant payment date, Banco de Oro Unibank, Inc. - Trust and Investment Group (the Security Trustee) shall, not later than 12:00 pm on such relevant payment date, debit from the DSRA such amount as would be necessary to pay for the interest or principal falling due on such payment date.

As of March 31, 2018 and December 31, 2017, the Group's debt collateral accounts balances are as follows:

	March 31, 2018 *(Unaudited)*	December 31, 2017 *(Audited)*
Debt service reserve account	**₱1,509,405,980**	₱1,504,481,863
Debt service payment account	**138,100,354**	134,305,384
	₱1,647,506,334	₱1,638,787,247

(ii) Assignment of Project Agreements

Sureste/BRHI shall assign, convey, set over and transfer absolutely to the Security Trustee all of its rights, title and interest, present and future, in and into the Future Project Agreements, the (a) benefit of all claims for damages for the breach by any Counterparty of any term of any of the Project Agreements and all warranties and indemnities contained therein; (b) the right to terminate any of the Project Agreements or agree to the suspension thereof; (c) the right to compel performance of any of the Project Agreements; (d) the right to agree to any variation of the terms of any of the Project Agreements; and (e) the right to pursue any action, proceeding, suit or arbitration arising in relation to any of the rights assigned and to enforce such rights in the name of Sureste/BRHI.

(iii) Mortgage

As a security for timely payment, discharge, observance and performance of the loan, Sureste/BRHI (a) establishes in favor of the Security Trustee for the benefit of the Lender, a first ranking real estate mortgage on the Present Real Assets, i.e. leasehold rights over the phase 1 PAGCOR Land covered by the PAGCOR Lease (see Note 13), and Future Real Assets, i.e. the hotel and gaming facilities; and (b) establish in favor of the Security Trustee for the benefit of the Lender, a first ranking Chattel Mortgage on the Present and Future Chattels.

(iv) Continuing Suretyship

In consideration of the loan and for other valuable consideration receipt of which the Surety, i.e, Sureste/BRHI, acknowledges, Sureste/BRHI agrees that it shall be solidarily liable with BRHI/Sureste to the Lender and the Security Trustee for the payment of the loan.

(v) Pledge

The Pledgor, i.e. BRHI shareholders, shall assign, transfer, deliver, set over and grant to the Security Trustee, a continuing security interest of first priority in, all of its right, title and interest in and to the Pledged Shares, i.e. BRHI shares, and the Additional Pledged Shares, whether now owned or existing or hereafter acquired.

10. Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) subsidiaries; and (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that give them significant influence over the Group and close members of the family of any such individual.

The Group has a contractual arrangement with a related party for the use of aircrafts. Other related party transactions include, advances to PMHI, contribution to Bloomberry Cultural Foundation, advances to officers and employees and short-term and long-term employee benefits to key management officers.

11. Equity

Capital Stock

Capital stock consists of:

	March 31, 2018 *(Unaudited)*		December 31, 2017 *(Audited)*	
	Shares	**Amount**	Shares	Amount
Capital Stock - ₱1 par value				
Authorized	**15,000,000,000**	**₱15,000,000,000**	15,000,000,000	₱15,000,000,000
Issued	**11,032,998,225**	**11,032,998,225**	11,032,998,225	11,032,998,225
Issued and outstanding	**11,027,315,226**	**10,959,538,031**	11,010,495,000	10,907,806,076

Stock Incentive Plan

The Stockholders of the Parent Company approved on June 25, 2012 a Stock Incentive Plan (SIP) for directors, officers, and employees of the Group, effective for a period of ten years unless extended by the BOD. The Participants to the SIP are: permanent and regular employees of the Group or its affiliates with at least one year tenure; officers and directors of the Group; officers and directors of affiliates of the Group; and other persons who have contributed to the success and profitability of the Group or its affiliates.

The SIP is administered by the Stock Incentive Committee (SIC) composed of three directors or officers appointed by the BOD. The SIC determines the number of shares to be granted to a participant and other terms and conditions of the grant.

Unissued shares from the authorized capital stock or treasury shares, which together with shares already granted under the SIP, are equivalent to seven percent (7%) of the resulting total outstanding shares of the Parent Company are allocated for the SIP.

The grant of shares under the SIP does not require an exercise price to be paid by the awardee. The shares awarded shall vest in two years: 50% on the first anniversary date of the award; and the other 50% on the second anniversary date of the award. Vesting grants the participant absolute beneficial title and rights over the shares, including full dividend and voting rights.

Stock awards granted by the SIC to officers and employees of the Group are shown below:

Grant Date	Number of Shares Granted	Fair Value per Share at Grant Date
October 1, 2013	5,792,700	₱10.02
July 1, 2014	4,318,589	10.84
October 27, 2014*	4,486,000	14.98
April 28, 2015	922,645	11.36
August 13, 2015	1,157,403	8.95
October 23, 2015	1,105,842	6.59
February 16, 2016	17,935,061	4.49
June 28, 2016	558,289	5.80
April 18, 2017	26,748,522	8.38

**50 percent of the total granted shares has a 3-year vesting period.*

Fair value per share was based on the market price of stock at the date of grant.

Movements in the stock awards granted (number of shares) in March 31, 2018 and December 31, 2017 follow:

	March 31, 2017 *(Unaudited)*	December 31, 2017 *(Audited)*
Balance at beginning of period	**36,520,911**	21,885,389
Stock awards granted	**–**	26,748,522
Stock awards vested	**(9,326,981)**	(11,396,590)
Stock awards of resigned/terminated employees	**(166,264)**	(716,410)
Balance at end of period	**27,027,666**	36,520,911

Total compensation expense on the stock awards recognized in 2018 and 2017 as part of “Operating costs and expenses” in the unaudited consolidated statements of comprehensive income amounted to ₱43.3 million and ₱11.4 million, respectively. The stock incentive obligation recognized as “Share-based payment plan” in the unaudited consolidated statements of financial position amounted to ₱161.1 million and ₱159.7 million as of March 31, 2018 and December 31, 2017, respectively.

Treasury Shares

The movement in treasury shares in 2018 follows:

	Shares	Amount
Balance at beginning of period	33,899,815	₱125,192,149
Purchase	2,000,000	28,620,000
Issuance for share-based payments	(9,326,981)	(80,351,955)
Balance at end of period	26,572,834	₱73,460,194

At various dates in January 2016, Bloomberry acquired a total of 14,000,000 of its own shares to cover the number of shares granted to certain officers and employees under the SIP that will vest in the future. The shares which were acquired at market price on the date of buy-back amounted to ₱47.7 million.

On April 28, 2016, July 1, 2016, August 13, 2016, October 23, 2016, and October 27, 2016, a total of 4,546,197 treasury shares were reissued for vested stock awards.

At various dates in June, July and August 2015, Bloomberry acquired a total of 22,281,200 of its own shares to cover the number of shares granted to certain officers and employees under the SIP that will vest in the future. The shares were acquired by Bloomberry at market price on the dates of buy-back amounted to ₱189.1 million.

On October 1, 2015, July 1, 2015 and October 27, 2015, a total of 3,981,907 treasury shares were reissued for vested stock awards.

On October 1, 2014, 2,050,950 shares in the Parent Company vested in favor of several participants under the SIP, as previously discussed. On December 18, 2014, the board of directors of the Parent Company and PMHI approved the borrowing of 8,197,669 shares from PMHI to be transferred to the participants whose SIP shares have vested, and to AB Capital and Investment Corp. Trust & Investment Department with respect to the SIP shares that will vest in 2015, and the subscription by PMHI to new shares to replace the borrowed shares.

The transfer by PMHI of shares equivalent to the SIP Shares to said participants was at a sale price of ₱12.60 per share (which was the market price of the shares when the SIP shares were crossed) and the issuance by the Parent Company of shares equivalent to the SIP Shares at a subscription price of ₱12.60 per share to PMHI in replacement of the shares transferred by PMHI to the said participants. APIC arising from this transaction amounted to ₱95.1 million.

The shareholders of the Parent Company as of March 31, 2018 and December 31, 2017 are as follows:

	Percentage of Ownership
PMHI (see Note 1)	53.80%
Quasar Holdings, Inc.	8.35%
Falcon Investco Holdings, Inc.	2.04%
Directors and officers	0.73%
Public	35.00%
Total	100.00%

Set out below is Bloomberry's track record of issuance of its securities:

	Number of Shares		
Date of Approval	Authorized	Issued/ Subscribed	Issue/ Offer Price
May 3, 1999*	120,000,000	80,000,000	₱1.00
February 27, 2012**	15,000,000,000	9,211,840,556	1.00
May 2, 2012***	15,000,000,000	1,179,963,700	7.50
May 31, 2012***	15,000,000,000	117,996,300	7.50
November 10, 2014****	15,000,000,000	435,000,000	13.00
December 18, 2014****	15,000,000,000	8,197,669	12.60

**Date when the registration statement covering such securities was rendered effective by the SEC*
***SEC approval of the increase in the authorized capital stock; Offer Shares sold at ₱7.50 on May 2, 2012*
****Transaction date per SEC Form 23-B; Includes Offer Shares and Over-Allotment Option*
*****Transaction date per SEC Form 17-C*

As of March 31, 2018 and December 31, 2017, Bloomberry has total shareholders of 97 on record. For this purpose, public shares held under PCD Nominee are counted as two (one for PCD Nominee - Filipino and another for PCD Nominee - Foreign). As of December 31, 2016, 1,364,381,725 shares are not yet listed in the stock exchange. These shares are subsequently listed in the stock exchange in 2017.

12. Costs and Expenses

This account consists of:

	Three Months Ended March 31	
	2018 (Unaudited)	2017 *(Unaudited)*
Operating costs and expenses	**₱8,052,836,047**	₱6,520,756,473
Interest expense	**512,591,283**	557,777,958
Foreign exchange gains- net	**(738,249,767)**	(637,333,403)
Mark-to-market loss	**1,548,628**	4,290,144
	₱7,828,726,191	₱6,445,491,172

13. Lease Agreements

As a Lessee
On May 7, 2010, BRHI entered into a contract of lease with PAGCOR to lease 83,084 square meters of land for the construction of the hotel, gaming and entertainment facility. The lease period shall be for about 23 years, which shall commence upon the execution of the contract and shall be co-terminus with the term of lessor as provided in the PAGCOR charter which will expire on July 11, 2033, unless sooner revoked, rescinded or cancelled. The annual lease rental is based on the schedule provided for in the agreement. No annual lease payments are due during the first two (2) years of the lease period. Rental shall have 5% annual escalation rate starting on the 18th year of the lease period.

On May 20, 2011, BRHI and Sureste entered into a deed of assignment whereby BRHI assigned to Sureste all its rights and interest as a lessee under the contract of lease with PAGCOR. Such deed of assignment was approved by PAGCOR on May 26, 2011. Pursuant to the deed of assignment, Sureste undertakes and commits that it will faithfully observe and fully comply with (a) all of the representations, covenants and undertakings

of BRHI contained in the contract of lease and (b) the rules and regulations of PAGCOR, to the extent that such representations, covenants, undertakings, rules and regulations are, or may be, applicable to the lessee under the contract of lease. BRHI shall remain solidarily liable to PAGCOR for Sureste's compliance with all the obligations and liabilities of the lessee under the contract of lease.

In December 2012, BRHI and Sureste agreed to amend the above deed of assignment. Pursuant to the amended deed of assignment and with the consent of PAGCOR, BRHI assigned 89% of its leasehold rights over the leased land to Sureste and retained the 11% of such rights. In 2013, an addendum to the contract of lease covering an additional 3,733 square meters of PAGCOR land, was executed. In December 2014, a second addendum to the contract of lease covering and additional 73,542 square meters of PAGCOR land was also executed.

Rent expense amounting to ₱114.9 million and ₱118.0 million was recognized under operating costs and expenses in the three months ended March 31, 2018 and 2017 consolidated statement of comprehensive income.

Accrued rent on the original lease contract and prepaid rent on the addendum to the lease contract arising from straight-line amortization amounted to ₱86.7 million and ₱326.8 million, respectively, as of March 31, 2018 and ₱43.4 million and ₱384.9 million, respectively, as of December 31, 2017.

Future minimum lease payments under this operating lease with PAGCOR follow:

	March 31, 2018 *(Unaudited)*	December 31, 2017 *(Audited)*
Within one year	**₱497,345,538**	₱506,985,522
Beyond one year but not later than five years	**1,867,908,176**	1,905,076,403
Beyond five years	**4,384,412,061**	4,815,402,133
	₱6,749,665,775	₱7,227,464,058

In 2012, BRHI entered into a lease contract for suites in the SM Arena for three years commencing May 21, 2012 until May 21, 2015 renewable upon the joint written agreement of the parties under terms and conditions mutually agreed by the parties. BRHI renewed the contract annually. Rent expense related to this lease, which was primarily used to provide additional incentive to casino players, amounting to ₱5.4 million and ₱5.2 million, was recognized as part of "Advertising and promotions" account under operating costs and expenses in the 2018 and 2017 statements of comprehensive income, respectively.

Future minimum lease payment under this operating lease which is due within one year amounted to ₱21.6 million as of March 31, 2018 and December 31, 2017.

The Group also entered into other various lease contracts for a period of one year renewable annually.

Rental charges related to these leases, presented under operating costs and expenses in the consolidated statements of comprehensive income for the three months ended March 31, 2018 and 2017 amounted to ₱16.6 million and ₱13.3 million, respectively.

Security deposits related to the leases discussed above amounted to ₱14.0 million and ₱14.2 million as of March 31, 2018 and December 31, 2017, respectively.

As a Lessor
The Group entered into operating leases with various premium brand boutiques in The Shoppes (see Note 1). These leases have terms between 1 to 6 years. Rent income amounting to ₱110.6 million and ₱86.8 million was recognized as part of "Retail and others" account in the 2018 and 2017 statement of comprehensive income.

Rent receivable on these operating leases arising from straight-line amortization amounting to ₱4.1 million and ₱5.8 million as of March 31, 2018 and December 31, 2017 is presented under "Other receivables", respectively.

Tenants' security deposits classified as noncurrent, presented under "Other noncurrent liabilities", amounted to ₱297.8 million and ₱285.4 million as of March 31, 2018 and December 31, 2017, respectively. These are carried at amortized cost using the EIR method. Discount amortization, included as part of the "Interest expense" account in the 2018 and 2017 consolidated statement of comprehensive income, amounted to ₱2.5 million and ₱1.9 million, respectively. Tenants' security deposit classified as current amounting to ₱18.8 million and ₱16.8 million is presented under "Payables and other current liabilities" in the consolidated statement of financial position as of March 31, 2018 and December 31, 2017.

Unearned rent amounting to ₱15.6 million and ₱16.4 million as of March 31, 2018 and December 31, 2017, presented under "Other noncurrent liabilities", represents the excess of the principal amount of the deposit over its fair value and will be amortized on a straight-line basis over the lease term. Amortization of unearned rent amounting to ₱2.2 million and ₱1.7 million was recognized as part of "Retail and others" account in the 2018 and 2017 consolidated statement of comprehensive income, respectively.

Future minimum lease payments under these operating leases as of March 31, 2018 are as follows:

	Amount
Within one year	₱378,210,498
Beyond one year but not later than five years	615,288,767
	₱993,499,265

14. Commitments and Contingencies

a. Under the license agreement with PAGCOR, BRHI has the following commitments, among others:

   - Seven days prior to commencement of operation of the Casino, to secure a surety bond in favor of PAGCOR in the amount of ₱100.0 million to ensure prompt and punctual remittance/payment of all license fees.

   - License fees must be remitted on a monthly basis, in lieu of all taxes with reference to the income component of the Gross Gaming Revenues: (a) 15% of the gross gaming revenues generated by high roller tables; (b) 25% of the gross gaming revenues generated by non-high roller tables; (c) 25% of the gross

gaming revenues generated by slot machines and electronic gaming machines; and (d) 15% of the gross gaming revenues generated by junket operation. PAGCOR agreed to the temporary reduction of these license fees effective April 1, 2014 to 5% (from 15%) and 15% (from 25%) on application by BRHI and other licensees during the pendency of the resolution of the issue on the validity of BIR's imposition of income tax on PAGCOR's licensees under RMC 13-2013. The parties agree to revert to the original license fee structure under the Provisional License in the event the BIR action to collect income tax from PAGCOR licensees is permanently restrained, corrected or withdrawn by order of the BIR or the courts or under a new law. The parties reverted to the original license fee structure in July 2016 on instruction by PAGCOR. The Supreme Court nullified the questioned provision of RMC No. 33-2013. The license fees are inclusive of the 5% franchise tax under the PAGCOR Charter. On September 5, 2016, the Supreme Court released a decision dated August 10, 2016 which ordered the BIR to cease and desist from imposing corporate income tax on income from gaming operations of BRHI as a casino duly licensed by the PAGCOR. The High Court granted the certiorari petition of BRHI against the BIR. Accordingly, effective July 1, 2016, the license fees being charged by PAGCOR reverted to its original rate. Subsequently, on November 28, 2016, the Supreme Court denied the BIR's motion for reconsideration with finality.

- In addition to the above license fees, BRHI is also required to remit 2% of casino revenues generated from non-junket operation tables to a foundation devoted to the restoration of Philippine cultural heritage, as selected by the BRHI and approved by PAGCOR. BRHI has established Bloomberry Cultural Foundation Inc. (BCF) for this purpose. Amount due to BCF, recognized as part of "Operating cost and expenses" for the three months ended March 31, 2018 and 2017, amounted to ₱126.6 million and ₱92.3 million, respectively. Outstanding amount payable to BCF as of March 31, 2018 and December 31, 2017, presented as part of "Payable and other current liabilities", amounted to ₱43.9 million and ₱32.2 million, respectively. Furthermore, the Group has made advances to BCF amounting to ₱0.1 million and ₱14.2 million as of March 31, 2018 and December 31, 2017, respectively, presented as part of "Prepayments and other current assets" account in the consolidated statements of financial position.

- PAGCOR collects a 5% fee of non-gaming revenue received from food and beverage, retail and entertainment outlets. All revenues of hotel operations are not subject to the 5% except rental income received from retail concessionaires.

- Grounds for revocation of the license, among others, are as follows: (a) failure to comply with material provision of this license; (b) failure to remit license fees within 30 days from receipt of notice of default; (c) becoming bankrupt, insolvent; (d) delay in construction of more than 50% of the schedule; and (e) if debt-to-equity ratio is more than 70:30. As of March 31, 2018 and December 31, 2017, BRHI has complied with the required debt-to-equity ratio.

Total PAGCOR license fee recognized, shown as part of "Taxes and licenses" account, amounted to ₱2,824.0 million and ₱2,241.4 million for the three months ended March 31, 2018 and 2017, respectively. Outstanding amount payable to PAGCOR and BCF, presented as part of "Gaming taxes payable", amounted to ₱885.3 million and ₱778.0 million as of March 31, 2018 and December 31, 2017, respectively.

b. BRHI and G&L entered into junket operator agreements with junket operators who have the primary responsibility of directing gaming patrons to the casino. Based on these agreements, these junket operators are compensated based on a certain percentage of the gaming win/loss or amount wagered (rolling chips). Gaming promoters expense for the three months ended March 31, 2017 and 2016 amounted to ₱2,667.0 million and ₱2,652.7 million, respectively. Receivable from junket operators as of March 31, 2017 and December 31, 2016 amounted to ₱1,117.7 million and ₱1,086.7 million, respectively.

c. On September 9, 2011, Sureste and BRHI jointly entered into a Management Services Agreement (MSA) with Global Gaming Philippines, LLC (GGAM) for the technical assistance on all aspects of planning, design, layout, and construction of the Project and for services related to recruitment, selection, and hiring of employees for the Project. GGAM through the Management Team shall also provide management and other related services upon commencement of the Project's commercial operations. Fees per contract amounts to US$100,000 per month for the technical assistance and US$75,000 monthly for services related to the pre-opening operations. Upon commencement of the commercial operations and five years thereafter (after which the contract expires unless GGAM extends it for another 5 years), the Group will pay GGAM annual fees equivalent to certain percentages of Sureste's and BRHI's EBITDA.

   Sureste and BRHI terminated the MSA effective September 12, 2013 because of material breach of the MSA by GGAM after prior notice and failure of discussions to settle their dispute. Accordingly, Sureste and BRHI accrued annual fees due to GGAM up to September 12, 2013 only. GGAM sent a notice of arbitration in accordance with the arbitration clause of the MSA. GGAM denies having breached the MSA and alleges that it is BRHI and Sureste who breached the MSA. The parties have submitted their dispute to arbitration before a 3-member arbitral tribunal in Singapore under the arbitration rules of the United Nations Commission on International Trade Law (UNCITRAL) using Philippine law as the governing law.

   Under the MSA, GGAM was granted the option, from the date of execution of the MSA, to purchase up to 921.2 million shares, equivalent to 9.91% of Bloomberry's outstanding shares (prior to Bloomberry's top-up equity offering) from PMHI at a purchase price equivalent to ₱1.00 per share plus US$15 million. In December 2012, GGAM exercised its option to acquire 921.2 million shares of Bloomberry from PMHI. On February 25, 2014, the Makati Regional Trial Court (MRTC) granted the Group's application for measures of protection in the form of writs of preliminary attachment and preliminary injunction to restrain GGAM from disposing the Bloomberry shares, and so the judgment that the arbitral tribunal may award in favor of the Group can be enforced against the Bloomberry shares. GGAM has filed a petition for review on certiorari with the Court of Appeals against the decision of the MRTC.

   On December 9, 2014, the tribunal issued its Order in Respect of Claimants' Interim Measures of Protection, declaring among others, that the February 25 Order of MRTC is superseded and that parties are restored to their status quo ante as of January 15, 2014 and allowed GGAM to sell the shares.

   Following the order of the arbitral tribunal, GGAM filed a Manifestation with the MRTC informing the order of the arbitral tribunal and seeking assistance in the enforcement thereof. BRHI, Sureste and PMHI filed a Counter-Manifestation stating among

others, the impropriety of the Manifestation given its non-compliance with requirements of the Special Rules of Court and Alternative Dispute Resolution (Special ADR Rules) for enforcement of judgement/interim measures of protection. GGAM also filed a Manifestation and Motion with the Court of Appeals seeking the same relief as that filed with the MRTC. BRHI, Sureste and PMHI filed a Comment/Opposition arguing against the grant of the Motion with the Court of Appeals for non-compliance with the Special ADR Rules as well as for forum-shopping. In a resolution dated May 29, 2015 and affirmed on November 27, 2015, the Court of Appeals remanded back the case to the MRTC for further proceedings.

On September 20, 2016, the arbitral tribunal issued a partial award on liability. It declared that GGAM has not misled BRHI/Sureste (Respondents) into signing MSA, and Respondents were not justified to terminate the MSA because the services rendered by the Respondents Management Team should be considered as services rendered by GGAM under the MSA; rejected GGAM's claim that GGAM was defamed by the publicized statements of the Chairman of BRHI/Sureste; that there is no basis for Respondents to challenge GGAM's title to the 921,184,056 Bloomberry shares because the grounds for termination were not substantial and fundamental, thus GGAM can exercise its rights in relation to those shares, including the right to sell them; reserved its decision on reliefs, remedies and costs to the Remedies Phase which is to be organized in consultation with the Parties; reserved for another order its resolution on the request of GGAM: (a) for the Award to be made public, (b) to be allowed to provide a copy of the Award to Philippine courts, government agencies and persons involved in the sale of the shares, and (c) to require BRHI/Sureste and Bloomberry to inform Deutsche Bank AG that they have no objection to the immediate release of all dividends paid by Bloomberry to GGAM. The arbitration proceedings is still on going on the Remedies Phase.

On August 31, 2017, BRHI and Sureste filed a request for reconsideration of the partial award in the light of U.S. DOJ and SEC findings of violations of the Foreign Corrupt Practices Act by certain GGAM officers, and for false statements and fraudulent concealment by GGAM in the arbitration. GGAM opposed the request on September 29, 2017. In a decision dated November 22, 2017, the tribunal denied the request for reconsideration saying it has no authority to reconsider the partial award under Singapore law. The tribunal said that the courts might be the better forum to look into the allegations of fraud.

On December 21, 2017, BRHI and Sureste filed a petition in the High Court of Singapore to set aside the June 20, 2017 judgment of the Court and to either remit the partial award to the tribunal for correction, or otherwise set aside the partial award based on the fraud allegations previously raised in the request for reconsideration. This case is still pending in the Singapore court.

In a resolution dated November 23, 2017, the MRTC affirmed the continuing validity of its February 25, 2014 order and the writ of preliminary injunction and attachment issued pursuant thereto. GGAM then filed a petition for review with the Court of Appeals to question this MRTC order. This case is still pending with the Court of Appeals.

BRHI and Sureste were advised by Philippine counsel that an award of the Arbitral Tribunal can only be enforced in the Philippines through an order of a Philippine court

of proper jurisdiction after appropriate proceedings taking into account applicable Philippine law and public policy.

No further details were provided as required under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, because these may prejudice the Group's position in relation to this matter.

d. Section 13(2)(a) of PD No. 1869 (the PAGCOR Charter) grants PAGCOR an exemption for tax, income or otherwise, as well as exemption from any form of charges, fees, levies, except a 5% franchise tax on the gross revenue or earnings derived by PAGCOR on its operations.

   On April 23, 2013, the BIR issued RMC No.33-2013, clarifying that PAGCOR and its contractees and licensees are subject to 30% RCIT on their gaming and non-gaming revenues. Such RMC may affect the tax exemption of BRHI.

   Despite this RMC, however, management believed that the tax benefits granted under the PAGCOR charter inure to the benefit of, and extend to corporations, associations and agencies, individuals with whom PAGCOR has any contractual agreement in accordance with Section 13(2)(b) of the PAGCOR Charter.

   BRHI, together with other Entertainment City licensees, then filed a request for common administrative relief with PAGCOR from the adverse effect of RMC No. 33-2013. PAGCOR granted BRHI administrative relief and temporarily reduced the license fees by 10 percentage points effective April 1, 2014. To comply with this PAGCOR directive, BRHI started accruing corporate income tax payable to the BIR. The parties agreed to revert to the original license fee structure under the Provisional License in the event the BIR action to collect income tax from PAGCOR is permanently restrained, corrected or withdrawn by order of the BIR or the courts or under a new law. This happened effective July 1, 2016 when PAGCOR ordered the parties to revert to the original license fee structure. On August 1, 2016, the Supreme Court nullified the questioned provision of RMC No. 33-2013 as explained below.

   On June 4, 2014, BRHI filed with the Supreme Court a Petition for Certiorari and Prohibition under Rule 65 of the Rules of Court. The petition seeks to annul the issuance of the Bureau of Internal Revenue of an unlawful governmental regulation, specifically the provision in RMC 33-2013 dated April 17, 2013 subjecting the contractees and licensees of PAGCOR to income tax under the NIRC, as it violates the tax exemption granted to contractees of PAGCOR under Section 13(2)(b) of P.D. 1869.

   On August 10, 2016, the Supreme Court granted BRHI's petition against the BIR (G.R. No. 212530) which ordered the BIR to cease and desist from imposing corporate income tax on the gaming operations of BRHI as a licensee of PAGCOR. Moreover, the same decision confirmed that PAGCOR's tax exemption extends to its contractees and licensees. Hence, BRHIs income from gaming operations is subject to 5% franchise tax only and its income from other related services, if any, is subject to corporate income tax. Accordingly, BRHI paid income tax only up to June 2016.

e. On March 15, 2016, the Court of Appeals ("CA") issued a 30-day freeze order on one of BRHI's bank accounts upon the petition filed by Anti-Money Laundering Council ("AMLC") in relation to their ongoing investigation. The freeze order of the CA on the

bank account was lifted on April 14, 2016. Subsequently, on request of the AMLC, the Supreme Court reinstated the freeze order on the account, which contained the amount of ₱109.3 million that was frozen from the accounts of those patrons subject to the investigation. BRHI has moved for the lifting of the freeze order. This motion is still pending with the Supreme Court. As of March 31, 2018 and December 31, 2017, the balance of this bank account amounting to ₱110.7 million is presented as "Fund held in trust" under the "Prepayments and other current assets" account in the statement of financial position.

15. Basic/Diluted Earnings Per Share on Net Income Attributable to Equity Holders of the Parent Company

The following table presents information necessary to calculate earnings per share:

		Three Months Ended March 31	
		2018	2017
(a)	Net income (loss) attributable to equity holders of the Parent Company	**₱3,697,344,339**	₱2,141,154,620
(b)	Weighted Ave. of issued shares	**11,032,998,225**	11,032,998,225
(c)	Weighted Ave. number of treasury shares	**(30,526,942)**	(29,443,586)
(d)	Weighted Ave. number of shares, net of treasury shares	**11,002,471,283**	11,003,554,639
	Weighted average of stock awards granted:		
	Unvested on October 1, 2013	**–**	–
	4,318,589 on July 1, 2014	**–**	–
	4,486,000 on October 27, 2014	**–**	–
	922,645 on April 28, 2015	**–**	922,645
	1,157,403 on August 13, 2015	**–**	1,157,403
	1,105,842 on October 23, 2015	**–**	1,105,842
	17,935,061 on February 16, 2016	**18,986,490**	14,945,885
	558,289 on June 28, 2016	**558,289**	558,289
	26,748,522 on April 18, 2017	**25,429,445**	–
(e)	Weighted Ave. stock awards granted	**44,974,224**	18,690,064
(f)	Weighted Ave. number of shares, net of treasury shares adjusted for dilution	**11,047,445,507**	11,022,244,703
Earnings (Loss) Per Share			
	Basic (a)/(d)	**₱0.336**	₱0.195
	Diluted (a)/(f)	**₱0.335**	₱0.194

16. **Segment Information**

The results of the Group's reportable business segment for the three months ended March 31, 2018 and 2017 are as follows:

	Philippines	Korea	Eliminations	2018	2017
Consolidated EBITDA	**₱4,685,072,491**	**(₱125,020,642)**	**(₱23,508,282)**	**₱4,536,543,567**	₱3,156,648,246
Depreciation and amortization	**(1,018,872,067)**	**(54,750,128)**	**–**	**(1,073,622,195)**	(1,080,426,731)
Interest expense	**(508,058,495)**	**(27,522,706)**	**22,989,918**	**(512,591,283)**	(557,777,959)
Foreign exchange gains – net	**708,962,042**	**29,287,725**	**–**	**738,249,767**	637,333,403
Mark-to-market loss	**(1,548,628)**	**–**	**–**	**(1,548,628)**	(4,290,144)
Benefit from income tax	**3,610,654**	**–**	**–**	**3,610,654**	1,852,167
Consolidated net income (loss)	**₱3,869,165,997**	**(₱178,005,751)**	**(₱518,364)**	**₱3,690,641,882**	₱2,153,338,982

The assets and liabilities of the Group's reportable business segment as of March 31, 2018 and December 31, 2017 are as follows:

	Philippines	Korea	Total	Eliminations	2018	2017
Assets:						
Segment assets	**₱77,172,818,274**	**₱7,765,005,709**	**₱84,937,823,983**	**(₱7,572,468,488)**	**₱77,365,355,495**	₱72,786,451,525
Deferred tax assets - net	**–**	**–**	**–**	**–**	**–**	–
Total assets	**₱77,172,818,274**	**₱7,765,005,709**	**₱84,937,823,983**	**(₱7,572,468,488)**	**₱77,365,355,495**	₱72,786,451,525
Liabilities:						
Segment liabilities	**₱ 42,059,388,654**	**₱8,624,305,728**	**₱50,683,694,382**	**(₱7,572,468,488)**	**₱43,111,225,894**	₱42,099,721,866
Deferred tax liabilities - net	**408,536,502**	**–**	**408,536,502**	**–**	**408,536,502**	401,378,947
Total liabilities	**₱42,467,925,156**	**₱8,624,305,728**	**₱51,092,230,883**	**(₱7,572,468,488)**	**₱43,519,762,396**	₱42,501,100,813

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis relate to the consolidated financial condition and operating results of the Company and its subsidiaries and should be read in conjunction with the accompanying unaudited condensed consolidated financial statements and related notes as of March 31, 2018 and for the three months ended March 31, 2018 and 2017 and as of and for the year ended December 31, 2017.

OVERVIEW

The Company was engaged in the manufacture of printed circuit board up to 2003. It ceased commercial operations in December 2003 up to 2011. On February 27, 2012, the SEC approved the change in its primary purpose to that of a holding company. The Company now has Sureste, BRHI, Bloom Capital B.V., Solaire de Argentina S.A., Solaire Korea Co., Ltd., G&L, Ltd. and Muui Agricultural Corporation as its subsidiaries. BRHI has 49% shareholdings in Falconer Aircraft Management Inc., a newly incorporated company to engage in aircraft management.

Sureste Properties, Inc.
Sureste was incorporated in 1993 as a property holding company. On July 2, 2010, Sureste amended its primary purpose to develop and operate tourist facilities including hotel - casino entertainment complexes. Sureste is registered with the Philippine Economic Zone Authority ("PEZA") as developer of a hotel project in a PEZA Tourism Economic Zone. As a result, Sureste enjoys certain incentives granted by the Government in relation to the hotel component of Solaire Resorts & Casino, including reduced tax rates. In 2011, in compliance with the requirements of PEZA, Sureste divested itself of all its non-hotel assets including its ownership in Monte Oro Resources and Energy Inc. ("MORE") and various prime real estate properties. Sureste acquired all the shares of BRHI on January 12, 2011.

Bloomberry Resorts and Hotels Inc.
On February 27, 2008, BRHI was incorporated as Bloombury Investments Holdings Inc. ("BIHI") for the purpose of developing and operating tourist facilities, including casino-entertainment complexes with casino, hotel, retail and amusement areas and themed development components. On April 8, 2009, BRHI was granted a Provisional License by PAGCOR to establish and operate integrated casino, hotel and entertainment complex at the Entertainment City in Paranaque City. On September 21, 2010, the SEC approved the change of BIHI's name to BRHI. On May 7, 2015, BRHI's Provisional License was replaced with a regular casino Gaming License upon full completion of the Project, referred to as "Solaire". The Gaming License has the same terms and conditions as the Provisional License.

Bloom Capital B.V.
In 2013, the Bloomberry subscribed to 60% of the capital stock of Bloom Capital B.V., a financial holding entity incorporated in the Netherlands as a private company with limited liability under the Dutch law on November 21, 2013. On October 23, 2014, Bloomberry acquired the remaining 40% capital stock of Bloom Capital B.V. In 2014, Bloom Capital B.V. acquired 94% shares in Solaire de Argentina S.A.

Solaire Korea Co., Ltd.
On December 28, 2014 Bloomberry established through a nominee a new company Solaire Korea Co., Ltd. (Solaire Korea) to hold the Group's investment interest in the Republic of Korea. After a series of stock subscriptions, Bloomberry now owns 100% of Solaire Korea.

G&L Co., Ltd.
On April 24, 2015, Solaire Korea acquired 77.26% of the outstanding shares of G&L Co., Ltd.(G&L). Subsequently on May 22, 2015, it acquired additional 18.98% of G&L, bringing Solaire Korea's ownership in G&L to 96.23%. On August 20, 2015, Bloomberry acquired 10.00% of the outstanding shares of G&L from Solaire Korea. G&L is a hotel and casino operator in Jeju Island in the Republic of Korea.

Muui Agricultural Corporation
On March 8, 2016, Solaire Korea established a new company Muui Agricultural Corporation (Muui) to hold Solaire Korea's investment interest in agricultural land in Muui and Silmi pending its conversion. Solaire Korea owns 80% of Muui.

Solaire Resort & Casino
Solaire Resort & Casino ("Solaire"), is the first Philippine premium/luxury hotel and gaming resort in Entertainment City. BRHI, as the license holder, operates the casino while Sureste operates the hotel and other non-gaming business.

On March 16, 2013, the Group commenced commercial operations, upon completion of Phase 1 of Solaire, along with the opening of the main gaming area and initial non-gaming amenities, such as Solaire's hotel, food and beverage outlets.

Phase 1 of Solaire consists of a casino with an aggregate gaming floor area of approximately 18,500 square meters (including approximately 6,000 square meters of exclusive VIP gaming areas), with approximately 1,653 slot machines, 295 gaming tables and 88 electronic table games. Phase 1 has 488 hotel rooms, suites and bayside villas, and 15 specialty restaurants and F&B outlets including (the number of seats are approximations): 240-seat Chinese restaurant, 150-seat Korean restaurant (operated by a third party), 150-seat Japanese restaurant, 120-seat Italian restaurant, 322-seat international buffet/coffee shop, 170-seat noodle shop, 150-seat live entertainment lounge and 406-seat food court and 20 seat lobby bar, and a 50-seat lounge area. Sky Tower also features Sky Range Shooting Club with 5 rifle shooting bays and 15 pistol bays. It has a multilevel parking building with approximately 1,500 parking slots, a grand ballroom with approximately 1,000 seats, spa and fitness center, and bayview promenade.

On November 22, 2014, Bloomberry opened the Sky Tower, which was previously referred to as Phase 1A development of Solaire. Contiguous to the existing Solaire Resort and Casino, the Sky Tower consist of a 312 all-suite hotel, additional ten VIP gaming salons with 66 gaming tables and 223 slot machines, an exclusive House of Zhou Chinese restaurant and The Macallan Whisky and Cigar Bar for VIP gamers, state-of-the art meeting rooms (The Forum) and a lyrical theater (The Theatre). The Sky Tower also features two restaurants, the Waterside Restobar and Oasis Garden Café. The Theatre is a certified 1,760-seat lyric theatre designed to provide a superior audio-visual experience for wide range of theatre plays and musicals, dance performances, concerts, and amplified music and speech events. It is also accessible to a new multi-level parking garage that can accommodate and secure over 3,000 vehicles. The Forum is a 2,000 square meters of meeting facility with eight meeting rooms, two boardrooms and a column-free grand ballroom and a flexible pre-function area. Sky Tower also features Sky Range Shooting Club with 5 rifle shooting bays

and 15 pistol bays. It is also accessible to a new multi-level parking garage that, to date, can accommodate and secure over 1,050 vehicles. In 2016, retail stores, including premium brands such as Saint Laurent, Bvlgari, Salvatore Ferragamo and Givenchy, were opened in The Shoppes in the Sky Tower. In January 2017, Louis Vuitton and Prada were opened.

Jeju Sun Hotel & Casino
On April 24, 2015 and subsequently on May 22, 2015, Bloomberry, through its wholly-owned subsidiary, Solaire Korea, acquired majority ownership of G&L. G&L operated a hotel and casino property in Jeju, Korea under the brand names "T.H.E Hotel" and "LVegas Casino". Upon takeover of operation by Bloomberry, the property was rebranded as "Jeju Sun Hotel & Casino". The property consists of 202-room hotel with 5 Hibiscus rating, 2,000 square meters of gaming operation with 36 tables and 20 electronic gaming machines. The property has four F&B outlets to service its hotel guests and casino players. The casino operation of Jeju Sun was suspended last May 10, 2015 pending the completion of the renovation of the expanded gaming area of the property. On September 15, 2015, Jeju Sun resumed its casino operations after substantially completed the renovation of the gaming facilities. The casino operation was suspended on November 16, 2015 as administrative penalty for the acts of its previous casino management imposed by the Jeju Island gaming regulator CRD. This was the result of CRD's investigation of the gaming tax (tourism tax) payment practices of the casino then known as "LVegas Casino" under its old management and owners. On December 15, 2015, the casino resumed its operation with 60 tables and 51 slot machines in accordance with its gaming license.

In June 2016, the Parent Company and Solaire Korea entered into an agreement to sell its investment in G&L. However, the sale did not push through. The Parent Company decided to again operate Jeju Sun under normal course of business. In the third quarter of 2017, a major reorganization was implemented to address certain management issues. The CEO, COO, CFO, SVP operations and other managerial level officers of G&L were replaced.

OPERATING RESULTS

The following are the key performance indicators of the Group for the first quarter of 2018 with comparison for 2017:

Table 2.0 Key Performance Indicators

	For The Three Months Ended March 31	
In thousands pesos except for ratios	**2018**	2017
EBITDA	**₱4,536,544**	₱3,156,647
Net Debt to Equity Ratio (D/E)	**0.42**	0.90
Current Ratio	**2.20**	1.90
Total Assets	**77,365,355**	69,886,405
Return on Equity (ROE)	**10.90%**	8.14%

EBITDA is earnings before interest, taxes, depreciation and amortization.
Net Debt to Equity Ratio (D/E Ratio) is the ratio of the borrower's total liabilities net of cash to total shareholder's equity.
Current Ratio is a liquidity ratio that measures the company's ability to pay short-term obligations.
Return on Equity (ROE) is calculated by dividing the Company's annual earnings by shareholders' equity

The following table shows a summary of the operating results of the Group for the three months ended March 31, 2018 and 2017 as derived from the accompanying unaudited condensed consolidated financial statements.

Table 2.1 Unaudited Consolidated Statements of Income

	For The Three Month Ended March 31						% Change 2018 vs. 2017
	2018			2017			
In thousands, except % change data	**Philippines**	**Korea**	**Consolidated**	**Philippines**	**Korea**	**Consolidated**	
Gross gaming revenues	₱13,695,470	₱51,187	₱13,746,657	₱10,656,578	₱58,915	₱10,715,493	28.3
Promotional allowances/contra accounts	(3,043,817)	(2,873)	(3,046,690)	(2,891,744)	(12,564)	(2,904,308)	4.9
Net gaming revenues	**10,651,653**	**48,314**	**10,699,967**	**7,764,834**	**46,351**	**7,811,185**	**37.0**
Non-gaming & other revenues*	774,027	41,763	815,790	731,581	54,211	785,792	3.8
Net revenues	**11,425,680**	**90,077**	**11,515,757**	**8,496,415**	**100,562**	**8,596,977**	**34.0**
Cash operating expenses	(6,764,116)	(215,098)	(6,979,214)	(5,239,187)	(201,143)	(5,440,330)	28.3
Provisions for doubtful accounts	–	–	–	–	–	–	–
EBITDA	**4,661,564**	**(125,021)**	**4,536,543**	**3,257,228**	**(100,581)**	**3,156,647**	**43.7**
Depreciation and amortization	(1,018,872)	(54,750)	(1,073,622)	(1,041,570)	(38,857)	(1,080,427)	(0.6)
Interest, foreign exchange loss & others	199,355	24,755	224,110	(387,767)	463,033	75,266	197.8
Benefit from (Provision) for income tax	3,611	–	3,611	1,852	–	1,852	94.9
Net profit	**₱3,845,658**	**(₱155,016)**	**₱3,690,642**	**₱1,829,743**	**₱323,595**	**₱2,153,338**	**71.4**
Basic Earnings Per Share			**₱0.336**			**₱0.195**	**72.3**
Diluted Earnings Per Share			**₱0.335**			**₱0.194**	**72.7**

**includes Interest Income*

OPERATING RESULTS FOR THE THREE MONTHS ENDED MARCH 31, 2018 COMPARED WITH 2017

The following table shows the geographical segments of the operating results of the Group for the three months ended March 31, 2018 and 2017.

REVENUES

Revenues consist of: (1) Gaming; (2) Hotel, food and beverage; (3) Retail and others; and (4) Interest income. The table below illustrates the consolidated revenues for the three months ended March 31, 2018 and 2017:

Table 2.2 Revenues

	For The Three Months Ended March 31						**% Change**
In thousands, except % change	**2018**			2017			2018 vs.
data	**Philippines**	**Korea**	**Consolidated**	Philippines	Korea	Consolidated	2017
Gaming	**₱13,695,470**	**₱51,187**	**₱13,746,657**	₱10,656,578	₱ 58,915	₱10,715,493	28.3%
Hotel, food and beverage	**546,394**	**32,629**	**579,023**	536,910	41,813	578,723	0.1%
Retail and others	**213,849**	**9,014**	**222,863**	181,263	12,394	193,657	15.1%
Interest income	**13,784**	**120**	**13,904**	13,408	4	13,412	3.7%
Gross revenues	**14,469,497**	**92,950**	**14,562,447**	11,388,159	113,126	11,501,285	26.6%
Less contra revenue accounts	**3,043,817**	**2,873**	**3,046,690**	2,891,744	12,564	2,904,308	4.9%
Net revenues	**₱11,425,680**	**₱90,077**	**₱11,515,757**	₱8,496,415	₱100,562	₱8,596,977	34.0%

In the first quarter of 2018, gross gaming revenue accounted for 94.4 percent and non-gaming (including hotel, food and beverage, retail and other) contributed 5.5 percent of gross revenues while the balance of 0.1 percent represented interest income. For the same period last year, gross gaming revenue was 93.2 percent of total revenue; hotel, food and beverage accounted 6.7 percent; and interest income for 0.1 percent. Contra revenue increased to ₱3,046.7 million, up 4.9 percent year-on-year, mainly due to promotional incentives provided to guests resulting to higher mass table and slot revenues for the quarter.

Gaming

Philippines
Solaire continued to register robust growth in mass table drop and slot coin-in for the first quarter of 2018. Mass table drop and slot coin-in, grew by 16.6 percent and 22.8 percent, respectively, for 2018 compared to the same period in the prior year. The VIP segment, on the other hand, posted a decline of 11.5 percent in volume but achieved the highest reported VIP gross gaming revenue (GGR) of P7.11 billion, a 39 percent year-on-year growth.

Gross gaming revenue in the first quarter of 2018 increased by 28.5 percent or ₱3,038.9 million as compared to the same period last year. Below is the breakdown of the growth in gross gaming revenue:

amounts in millions	2018		2017		Change in Revenue	
	Revenue	Hold	Revenue	Hold	Amount	Percentage
VIP tables	₱7,110	3.61%	₱5,132	2.31%	₱1,978	38.5%
Mass tables	3,237	33.1%	2,773	33.2%	463	16.7%
Slots	3,349	6.4%	2,751	6.5%	598	21.7%
Total	₱13,696		₱10,656		₱3,039	28.5%

On a hold normalized basis, the VIP revenue would have decreased by 21.0 percent. VIP hold stood at 3.61 percent, way above the normal hold of 2.85 percent. The mass table revenue reached ₱3.2 billion due to record high volume and better hold percentage by 880 bps. Slot revenue also reached ₱3.4 billion owing to highest ever slot coin-in.

Total visitation for the first quarter of 2018 was 1,559,635 which was 8.4 percent higher than the same period last year.

Korea
Jeju Sun continued to feel the effects of competition and was also negatively affected by the decline in Chinese tourist arrivals in Jeju, Korea. Notwithstanding these challenges, Jeju Sun managed to generate ₱51 million of GGR, down 13% from last year.

Hotel, Food and Beverage

Philippines
Hotel and food and beverage revenue increased by ₱9.5 million or 1.8 percent for the first quarter of 2018 versus the same quarter last year. Solaire increased its REVPAR by 5.6 percent year-on-year and at the same time, managed to increase its hotel occupancy for the first quarter of 2018 to 93.6 percent from 92.6 percent in the previous year.

Hotel cash revenues were approximately 56.6 percent for the first quarter of 2018 compared to 54.5 percent for the comparative period in 2017, while non-gaming F&B cash revenues accounted for 61.3 percent of F&B revenues for the first quarter of 2018 compared to 61.4 percent in prior year.

Food and beverage covers for the first quarter of 2018 were 497,728 in comparison to 507,649 covers for comparative period in 2017 representing a decrease of 2.0 percent. Average check for the first quarter of 2018 increased 11.8 percent to ₱1,097 over the same quarter in 2017.

Korea
The hotel and F&B operation of Jeju Sun generated ₱32.6 million of revenue for this quarter which is lower by 22.0 percent in comparative period in 2017. Jeju has historically enjoyed the patronage of millions of Chinese tourists and the decline in the tourist arrivals from China has an adverse impact on the hotel and F&B revenues of Jeju Sun. Chinese tourist arrivals in Korea declined by 30.5 percent in the first quarter of 2018 compared with prior year.

Retail and Others

Philippines
Retail and other revenues increased by 18.0 percent to ₱213.9 million compared to the same quarter in the prior year primarily as a result of additional rental revenue from new tenants at the Shoppes.

Korea
The retail and other revenues of Jeju Sun generated ₱9.0 million for this quarter which is lower by 27.3 percent compared to prior period in 2017.

Interest Income

Consolidated interest income increased by 3.7 percent, from ₱13.4 million in 2017 to ₱13.9 million because of higher average consolidated cash balances in 2018.

COST AND EXPENSES

Cost and expenses consist of: (1) Operating cost and expenses; (2) Interest expense; (3) Foreign exchange gains; and (4) Mark-to-market losses.

The table below shows the breakdown of total expenses for 2018 and 2017.

Table 2.3 Expenses

	For The Three Months Ended March 31,						% Change
	2018			2017			2018 vs. 2017
In thousands, except % change data	Philippines	Korea	Consolidated	Philippines	Korea	Consolidated	
Operating costs and expenses	**₱7,782,988**	**₱269,848**	**₱8,052,836**	₱6,280,757	₱240,000	₱6,520,757	23.5%
Interest expense	**508,058**	**4,533**	**512,591**	531,318	26,459	557,777	(8.1%)
Foreign exchange gains – net	**(708,962)**	**(29,288)**	**(738,250)**	(147,841)	(489,492)	(637,333)	15.8%
Mark-to-market losses	**1,549**	**-**	**1,549**	4,290	-	4,290	(63.9%)
Total Expenses	**₱7,583,633**	**₱245,093**	**₱7,828,726**	₱6,668,524	(₱223,033)	₱6,445,491	21.5%

Total expenses of the Group for the three months ended March 31, 2018 increased by 21.5 percent to ₱7.8 billion due to higher: a) gaming taxes as a result of record GGRs across all segments; b) advertising and promotions to boost mass gaming activity, and c) employee related expenses coming from Solaire's Stock Incentive Plan (SIP) and bonus schemes.

Philippines
Solaire operating costs and expenses increased by 23.9 percent from ₱6.3 billion to ₱7.8 billion.

The Philippine peso depreciated against the US dollar and other foreign currencies resulting in net foreign exchange gain of ₱708.9 million in the first quarter of 2018 as compared to the net foreign exchange gain of ₱147.8 million for the same period last year. The Company maintains foreign currency deposits mainly denominated in US and Hong

Kong dollars.
Korea
Solaire Korea and Jeju Sun registered ₱269.8 million in combined operating costs and expenses which was ₱29.8 million higher than the first quarter of 2017. The Korean operation also registered ₱29.3 million in foreign exchange gains mainly due to the continued appreciation of the Korean Won against the US Dollar. Solaire Korea and Jeju Sun's liabilities to the Parent Company are US dollar denominated.

Cash Operating Expenses

Consolidated cash operating expenses for the quarter increased by 28.3 percent from ₱5,440.3 million in 2017 to ₱6,979.2 million in 2018. Excluding the cash operating expenses of Jeju Sun and Solaire Korea, cash operating expenses of the Philippine operation increased by 29.1 percent. This increase was mainly due to the ₱591.1 million increase in gaming taxes as a result of higher gaming revenues. In addition, Solaire posted higher advertising and promotional expenses due to new creative programs and campaigns that were rolled out in the quarter.

EBITDA

Philippines
For first quarter of 2018, Solaire's EBITDA of ₱4,661.6 million was 43.1 percent or ₱1,404.3 million higher than the same quarter last year. This quarter's EBITDA was the highest posted by Solaire.

Korea
Solaire Korea and its subsidiary, Jeju Sun posted ₱125.0 million negative EBITDA or 138.8 percent negative EBITDA margin in the first quarter of 2018 due to lower gaming revenues.

Consolidated
Below is the consolidated hold-normalized EBITDA comparison based on PAGCOR table classification of original gaming tax rates (as stated in the Gaming License) effective July 1, 2016, as follows:

a. Junket tables (VIP) - 15 percent of junket revenue
b. High roller tables (VIP) – 15 percent of high roller revenue*
c. Non-high roller tables (Mass tables) – 25 percent of non-high roller revenue*
d. Slots – 25 percent of slots revenue

** BRHI is also required to remit an additional 2 percent of casino revenues generated from non-junket operation tables to a foundation devoted to the restoration of Philippine cultural heritage, as selected by the BRHI and approved by PAGCOR.*

	For the Year Ended March 31		Change
In thousands, except % change data	**2018**	**2017**	
Net Revenue	11,515,757	8,596,977	34.0%
EBITDA	4,536,544	3,156,647	43.7%
EBITDA Margin	39.4%	36.7%	268 bps
Hold-Normalized EBITDA*	**3,477,443**	**3,892,446**	**(10.7%)**
Hold-Normalized EBITDA Margin*	**36.3%**	**40.6%**	**121.5 bps**

** Hold-normalized EBITDA is based on 2.85% VIP hold.*

Provision for (Benefit From) Income Tax

In the first quarter of 2018, Solaire recognized ₱3.6 million of benefit from income tax, a 94.9 percent increase from the prior year's ₱1.9 million in benefit from income tax.

Net Income

Solaire registered a net income of ₱3,845.7 million, which was ₱2,015.9 million higher from the net income recorded for the same quarter in prior year.

The basic earnings per share of ₱0.336 for first quarter 2018 was higher from last year's earnings per share of ₱0.195. The diluted earnings for share for 2018 was ₱0.335 while for 2017 the diluted earnings per shares was ₱0.194 after considering the shares granted under the stock incentive plan.

TRENDS, EVENTS OR UNCERTAINTIES AFFECTING RECURRING REVENUES AND PROFITS

The Group is exposed to a number of trends, events and uncertainties, which affect its recurring revenues and profits of its casino and hotel operations. These include levels of general economic activity, as well as certain cost items, such as labor, fuel and power. The Group collects revenues in various currencies and the appreciation and depreciation of the US or HK dollar and other major currencies against the Philippine peso, may have a negative impact on the Group's reported levels of revenues and profits.

FINANCIAL CONDITION

The table below shows the consolidated condensed balance sheets as of March 31, 2018 and December 31, 2017:

Table 2.6 Consolidated Condensed Balance Sheets

In thousands, except % change data	**March 31, 2018**	December 31, 2017	% Change 2018 vs. 2017
Current assets	**31,112,517**	25,906,486	20.1%
Total assets	**77,365,355**	72,786,452	6.3%
Current liabilities	**14,154,109**	11,974,865	18.2%
Total interest-bearing debt	**31,452,890**	32,100,820	(2.0%)
Total liabilities	**43,519,762**	42,501,101	2.4%
Equity[2]	**33,823,380**	30,256,435	11.8%
Current assets/total assets	**40.22%**	35.59%	
Current ratio	**2.20**	2.16	
Debt-equity ratio[1]	**1.29**	1.40	
Net debt-equity ratio	**0.48**	0.60	

[1] *Debt includes total liabilities. Equity includes total equity.*
[2] *Total equity attributable to Equity Holders of the Company*

Current assets were higher by 20.1 percent to ₽31.1 billion as of March 31, 2018 from ₽25.9 billion as of December 31, 2017. The increase was due to a ₽5.2 billion increase in cash and cash equivalents.

Total assets increased by 6.3 percent to ₽77.3 billion as of March 31, 2018 from ₽72.8 billion as of December 31, 2017. The increase was attributable to higher level of cash and cash equivalents partially offset by the decrease of ₽666.6 million in property and equipment.

Current liabilities by the end of March 31, 2018 were higher than as of December 31, 2017 to ₽14.2 billion mainly because of the increased outstanding chips, gaming tax and customer's deposit which were reduced by decreases in trade accounts payable and construction accruals.

Total liabilities increased by 2.4 percent from ₽42.5 billion as of December 31, 2017 to ₽43.5 billion as of March 31, 2018 because of higher level of current liabilities as mentioned above. This was offset by the decrease in long-term debt resulting from the scheduled principal repayments of the original facility, expansion and corporate notes.

Total equity as of March 31, 2018 amounted to ₽33.8 billion, 11.8 percent higher compared with ₽30.3 billion reported as of December 31, 2017. The increase was due to the ₽3,690.6 million net income reported for the first quarter of 2018.

MATERIAL VARIANCES AFFECTING THE BALANCE SHEET

Balance sheet accounts as of March 31, 2018 with variances of plus or minus 5.0 percent against December 31, 2017 balances are discussed, as follows:

Current Assets

1. Cash and cash equivalents increased as of March 31, 2018 mainly due to higher cash generated by operations.
2. Inventories decreased due to lower inventories held by the Company as a result of higher cost of sale.

Noncurrent Assets

3. Other noncurrent assets decreased by 17.8 percent as of March 31, 2018 mainly due to lower advances to contractors and security deposits.

Current Liabilities

4. Payables and other current liabilities were higher by 17.5 percent as of March 31, 2018 mainly due to higher outstanding chip and other gaming liabilities, gaming taxes payable and customer deposits.
5. Current portion of long-term debt increased because of the additional principal due within one year pertaining to the Original Facility, Expansion Facility and Corporate Notes.

Noncurrent Liabilities

6. Retirement liability increased by 7.0 percent to ₱481.1 million due to the accrual of normal cost for the quarter.

Equity

7. Treasury shares decreased by 41.3 percent because issuance of shares for vested SIP shares.
8. Other comprehensive income pertains to the net effect of the translation of the financial statements of Solaire Korea and its subsidiaries.
9. Retained earnings increased by 60.7 percent due to the net income reported for the first three months of 2018 amounting to ₱3,690.6 million.

LIQUIDITY AND CAPITAL RESOURCES

This section discusses the Group's sources and uses of funds as well as its debt and equity capital profile.

Liquidity

The table below shows the Group's consolidated cash flows for the three months ended March 31, 2018 and 2017:

Table 2.7 Consolidated Cash Flows

	For The Three Months Ended March 31		**% Change**
In thousands, except % change data	**2018**	2017	2018 vs. 2017
Net cash provided by operating activities	**₱6,539,957**	₱4,336,055	50.8%
Net cash used in investing activities	**(329,200)**	(368,572)	(10.7%)
Net cash provided by financing activities	**(1,380,546)**	(1,049,742)	31.5%
Effect of exchange rate changes on cash	**275,717**	237,308	16.2%
Net increase in cash and cash equivalents	**5,105,928**	3,155,049	61.8%
Cash and cash equivalents, beginning	**21,961,407**	14,325,511	53.3%
Cash and cash equivalents, end	**₱27,067,335**	₱17,480,561	54.8%

Cash and cash equivalents increased by 54.8 percent as of March 31, 2018 mainly due to ₱6.5 billion cash flows generated by the operations in Solaire which was offset by additional acquisition of property and equipment and partial principal repayment of the Original Facility, Expansion, Corporate Notes and interest.

In the first quarter of 2018, the Group registered positive cash flows from operating activities of ₱6.5 billion, 50.8 percent higher than last year due to better results of operation for Solaire and favorable effect of changes in operating income and working capital.

Investing activities for the first half in Solaire mainly represented additional acquisition of property and equipment and minor construction projects**.**

In the first quarter of 2018, the Group's financing activities were the partial repayment of principal of its outstanding loan facilities and interest payments totaling ₱1.4 billion.

Capital Resources

The table below shows the Group's capital sources as of March 31, 2018 and December 31, 2017:

Table 2.8 Capital Sources

	March 31,	December 31,	% Change
In thousands, except % change data	**2018**	2017	2018 vs. 2017
Long-term debt	**₱31,452,890**	₱32,100,820	(2.0%)
Equity*	**33,823,380**	30,256,435	11.8%
	₱65,276,270	₱62,357,255	4.7%

**Attributable to equity holders of the Parent Company*

Total debt and equity increased by 4.7 percent to ₱65.3 billion as of March 31, 2018 from ₱62.4 billion as of December 31, 2017. The net increase was the result of the combined effect of the ₱669.0 million partial repayment of principal of the Original Facility, Expansion and Corporate Notes and, the ₱3,690.6 million net income for the first quarter of 2018.

Please refer to Note 9 of the Notes to Unaudited Condensed Consolidated Financial Statements for the discussion on debt financing.

RISKS

Foreign Exchange Risk

Foreign exchange risk is the risk that the value of the Group's financial instrument will fluctuate due to changes in foreign exchange rates. The Group has recognized in the consolidated statements of comprehensive income net foreign exchange gain of ₱738.3 million and ₱637.3 million in 2018 and 2017 on the revaluation of its foreign currency denominated cash and cash equivalents, restricted cash, receivables and accrued expenses for the three months ended March 31, 2018 and 2017, respectively.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to market risk for changes in interest rates relates primarily to its long-term debt with floating interest rates. Variable or floating rate debt is subject to cash flow interest rate risk. Repricing of variable rate debt is done on quarterly intervals.

Prior to the start of commercial operations of Solaire, changes in interest rates on long-term debt has no effect on income before income tax and equity as interests on long-term debt are capitalized as part of "Construction in Progress" under the "Property and Equipment" account in balance sheets.

Liquidity Risk

Liquidity risk is the risk of not meeting obligations as they become due because of an inability to liquidate assets or obtain funding. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans.

As part of its liquidity strategy, the Group will set aside cash to ensure that financial obligations will be met as they fall due. The Group has cash and cash equivalents amounting to ₱27.1 billion and ₱21.9 billion as of March 31, 2018 and December 31, 2017, respectively that are allocated to meet the Group's liquidity needs.

Credit Risk

Credit risk is the risk that the Group will incur a loss arising from customers, clients or counterparties that fail to discharge their contracted obligations. The Group manages and controls credit risk by setting limits on the amount of risk that the Group is willing to accept for individual counterparties and by monitoring exposures in relation to such limits.

The Group's maximum exposure to credit risk is equal to the carrying amount of its financial instruments. The Group has no concentration of credit risk

Aging of Receivables

The following summarizes the aging of the Group’s receivables as of March 31, 2018:

In thousands	
Current	₱2,247,559
90 Days	164,585
Over 90 Days	306,708
Total	₱2,718,852

PART II – OTHER INFORMATION

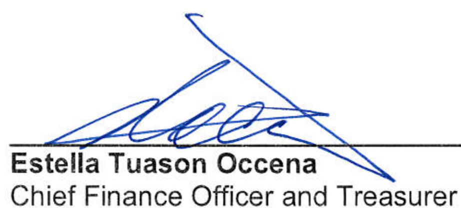
There is no other information not previously reported in SEC Form 17-C that need to be reported in this section.

SIGNATURES

Pursuant to the requirements of Securities and Regulation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Registrant: **Bloomberry Resorts Corporation**

By:



Estella Tuason Occena
Chief Finance Officer and Treasurer

May 7, 2018

Gerard Angelo Emilio J. Festin
Vice-President - Corporate Controller

May 7, 2018