COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A 1 9 9 9 0 4 8 6 4

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, Parañaque City

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

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	Every Third Thursday of April	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

NOTE1 : *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 2019**

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**
   Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
   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. **N/A**
   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	**11,013,711,155 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, 2019 and for the three months ended March 31, 2019 and 2018 and the audited consolidated statement of financial position as of December 31, 2018 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 63.

There are 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, 2019 (Unaudited) and December 31, 2018 (Audited)
and For The Three Months Ended March 31, 2019 and 2018
(Unaudited)

BLOOMBERRY RESORTS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

MARCH 31, 2019 AND DECEMBER 31, 2018

	March 31, 2019 ***(Unaudited)***	December 31, 2018 *(Audited)*
ASSETS		
Current Assets		
Cash and cash equivalents	**₱37,143,386,561**	₱36,465,847,957
Receivables	**2,909,297,612**	2,805,958,496
Inventories	**317,516,874**	291,573,331
Prepayments and other current assets	**837,330,788**	902,684,435
Total Current Assets	**41,207,531,835**	40,466,064,219
Noncurrent Assets		
Property and equipment	**82,398,042,654**	82,699,866,703
Intangible assets	**1,934,090,026**	1,959,046,027
Other noncurrent assets	**1,316,050,069**	524,001,443
Total Noncurrent Assets	**85,648,182,749**	85,182,914,173
	₱126,855,714,584	₱125,648,978,392
LIABILITIES AND EQUITY		
Current Liabilities		
Payables and other current liabilities	**₱18,084,716,912**	₱16,928,855,982
Current portion of long-term debt	**2,066,860,064**	2,068,149,254
Income tax payable	**4,083,014**	3,597,310
Total Current Liabilities	**20,155,659,990**	19,000,602,546
Noncurrent Liabilities		
Long-term debt - net of current portion	**68,602,222,645**	69,118,770,432
Deferred tax liabilities – net	**241,234,686**	245,160,354
Retirement liability	**406,922,415**	384,884,739
Other noncurrent liabilities	**342,574,336**	338,456,494
Total Noncurrent Liabilities	**69,592,954,082**	70,087,272,019
Total Liabilities	**89,748,614,072**	89,087,874,565
Equity Attributable to Equity Holders of the Parent Company		
Capital stock	**11,032,998,225**	11,032,998,225
Additional paid-in capital	**13,166,895,086**	13,166,895,086
Equity reserve	**(27,138,558)**	(27,138,558)
Cost of shares held by a subsidiary	**(5,524,717)**	(9,269,647)
Treasury shares	**(185,406,175)**	(185,406,175)
Share-based payment plan	**300,475,547**	226,349,792
Other comprehensive income (loss)	**(61,760,952)**	18,065,308
Retained earnings	**12,885,874,509**	12,329,630,590
Total Equity Attributable to Equity Holders of the Parent Company	**37,106,412,965**	36,552,124,621
Equity Attributable to Non-controlling Interests	**687,547**	8,979,206
Total Equity	**37,107,100,512**	36,561,103,827
	₱126,855,714,584	₱125,648,978,392

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, 2019 AND 2018

	2019	2018
REVENUES		
Gaming	**₱8,848,509,786**	₱8,767,219,591
Hotel, food and beverage	**972,178,783**	904,033,712
Retail and others	**870,622,069**	619,278,767
	10,691,310,638	10,290,532,070
OPERATING COSTS AND EXPENSES	**7,188,551,290**	6,841,514,242
INCOME BEFORE OTHER INCOME (EXPENSE) AND INCOME TAX	**3,502,759,348**	3,449,017,828
OTHER INCOME (EXPENSES)		
Interest expense	**(1,385,017,730)**	(512,591,283)
Foreign exchange gains - net	**8,276,292**	738,249,767
Interest income	**76,367,347**	13,903,543
Others	**(703)**	(1,548,628)
	(1,300,374,794)	238,013,399
INCOME BEFORE INCOME TAX	**2,202,384,554**	3,687,031,227
BENEFIT FROM INCOME TAX	**(517,440)**	(3,610,654)
NET INCOME	**2,202,901,994**	3,690,641,881
OTHER COMPREHENSIVE INCOME (EXPENSE)		
Items that will be reclassified to profit or loss in subsequent period:		
Exchange difference on translation of foreign operations	**(79,126,260)**	(145,189,992)
Unrealized gain (loss) on equity instrument designated at fair value through other comprehensive income	**(700,000)**	150,000
TOTAL OTHER COMPREHENSIVE INCOME (EXPENSE)	**(79,826,260)**	(145,039,992)
TOTAL COMPREHENSIVE INCOME	**₱2,123,075,734**	₱3,545,601,889
Net Income (Loss) Attributable To		
Equity holders of the Parent Company	**₱2,211,193,653**	₱3,697,344,339
Non-controlling interests	**(8,291,659)**	(6,702,457)
	₱2,202,901,994	₱3,690,641,882
Total Comprehensive Income (Loss) Attributable To		
Equity holders of the Parent Company	**₱2,131,367,393**	₱3,552,304,346
Non-controlling interests	**(8,291,659)**	(6,702,457)
	₱2,123,075,734	₱3,545,601,889
Earnings Per Share on Net Income Attributable to Equity Holders of the Parent Company		
Basic	**₱0.201**	₱0.336
Diluted	**₱0.200**	₱0.335

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, 2019 AND 2018

	Equity Attributable to Equity Holders of the Parent Company									Equity Attributable to Non-controlling Interests	
	Capital Stock	Additional Paid-in Capital	Equity Reserve	Cost of shares held by a subsidiary	Treasury Shares	Share-based Payment Plan	Other Comprehensive Income (Loss)	Retained Earnings	Total		Total Equity
Balances at January 1, 2019 (Audited)	**₱11,032,998,225**	**₱13,166,895,086**	**(₱27,138,558)**	**(₱9,269,647)**	**(₱185,406,175)**	**₱226,349,792**	**₱18,065,308**	**₱12,329,630,590**	**₱36,552,124,621**	**₱8,979,206**	**₱36,561,103,827**
Net income	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,211,193,653**	**2,211,193,653**	**(8,291,659)**	**2,202,901,994**
Exchange difference on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**–**	**(79,126,260)**	**–**	**(79,126,260)**	**–**	**(79,126,260)**
Unrealized loss on equity instrument designated at fair value through other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**(700,000)**	**–**	**(700,000)**	**–**	**(700,000)**
Total comprehensive income (loss)	**–**	**–**	**–**	**–**	**–**	**–**	**(79,826,260)**	**2,211,193,653**	**2,131,367,393**	**(8,291,659)**	**2,123,075,734**
Dividend declaration	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,654,949,734)**	**(1,654,949,734)**	**–**	**(1,654,949,734)**
Share-based payments	**–**	**–**	**–**	**–**	**–**	**74,125,755**	**–**	**–**	**74,125,755**	**–**	**74,125,755**
Issuance of Bloomberry shares held by a subsidiary	**–**	**–**	**–**	**3,744,930**	**–**	**–**	**–**	**–**	**3,744,930**	**–**	**3,744,930**
Balances at March 31, 2019 (Unaudited)	**₱11,032,998,225**	**₱13,166,895,086**	**(₱27,138,558)**	**(₱5,524,717)**	**(₱185,406,175)**	**₱300,475,547**	**(₱61,760,952)**	**₱12,885,874,509**	**₱37,106,412,965**	**₱687,547**	**₱37,107,100,512**
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 (loss)	–	–	–	–	–	43,260,498	–	–	43,260,498	–	43,260,498
Share-based payments	–	(38,473,810)	–	–	80,351,955	(41,878,145)	–	–	–	–	–
Purchase of treasury shares	–	–	–	–	–	43,260,498	–	–	43,260,498	–	43,260,498
Issuance of treasury shares for share-based payments	–	–	–	–	(28,620,000)	–	–	–	(28,620,000)	–	(28,620,000)
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	₱11,032,998,225

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, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₽2,202,384,554**	₽3,687,031,228
Adjustments for:		
Interest expense	**1,385,017,730**	512,591,283
Depreciation and amortization	**922,186,919**	1,073,622,194
Interest income	**(76,367,347)**	(13,903,543)
Share-based payment expense	**74,125,755**	43,260,498
Net change in retirement liability	**22,037,676**	21,765,412
Unrealized foreign exchange gains - net	**(8,276,292)**	(738,249,767)
Others	**–**	1,548,628
Operating income before working capital changes	**4,521,108,995**	4,587,665,933
Decrease (increase) in:		
Receivables	**(114,597,695)**	148,812,296
Inventories	**(25,943,543)**	23,818,553
Prepayments and other current assets	**58,787,713**	(32,376,574)
Increase (decrease) in:		
Payables and other current liabilities	**(476,927,784)**	1,786,227,211
Noncurrent liabilities	**4,117,842**	11,905,974
Net cash generated from operations	**3,966,545,528**	6,526,053,393
Interest received	**91,906,025**	13,903,543
Net cash provided by operating activities	**4,058,451,553**	6,539,956,936
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	**(695,980,979)**	(244,529,734)
Decrease (increase) in:		
Other noncurrent assets	**(798,501,164)**	(85,689,495)
Restricted cash	**–**	1,018,760
Net cash used in investing activities	**(1,494,482,143)**	(329,200,469)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of principal	**(551,250,000)**	(669,073,125)
Payment of interest	**(1,331,729,265)**	(682,852,610)
Purchase of treasury shares	**(19,553,211)**	(28,620,000)
Proceeds from issuance of Bloomberry's shares held by a subsidiary	**3,744,930**	–
Cash used in financing activities	**(1,898,787,546)**	(1,380,545,735)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**12,356,740**	275,717,436
NET INCREASE IN CASH AND CASH EQUIVALENTS	**677,538,604**	5,105,928,168
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**36,465,847,957**	21,961,406,978
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**₽37,143,386,561**	₽27,067,335,146

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 which was extended to in perpetuity under the Revised Corporation Code (R.A. No. 11232). The Parent Company’s primary purpose is to subscribe, acquire, hold, sell, assign or dispose shares of 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.

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

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

   As of March 31, 2019, Prime Metroline Holdings, Inc. (“PMHI”) is the Group’s ultimate parent company.

   b. 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 the 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%. 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 (₩)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. Bloom Capital B.V and Solaire de Argentina S.A. are currently not in operation.

c. 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 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 integrated resort to operate within Entertainment City. BRHI, as the license holder, owns and operates the casino while Sureste owns and 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, 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 consists of a 312 all-suite hotel, additional ten VIP gaming salons with 66 gaming tables and 230 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 theatre designed to provide a superior audio-visual experience for a wide range of theatre plays and musicals, dance performances, concerts, and amplified music and speech events. The Forum is a 2,000 square-meter 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. The Shoppes in the Sky Tower features retail stores, including premium brands such as Saint Laurent, Bvlgari, Salvatore Ferragamo,

Givenchy, Louis Vuitton and Prada. In 2018, an additional five mid-range retail stores were opened.

In 2015, Sureste purchased from the National Housing Authority a 15,676 square meter land in Vertis North, Quezon City Central Business District. As of December 31, 2015, Sureste had fully paid the purchase price of this land.

This property will be the site of BRHI's proposed second integrated resort in the Philippines under the same PAGCOR license and subject to relevant LGU and other government approvals. The Company is currently working on the masterplan for the Vertis Property.

On June 5, 2018, Sureste acquired two parcels of land in Entertainment City from PAGCOR with a total area of 160,359 square meters where Solaire Resorts and Casino and its expansion area are located.

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 a 202-room hotel with 5 Hibiscus rating, 2,000 square meters of gaming operations 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 suspended on May 10, 2015 pending the completion of the renovation of the expanded gaming area of the property. Casino operations resumed on September 15, 2015. However, the gaming regulator, the Casino Regulation Division ("CRD"), imposed a one-month suspension which started on November 16, 2015 following the findings of the CRD's investigation on 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 with 60 tables and 51 slot machines in accordance with its gaming license. In 2018, a reorganization was implemented separating hotel and casino operations. Jeju Sun appointed a Hotel Operations Officer and a Casino Operations Officer, in January and July, respectively. In the fourth quarter of 2018, Jeju Sun embarked on a renovation project covering 164 rooms, a new ballroom, restaurants, lobby, building facade and back of the house.

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, 2018.

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").

As of March 31, 2019 and December 31, 2018, subsidiaries of Bloomberry include:

	Effective Percentage of Ownership			
	March 31, 2019 *(Unaudited)*		December 31, 2018 *(Audited)*	
	Direct	**Indirect**	Direct	Indirect
Sureste	**91**	**9**	91	9
BRHI	**–**	**100**	–	100
Bloom Capital B.V.*	**100**	**–**	100	–
Solaire de Argentina S.A. (through Bloom Capital B.V)*	**–**	**94**	–	94
Solaire Korea	**100**	**–**	100	–
G&L (through Solaire Korea)	**10**	**86**	10	86
Muui (through Solaire Korea)*	**–**	**80**	–	80

**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.

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

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control 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.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

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.

Changes in Accounting Policies and Disclosures

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, 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. Entities are required to apply the amendments to: (1) share-based payment transactions that are unvested or vested but unexercised as of January 1, 2018, (2) share-based payment transactions granted on or after January 1, 2018 and to (3) modifications of share-based payments that occurred on or after January 1, 2018. Retrospective application is permitted if elected for all three amendments and if it is possible to do so without hindsight.

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

- PFRS 9, *Financial Instruments*

  PFRS 9, *Financial Instruments*, replaces PAS 39, *Financial Instruments: Recognition and Measurement,* for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

  The Group has applied PFRS 9 with an initial application date of January 1, 2018.

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

  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.

  The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*

  PFRS 15 supersedes PAS 11, *Construction Contracts,* PAS 18, *Revenue* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be 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.

  PFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted PFRS 15 using the full retrospective method of adoption.

<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 beginning on or after January 1, 2019

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

Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through OCI, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

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

- 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.

  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 PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify

that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event

- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

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

  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

  The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

  The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. The amendments will not have an impact on the Group's consolidated financial statements.

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

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

The interpretation specifically addresses the following:

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

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

This interpretation is not relevant to the Group because there is no uncertainty involved in the tax treatments made by management in connection with the calculation of current and deferred taxes as of December 31, 2018 and 2017.

- *Annual Improvements to PFRSs* 2015-2017 Cycle

  - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*

    The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

    A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

    An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

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

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

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

not relevant to the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

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

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

  An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

  Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements upon adoption.

Effective beginning on or after January 1, 2020

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

  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

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

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

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

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

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

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance

contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

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

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

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

The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

Deferred effectivity

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

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

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

  These amendments may apply to future transactions of the Group.

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, which is measured at acquisition date fair value and the amount of any non-controlling interests in

the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree 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.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as equity not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PFRS 9, *Financial Instruments*, is measured at fair value with the changes in fair value recognized in the consolidated statement of comprehensive income in accordance with PFRS 9. Other contingent consideration that is not within the scope of PFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired an all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

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.

<u>Current versus Noncurrent Classification</u>
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.

Fair Value Measurement
The Group measures financial instruments such as derivatives at fair value at each reporting date.

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

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the

fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial Instruments - Initial Recognition and Subsequent Measurement
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through OCI, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under PFRS 15.

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

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

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

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

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)

- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortized cost (debt instruments)
This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

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

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

The Group's cash and cash equivalents, receivables and security deposits are included in this category as of March 31, 2019 and December 31, 2018.

Financial assets at fair value through OCI (debt instruments)
The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

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

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Group has no debt instruments at fair value through OCI as of March 31, 2019 and December 31, 2018.

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

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

The Group's investment in club shares is classified as equity instrument designated at fair value through OCI as of March 31, 2019 and December 31, 2018.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of comprehensive income.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognized as other income in the statement of profit or loss when the right of payment has been established.

The Group has not designated any financial assets at FVPL as of March 31, 2019 and December 31, 2018.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristic and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded with a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

The Group has no derivative asset as of March 31, 2019 and December 31, 2018.

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

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has

transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

Impairment of financial assets
The Group recognizes an expected credit loss (ECL) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

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

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

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Group's financial liabilities include payables and other current liabilities (excluding statutory payables and contract liabilities), long-term debt and tenants' security deposits as of March 31, 2019 and December 31, 2018.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the consolidated statement of comprehensive income.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

The Group has no financial liability at FVPL as of March 31, 2019 and December 31, 2018.

Loans and borrowings
This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

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

This category includes payables and other current liabilities (excluding statutory payables and contract liabilities), long-term debt and tenants' security deposits as of March 31, 2019 and December 31, 2018.

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

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position 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. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

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.

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.

Promo Merchandise
Promo merchandise pertains to items to be provided by the Group to its patrons as giveaways at different marketing events. These are carried at lower of cost and NRV and charged to "Cost of sales" once distributed to the patrons.

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, except land, excluding the costs of day-to-day servicing, less accumulated depreciation and any impairment in value. Land is stated at cost less any impairment in value.

The initial cost of property and equipment comprises its construction cost or purchase price and any directly attributable costs in 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 recognized in the consolidated statement of comprehensive 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:

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 or lease term, whichever is shorter

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 costs. Upon completion, these costs will be depreciated and amortized over the life of the asset. During the period of construction, construction in progress is carried at cost and 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.

An intangible asset is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of comprehensive income.

Operating Equipment

Operating equipment (shown as part of “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 an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset’s recoverable amount. An asset’s recoverable amount is determined for an individual asset, unless the asset does not generate inflows that are largely independent of those from other assets or group if assets. When the carrying amount of an asset of cash generating unit (CGU) 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 assessment of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group’s CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognized in the consolidated statement of comprehensive income in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognized in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, 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.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

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.

<u>Equity</u>
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 under "Operating costs and expenses" account.

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's revenue from contracts with customers primarily consist of gaming, hotel accommodation services, food and beverage, and retail and other revenue. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements.

Gaming revenue

Gaming revenue is recognized when the control of the service is transferred to the patron upon execution of a gaming play. The Group accounts for its gaming revenue contracts collectively on a portfolio basis versus an individual basis as all patrons have similar characteristics. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. Accordingly, for gaming transactions that include complimentary goods and services provided by the Group to incentivize future gaming, the Group allocates the stand alone selling price of each goods or services to the appropriate revenue type. In determining the transaction price, gaming revenue is measured by the aggregate net difference between gaming wins and losses and the effect of consideration payable to a patron (if any) is considered. Amounts rebated to junket operators and premium patrons for rolling play, cash discounts and other cash incentives to patrons related to gaming play are recognized as a reduction from gross gaming revenue.

Hotel, food and beverage, retail and other operating revenues

Hotel, food and beverage, retail and other operating revenues are recognized when the control of the goods or service is transferred to the customer, generally when the services are performed or the retail goods are delivered.

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

Contract Balances

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

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

Contract liabilities. A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the patron. If a patron pays consideration before the Group transfers goods

or services to the patron, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

The contract liabilities include payments received by the Group from the patrons for which revenue recognition has not yet commenced. Accordingly, funds deposited by patrons before gaming play occurs (customers' deposits) and chips in patrons' possession (outstanding chips liability) are recorded as contract liabilities until services are provided to the patrons.

Customer Loyalty Program
The Group has a loyalty points program which allows customers to accumulate points that can be redeemed for free hotel accommodation, food and beverage, retail goods and other services. The loyalty points give rise to a separate performance obligation as they provide a material right to the customer. The Group's customer is able to use the points as a currency (i.e., currency value has been fixed and can no longer be changed by the Group). A portion of the transaction price is allocated to the loyalty points awarded to customers based on relative stand-alone selling price and recognized as a financial liability until the points are redeemed. The amount of points redeemed through third parties are recognized as reduction in gaming revenue.

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. The license fee is inclusive of the 5% franchise tax on gross gaming revenue.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.

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, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognized immediately in the 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 reclassified to profit or loss in subsequent periods.

Past service costs are recognized in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognizes related restructuring costs

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 as part of “Salaries and benefits” account under “Operating costs and expenses” in profit or loss 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 even if that right is not explicitly specified in an arrangement.

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.

<u>Taxes</u>

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) in respect of 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, the 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) in respect of 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 outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

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, or payable to, the taxation authority is included as part of the "Prepayments and other current assets" or "Payables and other current liabilities" accounts in the consolidated statements of financial position.

Contingencies
Contingent liabilities are not recognized in the 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 consolidated financial statements but are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

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

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

Basic earnings per share ("EPS") is calculated by dividing net income for the year attributable to equity holders of the Group by the weighted average number of shares outstanding during the year after giving retroactive effect to any stock dividend declarations.

Diluted earnings per share is computed in the same manner, adjusted for the effect of the shares issuable to qualified officers and employees under the Group'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 2019 and 2018 where it derives its revenue.

Management's Use of Judgments, Estimates and Assumptions

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 consolidated financial statements.

Contingencies. The Group is involved in certain legal proceedings. The Group's judgment and 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.

Identification of Contract with Customers under PFRS 15. The Group applied PFRS 15 guidance to a portfolio of contracts with similar characteristics as the Group reasonably expects that the effects on the consolidated financial statements of applying this guidance to the portfolio would not differ materially from applying this guidance to the individual contracts within that portfolio. Hence, the Group viewed a gaming day as one contract.

Identifying Performance Obligations. The Group identifies performance obligations by considering whether the promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer and the Group's promise to transfer the good or service to the customer is separately identifiable from the other promises in the contract.

The Group provides promotional merchandise items to its patrons as giveaways at different marketing events and grants certain complimentaries in the form of free hotel accommodation; food and beverages; and retail merchandise from outlets to incentivize future gaming. The Group determined that the promotional merchandise items and complimentary incentives given to the patrons are capable of being distinct and therefore considered as separate performance obligations.

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.

Definition of Default and Credit-Impaired Financial Assets. Upon adoption of PFRS 9, the Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

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

- *Qualitative Criteria.* The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

  a. The borrower is experiencing financial difficulty or is insolvent;
  b. The borrower is in breach of financial covenant(s);
  c. Concessions have been granted by the Group, for economic or contractual reasons relating to the borrower's financial difficulty; or
  d. It is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

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

Simplified Approach for Trade Receivables. The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various patron segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every financial reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

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

homogeneous. The characteristics and any supplementary data used to determine groupings are outlined below.

Trade receivables - Groupings for collective measurement

a. Currency
b. Type of patron

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

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

Predicted relationship between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 4 years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

Provision for doubtful accounts recognized for the three months ended March 31, 2019 and 2018 amounted to ₱29.1 million and nil, respectively. The carrying amount of receivables amounted to ₱2,909.3 and ₱2,806.0 million as at March 31, 2019 and December 31, 2018, respectively.

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:

Determination and Allocation of the Transaction Price. The Group considers whether there are other promises in the contracts with customers that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price, the Group considers the effect of rebates paid through gaming promoters. As the information necessary for the Group to apply judgment and determine the consideration to which it is entitled are proprietary to the gaming promoters and are not communicated by the gaming promoters to the Group, the Group recognized the full amount paid to gaming promoters as reduction in revenue. In allocating the transaction price, the Group considers the amount at which the entity would sell or purchase the promotional merchandise or complimentary incentives separately as the stand-alone selling price of the performance obligations.

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.

The aggregate net book value of the Group's property and equipment (excluding construction in progress) amounted to ₱81,444.2 million and ₱81,969.0 million as of March 31, 2019 and December 31, 2018, respectively.

Impairment of Nonfinancial Assets. PFRS requires that an impairment review be performed when certain impairment indicators are present. In the case of goodwill and intangible assets with indefinite useful life, at a minimum, such assets are subject to an impairment test annually and whenever there is an indication that such assets may be impaired. This requires the determination of fair value less costs of disposal calculation and an estimation of the value in use of the CGU to which these assets are allocated. The value-in-use calculation requires us to make an estimate of the expected future cash flows from the CGU and to choose a suitable discount rate in order to calculate the present value of those cash flows.

Determining the recoverable amount of property and equipment, advances to contractors, intangible assets, and operating equipment, requires the Group to make estimates and assumptions in the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets. Future events could cause the Group to conclude that property and equipment, intangible assets and other noncurrent assets associated with an acquired business are impaired. Any resulting impairment loss could have a material adverse impact on the Group's financial position and financial performance.

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, 2019, and 2018.

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

	March 31, 2018	December 31, 2018
	(Unaudited)	*(Audited)*
Property and equipment	**₱82,398,042,654**	₱82,699,866,703
Casino license and goodwill	**1,934,090,026**	1,959,046,027
Advances to contractors	**230,607,124**	269,000,913
Investment in a joint venture	**212,741,127**	124,949,998
Operating equipment	**14,126,431**	15,122,692
	₱84,789,607,362	₱85,067,986,333

Determining Retirement Benefits Liability. 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 liability amounted to ₱406.9 million and ₱384.9 million as of March 31, 2019 and December 31, 2018, 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 NOLCO, MCIT and 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, 2019 and December 31, 2018.

3. **Cash and Cash Equivalents**

This account consists of:

	March 31, 2019 *(Unaudited)*	December 31, 2018 *(Audited)*
Cash on hand	**₱3,256,587,308**	₱2,181,713,440
Cash in banks	**21,069,266,956**	20,387,668,654
Temporary cash investments	**9,341,295,847**	10,450,472,138
Debt collateral accounts	**3,476,236,450**	3,445,993,725
	₱37,143,386,561	₱36,465,847,957

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. **Receivables**

This account consists of:

	March 31, 2019 *(Unaudited)*	December 31, 2018 *(Audited)*
Gaming	**₱2,808,852,257**	₱2,776,947,415
Hotel	**168,157,005**	151,791,746
Receivables from officers and employees	**111,920,227**	116,750,740
Others	**163,656,667**	75,655,021
	3,252,586,156	3,121,144,922
Less allowance for doubtful accounts	**343,288,544**	315,186,426
	₱2,909,297,612	₱2,805,958,496

Gaming receivables mainly include casino markers issued to gaming promoters and VIP premium casino patrons. Casino markers pertain to credits granted to registered casino patrons. 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 guests which are collected upon check-out. This includes credit card transactions, which are normally collected within one month.

Receivables from 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 which is 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.

5. **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, 2019 and December 31, 2018, property and equipment includes construction in progress pertaining to the costs related to ongoing improvements in Solaire and Jeju Sun 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.

In April 2018, the Group purchased two parcels of land previously being leased from PAGCOR for a total acquisition cost of ₱37,333.1 million

The Group has no idle property and equipment as of March 31, 2019 and December 31, 2018.

As of March 31, 2019 and December 31, 2018, BRHI's property and equipment under mortgage has a carrying value of ₱75.5 and ₱75.8 billion, respectively.

There were no major disposals or write-downs of property and equipment for the three months ended March 31, 2019. Additions for the period amounted to ₱696.0 million. As of March 31, 2019 and December 31, 2018, property and equipment amounted to ₱82,398.0 million and ₱82,699.9 million, respectively.

6. Intangible and other Noncurrent Assets

a. Intangible Assets

The movements in the goodwill and casino license follow:

	March 31, 2019 *(Unaudited)*	December 31,2018 *(Audited)*
Balance at beginning of year	**₱1,959,046,027**	₱1,942,408,693
Translation adjustment	**(24,956,001)**	16,637,334
Balance at the end of the period	**₱1,934,090,026**	₱1,959,046,027

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, 2019 *(Unaudited)*	December 31, 2018 *(Audited)*
Security deposits classified as noncurrent	**₱445,738,759**	₱80,719,348
Prepaid debt issue costs	**380,000,000**	–
Advances to contractors	**230,607,124**	269,000,913
Investment in a joint venture	**212,741,127**	124,949,998
Investment in club shares	**24,000,000**	25,000,000
Operating equipment	**14,126,431**	15,122,692
Others	**8,836,628**	9,208,492
	₱1,316,050,069	₱524,001,443

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

Prepaid debt issue costs primarily pertain to documentary stamp tax and front-end fee on the undrawn balance of the loan facilities. Such amount will be presented as reduction from long-term debt upon drawdown and will be amortized over the term of the loan.

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 facilities of Solaire. As of

March 31, 2019 and December 31, 2018, advances to contractors primarily pertain to advance payments for hotel furniture and fixtures and other gaming and hotel equipment and for small constructions in the property, respectively.

Investment in a joint venture represents the Group's 49% ownership in Falconer Aircraft Management, Inc. The Group's share in the profit or loss and other comprehensive income of the joint venture is not material to the consolidated financial statements.

Investment in club shares 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.

7. Payables and Other Current Liabilities

This account consists of outstanding chips and other gaming liabilities, customer's deposits, payable to contractors and suppliers, gaming taxes payable, retention payable, holdback liability, short-term borrowing, output VAT and other taxes payable, tenants' security deposits classified as current, dividends payable and accrued expense payable.

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, 2019 and December 31, 2018, payables and other current liabilities amounted to ₱18,084.7 million and ₱16,928.9 million, respectively.

8. Long-term Debt

This account consists of:

	March 31, 2019 *(Unaudited)*	December 31, 2018 *(Audited)*
Principal	**₱71,846,250,000**	₱72,397,500,000
Less unamortized debt discount	**1,177,167,291**	1,210,580,314
	70,669,082,709	71,186,919,686
Less current portion of long-term debt	**2,066,860,064**	2,068,149,254
	₱68,602,222,645	₱69,118,770,432

Future repayment of the principal follows:

	March 31, 2019 *(Unaudited)*	December 31, 2018 *(Audited)*
Within one year	**₱2,205,000,000**	₱2,205,000,000
After one year but not more than five years	**9,922,500,000**	9,555,000,000
Beyond five years	**59,718,750,000**	60,637,500,000
	₱71,846,250,000	₱72,397,500,000

a. ₱73.5 Billion Syndicated Loan Facility

On April 10, 2018, BRHI (the "Borrower") entered into an aggregate of ₱73.5 billion, ten-year term loan Syndicated Loan Facility with Banco de Oro Unibank, Inc. (BDO), BDO Private Bank, Inc., China Banking Corporation, Philippine National Bank, PNB Savings Bank, Robinsons Bank Corporation and United Coconut Planters Bank (each a "Lender", and collectively, the "Lenders") to: (i) finance the Borrower's advances to Sureste for the latter's investments; (ii) finance the Borrower's working capital requirements; (iii) refinance the principal amount of all the existing outstanding term loans of the Borrower; and (iv) finance the Borrower's advances to Sureste for refinancing of the principal amount of all of Sureste's existing outstanding term loans.

The ₱73.5 billion Syndicated Loan Facility is payable over ten years in 40 consecutive quarterly installments on each repayment date commencing on the 3rd month from the initial drawdown date as follows:

	Amount
Year 1	₱2,205,000,000
Year 2	2,205,000,000
Year 3	2,205,000,000
Year 4	2,205,000,000
Year 5	2,205,000,000
Year 6	3,675,000,000
Year 7	7,350,000,000
Year 8	7,350,000,000
Year 9	22,050,000,000
Year 10	22,050,000,000
	₱73,500,000,000

The interest on the unpaid principal amount shall be paid in quarterly payments from the initial drawdown date.

The loan bears a fixed interest per annum from initial drawdown date to the 60th month from the initial drawdown date of 7.5% divided by 0.99 and from the 61st month from the initial drawdown date up to the final repayment date of 7.5% divided by 0.95. BRHI is obliged to pay, on each date of drawdown, for the first year of the facilities, a commitment fee equivalent to 0.5% per annum, based on the undrawn portion of the commitment.

The ₱73.5 billion Syndicated Loan Facility provides that BRHI is permitted to make optional prepayments anytime until maturity. In case of prepayment, BRHI shall pay the principal, accrued interest and 0.50% based on the amount prepaid as penalty in the first year. No prepayment penalty shall be imposed after the first year up to the last repayment date.

The embedded prepayment option on the ₱73.5 billion Syndicated Loan Facility was assessed as clearly and closely related to the loan, thus, not subject for bifurcation.

Outstanding long-term debt, net of unamortized debt discount, amounted to ₱70,669.1 and ₱71,186.9 million as of March 31, 2019 and December 31, 2018, respectively.

b. ₱40.0 Billion Syndicated Loan Facility

On February 11, 2019, SPI and BRHI signed an Omnibus Loan and Security Agreement for a 10-year combined loan facility in the principal amount of ₱40.0 billion with the following Lenders: Philippine National Bank, BDO Unibank, Inc., Metropolitan Bank & Trust Company, Union Bank of the Philippines, Bank of Commerce, China Banking Corporation, and Robinsons Bank Corporation. BDO Unibank, Inc. - Trust and Investments Group is the security trustee, facility agent and paying agent for the loan facility, while BDO Capital & Investment Corporation acted as the lead arranger and sole bookrunner. The proceeds of the loan will be used by Sureste and BRHI to partially finance the design, construction and development of an integrated hotel and gaming resort located at the Vertis North Complex in Quezon City, Metro Manila.

As of March 31, 2019, this loan facility has not been drawn. Related prepaid debt issue costs amounting to ₱380.0 million is recorded under "Other noncurrent assets" account in the statement of financial position.

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, is presented as deduction from the Group's long-term debt.

Debt Covenants

The Group's ₱73.5 billion Syndicated Loan Facility contains certain restrictive covenants that require the Group's subsidiaries, BRHI, to comply with specified financial ratios and other financial tests at quarterly measurement dates. The Group's loan agreement includes compliance with certain financial ratios such as debt-to-equity ratio (computed as total liabilities, net of liabilities backed by cash divided by total equity) and debt service coverage ratio (computed as net income plus interest expense; depreciation and amortization and Debt Service Reserve Account ("DSRA") divided by current portion of long-term debt and interest payable).

As of March 31, 2019 and December 31, 2018, BRHI is in compliance with these debt covenants.

Collateral

Under the syndicated loan facility obtained in 2018, collateral includes the following:

(i) Assignment of DSRA

To ensure the payment by BRHI of the Loan, BRHI shall convey, assign, transfer, set over and confirmed unto the Security Trustee the rights, title and interest of BRHI in its DSRA required to be maintained by BRHI.

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

In case BRHI fails to transfer funds to the Paying Agent, or transfers an amount not sufficient to cover the payment of debt service due, on a payment date, the Security Trustee shall debit from the DSRA such amounts as may be necessary to meet such Debt Service and transfer the same to BDO Unibank, Inc. - Trust and Investment Group (Paying Agent).

In the event the funds in the DSRA fall below the DSRA maintaining balance, the Borrower shall replenish the DSRA from its own funds in order that the DSRA maintaining balance shall be met not later than the five Banking days from the date the funds fell below the DSRA Maintaining Balance.

As of March 31, 2019 and December 31, 2018, the Group's debt collateral account related to the Syndicated Loan Facility amounted to ₱3,476.2 million and ₱3,446.0 million, respectively.

(ii) Assignment of Project Agreements

BRHI shall assign, convey, set over and transfer absolutely to the Security Trustee, for the benefit of the Secured parties, 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) right to terminate any of the Project Agreements or agree to the suspension thereof; (c) 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 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 Lenders, 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, and future real assets, i.e. the hotel and gaming facilities and Land; 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 they 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.

9. **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.

10. **Equity**

Capital Stock

Capital stock consists of:

	March 31, 2019 ***(Unaudited)***		December 31, 2018 *(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	**11,013,711,155**	**10,847,592,050**	11,013,711,155	10,847,592,050

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 shall be administered by the Stock Incentive Committee (“SIC”) composed of three directors or officers to be appointed by the BOD. The SIC shall determine 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, together with shares already granted under the SIP, which are equivalent to seven percent (7%) of the resulting total outstanding shares of the Group, shall be 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
May 16, 2018	22,013,874	12.66
June 8, 2018	88,043	11.40
August 1, 2018	102,466	9.00
March 18, 2019	24,624,950	11.62

**50 percent of the total granted shares have 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, 2019 and December 31, 2018 follow:

	March 31, 2019 ***(Unaudited)***	December 31, 2018 *(Audited)*
Balance at beginning of period	**35,578,643**	36,520,911
Stock awards granted	**24,624,950**	22,204,383
Stock awards vested	**–**	(22,756,055)
Stock awards of resigned/terminated employees	**–**	(390,596)
Balance at end of period	**60,203,593**	35,578,643

Total compensation expense on the stock awards recognized in the first quarter of 2019 and 2018 as part of “Operating costs and expenses” in the unaudited consolidated statements of comprehensive income amounted to ₱74.1 million and ₱43.3 million, respectively. The stock incentive obligation recognized as “Share-based payment plan” in the unaudited consolidated statements of financial position amounted to ₱300.5 million and ₱226.3 million as of March 31, 2019 and December 31, 2018, respectively.

Treasury Shares

As of March 31, 2019 and December 31, 2018, Bloomberry purchased a total of 19,287,070 treasury shares with a total cost of ₱185.4 million.

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, 2019 and December 31, 2018, 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).

Cost of Shares Held by a Subsidiary
This account pertains to Bloomberry shares owned by BRHI amounting to ₱5.5 million and ₱9.3 million as of March 31, 2019 and December 31, 2018.

Dividend Declaration
On March 21, 2019, the Parent Company's BOD approved the declaration of cash dividend of ₱0.15 per share or an aggregate amount of ₱1,654.9 million to stockholders on record as of April 5, 2019 payable on April 16, 2019.

11. Costs and Expenses

This account consists of:

	Three Months Ended March 31	
	2019 *(Unaudited)*	2018 *(Unaudited)*
Operating costs and expenses	**₱7,188,551,290**	₱6,841,514,242
Interest expense	**1,385,017,730**	512,591,283
Foreign exchange gains - net	**(8,276,292)**	(738,249,767)
Others	**703**	1,548,628
	₱8,565,293,431	₱6,617,404,386

12. 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 was for about 23 years, and was 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 schedule of the annual lease rental was provided for in the agreement. .

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. BRHI remained 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 amended the deed of assignment with the consent of PAGCOR. Under the amended deed of assignment 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.

In 2018, Sureste purchased from PAGCOR the 16 hectares land in Entertainment City where Solaire and its expansion area is located. The purchase price was ₽37,333.1 million. Sureste fully paid the purchase price and PAGCOR signed the Deed of Absolute Sale on June 4, 2018for the two parcels of land with an area of 3,733 square meters and 156,626 square meters, respectively. Title to the two parcels of land were issued to Sureste on August 15, 2018.

Rent expense amounting to ₽13.3 million and ₽114.9 million was recognized under operating costs and expenses in the three months ended March 31, 2019 and 2018 consolidated statement of comprehensive income.

As of March 31, 2019 and December 31, 2018, accrued rent on PAGCOR lease contract arising from straight-line amortization amounted to ₽1.4 million and ₽3.3 million, respectively.

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

	March 31, 2019 *(Unaudited)*	December 31, 2018 *(Audited)*
Within one year	**₽2,780,094**	₽2,647,707
Beyond one year but not later than five years	**12,581,663**	11,982,537
Beyond five years	**11,185,633**	14,564,853
	₽26,547,390	₽29,195,097

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 renews the contract annually. Rent expense related to this lease, which was primarily used to provide additional incentive to casino players, amounting to ₽4.8 million and ₽5.4 million, was recognized as part of "Advertising and promotions" account under operating costs and expenses in the 2019 and 2018 statements of comprehensive income, respectively.

Future minimum lease payment under this operating lease which is due within one year amounted to ₽19.0 million as of March 31, 2019 and December 31, 2018.

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, 2019 and 2018 amounted to ₱42.5 million and ₱16.6 million, respectively.

Security deposits related to the leases discussed above amounted to ₱21.0 million and ₱16.6 million as of March 31, 2019 and December 31, 2018, 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 ₱148. million and ₱108.4 million was recognized as part of "Retail and others" account in the 2019 and 2018 statement of comprehensive income.

Rent receivable on these operating leases arising from straight-line amortization amounting to ₱7.9 million and ₱8.0 million as of March 31, 2019 and December 31, 2018 is presented under "Other receivables", respectively.

Tenants' security deposits classified as noncurrent, presented under "Other noncurrent liabilities", amounted to ₱333.8 million and ₱327.5 million as of March 31, 2019 and December 31, 2018, respectively. These are carried at amortized cost using the EIR method. Discount amortization, included as part of the "Interest expense" account in the 2019 and 2018 consolidated statement of comprehensive income, amounted to ₱3.1 million and ₱2.5 million, respectively. Tenants' security deposit classified as current amounting to ₱28.0 million and ₱26.4 million is presented under "Payables and other current liabilities" in the consolidated statement of financial position as of March 31, 2019 and December 31, 2018.

Unearned rent amounting to ₱8.5 million and ₱10.7 million as of March 31, 2019 and December 31, 2018, 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 ₱2.5 million and ₱2.2 million was recognized as part of "Retail and others" account in the 2019 and 2018 consolidated statement of comprehensive income, respectively.

Future minimum lease payments under these operating leases as of March 31, 2019 are as follows:

	Amount
Within one year	₱542,433,076
Beyond one year but not later than five years	2,223,990,549
	₱2,766,423,625

13. **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 required to remit 2% of gaming 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, 2019 and 2018, amounted to ₱115.6 million and ₱126.6 million, respectively. Outstanding amount payable to BCF as of March 31, 2019 and December 31, 2018, presented as part of "Payable and other current liabilities", amounted to ₱42.8 million and ₱49.3 million, respectively. Furthermore, the Group has made advances to BCF amounting to ₱0.1 million and ₱0.3 million as of March 31, 2019 and December 31, 2018, respectively, presented as part of "Prepayments and other current assets" account in the consolidated statements of financial position.

- PAGCOR may collect a 5% fee of non-gaming revenue received from food and beverage, retail and entertainment outlets. All revenues of hotel operations should not be 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) bankruptcy or insolvency; (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, 2019 and December 31, 2018, 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 ₱2,880.9 million and ₱2,824.0 million for the three months ended March 31, 2019 and 2018, respectively. Outstanding amount payable to PAGCOR and BCF, presented as part of “Gaming taxes payable”, amounted to ₱944.8 million and ₱1,074.8 million as of March 31, 2019 and December 31, 2018, 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 wins or rolling chips. Gaming promoters’ expense for the three months ended March 31, 2019 and 2018 amounted to ₱2,301.2 million and ₱2,669.9 million, respectively. Receivable from junket operators as of March 31, 2018 and December 31, 2016 amounted to ₱2,699.0 million and ₱2,075.6 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 technical assistance on all aspects of planning, design, layout, and construction of an integrated casino, hotel and entertainment complex (the “Project”) within Entertainment City 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 preopening operations. Upon commencement of the commercial operations and five years thereafter, the Group will pay GGAM annual fees equivalent to certain percentages of Sureste’s and BRHI’s earnings before interest, taxes, depreciation and amortization.

   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, the Group has accrued annual fees due to GGAM up to September 12, 2013 only. 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 an option over the shares of BRHI and Sureste. After the back door listing of Bloomberry the option was granted 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. On December 21, 2012, GGAM exercised its option to purchase 921.2 million shares of Bloomberry from PMHI at the agreed option strike price of ₱1.67 per share and was crossed through the Philippine Stock Exchange on December 28, 2012. On February 25, 2014, the Makati Regional Trial

Court ("MRTC") granted the application of BRHI, Sureste and PMHI for measures of protection in the form of writs of preliminary attachment and preliminary injunction to restrain GGAM from disposing the Bloomberry shares in order to maintain the status quo. GGAM 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.

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 on 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 judgment/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 1) GGAM has not misled BRHI/Sureste (Respondents) into signing the MSA, and the Respondents were not justified to terminate the MSA because the services rendered by the Respondent's Management Team should be considered as services rendered by GGAM under the MSA, 2) rejected GGAM's claim that GGAM was defamed by the publicized statements of the Chairman of BRHI/Sureste, 3) 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; 4) reserved its decision on reliefs, remedies and costs to the Remedies Phase which is to be organized in consultation with the Parties, 5) 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 the fraud allegations previously raised in the request for reconsideration. This is 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 filed a petition for review with the Court of Appeals to question this MRTC order. The Court of Appeals denied this petition, and GGAM filed a petition in the Supreme Court to question the decision of 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.

The hearing on the petition of BRHI and SPI in the Singapore High Court was heard in September and November 2018, and further hearings are scheduled on May 21-23, 2019.

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, declaring that PAGCOR and its contractees and licensees are subject to 30% RCIT on their gaming and non-gaming revenues.

   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 sought to annul the issuance by the BIR 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. The same decision confirmed that PAGCOR's tax exemption extends to its contractees and licensees. Hence, BRHI's 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 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, 2019 and December 31, 2018, the balance of this bank account amounting to ₱112.4 million and ₱110.9, respectively, is presented as "Fund held in trust" under the "Prepayments and other current assets" account in the statement of financial position.

The Bangladesh Bank has sued RCBC in New York for recovery of US$81 million alleged stolen from Bangladesh Bank account with the Federal Reserve Bank in New York that were allegedly laundered through Philippine casinos. BRHI is impleaded as one of 17 Philippine companies and individuals in the suit because the amount of ₱1,365.0 million of alleged stolen funds passed through BRHI's bank account in that incident in 2016. BRHI has retained a U.S. law firm to handle its defense in this case, that the proximate cause for the loss of Bangladesh Bank is its own negligence and/or the negligence of financial institutions which intervened in various transactions prior to the funds reaching the bank account of BRHI. And BRHI has accounted for all the funds that passed through its bank account, and had identified all persons who used the questioned funds in Solaire.

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

		Three Months Ended March 31	
		2019	2018
(a)	Net income attributable to equity holders of the Parent Company	**₱2,211,193,654**	₱3,697,344,339
(b)	Weighted Ave. of issued shares	**11,032,998,225**	11,032,998,225
(c)	Weighted Ave. number of treasury shares	**(19,287,070)**	(30,526,942)
(d)	Weighted Ave. number of shares, net of treasury shares	**11,013,711,155**	11,002,471,283
	Unvested stock awards at beginning of year	**35,578,642**	44,974,22
	24,259,962 stock awards granted on March 18 2019	**864,053**	–
(e)	Weighted Ave. stock awards granted	**36,442,695**	44,974,224
(f)	Weighted average number of shares, net of treasury shares adjusted for dilution	**11,050,153,850**	11,047,445,507
Earnings Per Share			
	Basic (a)/(d)	**₱0.201**	₱0.336
	Diluted (a)/(f)	**₱0.200**	₱0.335

15. **Segment Information**

The results of the Group's reportable business segment for the three months ended March 31, 2019 and 2018 are as follows:

	Philippines	Korea	Eliminations	2019	2018
Consolidated EBITDA	**₱4,656,821,910**	**(₱131,223,084)**	**(₱24,285,212)**	**₱4,501,313,614**	₱4,536,543,567
Depreciation and amortization	**(869,166,949)**	**(53,019,970)**	**–**	**(922,186,919)**	(1,073,622,195)
Interest expense	**(1,381,437,077)**	**(27,909,410)**	**24,328,757**	**(1,385,017,730)**	(512,591,283)
Foreign exchange gains – net	**44,767,867**	**(36,491,575)**	**–**	**8,276,292**	738,249,767
Others	**–**	**(703)**	**–**	**(703)**	(1,548,628)
Benefit from income tax	**517,440**	**–**	**–**	**517,440**	3,610,654
Consolidated net income	**₱2,451,503,191**	**(₱248,644,742)**	**₱43,545**	**₱2,202,901,994**	₱3,690,641,882

The assets and liabilities of the Group's reportable business segment as of March 31, 2019 and December 31, 2018 are as follows:

	Philippines	Korea	Total	Eliminations	2019	2018
Assets:						
Segment assets	**₱294,378,961,267**	**₱7,809,708,740**	**₱302,188,670,007**	**(₱175,332,955,423)**	**₱126,855,714,584**	₱125,648,978,392
Deferred tax assets - net	**–**	**305,614,393**	**305,614,393**	**(305,614,393)**	**–**	–
Total assets	**₱294,378,961,267**	**₱8,115,323,133**	**₱ 302,494,284,400**	**(₱175,638,569,813)**	**₱126,855,714,584**	₱125,648,978,392
Liabilities:						
Segment liabilities	**₱95,358,873,878**	**₱9,605,816,505**	**₱104,964,690,383**	**(₱15,457,310,997)**	**₱89,507,379,386**	₱88,842,714,211
Deferred tax liabilities - net	**66,552,887**	**–**	**66,552,887**	**174,681,799**	**241,234,686**	245,160,354
Total liabilities	**₱95,425,426,765**	**₱9,605,816,505**	**₱105,031,243,270**	**(₱15,282,629,198)**	**₱89,748,614,072**	₱89,087,874,565

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, 2019 and for the three months ended March 31, 2019 and 2018 and as of December 31, 2018.

OVERVIEW

The Parent 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 company engaged 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, 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. Bloom Capital B.V and Solaire de Argentina S.A. are currently not in operation.

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.

Golden & Luxury Co., Ltd.
On April 24, 2015, Solaire Korea acquired 77.26% of the outstanding shares of Golden & Luxury 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 premium/luxury hotel and gaming resort in Entertainment City. BRHI, as the license holder, owns and operates the casino while Sureste owns and 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 had 488 hotel rooms, suites and bayside villas, and 15 specialty restaurants and F&B outlets including (the number of seats are approximations): a 240-seat Chinese restaurant, a 182-seat Korean restaurant (operated by a third party), a 150-seat Japanese restaurant, a 120-seat Italian restaurant, a 322-seat international buffet/coffee shop, a 170-seat noodle shop, a 150-seat live entertainment lounge, a 406-seat food court, a 20 seat lobby bar, and a 50-seat lounge area. 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 consists of a 312 all-suite hotel, additional ten VIP gaming salons with 66 gaming tables and 230 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 theatre designed to provide a superior audio-visual experience for a wide range of theatre plays and musicals, dance performances, concerts, and amplified music and speech events. The Forum is a 2,000 square-meter 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. The Shoppes in the Sky Tower features retail stores, including

premium brands such as Saint Laurent, Bvlgari, Salvatore Ferragamo, Givenchy, Louis Vuitton and Prada. In 2018, an additional five mid-range retail stores were opened.

On December 7, 2018, Solaire unveiled The Cigar Bar and Poker Room, a high-end poker area with eight gaming tables. On February 11, 2019, Solaire opened the Philippine's first ETG (electronic table games) stadium called "Players Stadium" - an expansive and colorful entertainment space highlighted by a massive 360 square meter surround screen.

A part of the Solaire parking building has been reconfigured and leased out as office space for BPO businesses.

Quezon City Property
In 2015, Sureste purchased from the National Housing Authority (NHA) a 15,676 square meter plot of land in Vertis North, Quezon City Central Business District and was issued Transfer Certificates of the Title on June 24, 2016.

This property will be the site of BRHI's proposed second integrated resort in the Philippines under the same PAGCOR license. The Company is currently working on the design of the Vertis Property.

Solaire Korea
Solaire Korea owns 20.96 hectares and 12.2 hectares in the Silmi and Muui Islands, respectively. Both locations are near the Incheon International Airport. The 1.6 kilometer bridge connecting Silmi and Muui to Incheon was completed last March 2019.

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 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 a 202-room hotel with 5 Hibiscus rating, 2,000 square meters of gaming operations 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 suspended on May 10, 2015 pending the completion of the renovation of the expanded gaming area of the property. Casino operations resumed on September 15, 2015. However, the gaming regulator, the Casino Regulation Division ("CRD"), imposed a one-month suspension which started on November 16, 2015 following the findings of the CRD's investigation on 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 with 60 tables and 51 slot machines in accordance with its gaming license. In 2018, a reorganization was implemented separating hotel and casino operations. Jeju Sun appointed a Hotel Operations Officer and a Casino Operations Officer, in January and July, respectively. In the fourth quarter of 2018, Jeju Sun embarked on a renovation project covering 164 rooms, a new ballroom, restaurants, lobby, building facade and back of the house.

OPERATING RESULTS

The following are the key performance indicators of the Group for the first quarter of 2019 with comparison for 2018:

Table 2.0 Key Performance Indicators

	For The Three Months Ended March 31	
In thousands pesos except for ratios	**2019**	2018
EBITDA	**₱4,501,314**	₱4,536,544
Net Debt to Equity Ratio (D/E)	**1.42**	0.42
Current Ratio	**2.04**	2.20
Total Assets	**126,855,715**	77,365,355
Return on Equity (ROE)	**5.94%**	10.90%

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, 2019 and 2018 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 2019 vs. 2018
	2019			2018*			
In thousands, except % change data	**Philippines**	**Korea**	**Consolidated**	Philippines	Korea	Consolidated	
Gross gaming revenues**	₱13,615,159	₱253,608	₱13,868,767	₱13,695,470	₱51,187	₱13,746,657	0.9
PFRS 15 allocation	(1,019,302)	–	(1,019,302)	(721,426)	–	(721,426)	41.3
Promotional allowances/contra accounts	(3,885,919)	(115,036)	(4,000,955)	(4,255,138)	(2,873)	(4,258,011)	(6.0)
Net gaming revenues	**8,709,938**	**138,572**	**8,848,510**	**8,718,906**	**48,314**	**8,767,220**	**0.9**
Non-gaming & other revenues***	1,906,565	12,603	1,919,168	1,495,452	41,763	1,537,215	24.8
Net revenues	**10,616,503**	**151,175**	**10,767,678**	**10,214,358**	**90,077**	**10,304,435**	**4.5**
Cash operating expenses	(5,954,854)	(282,399)	(6,237,253)	(5,552,794)	(215,098)	(5,767,892)	8.1
Provisions for doubtful accounts	(29,111)	–	(29,111)	–	–	–	–
EBITDA	**4,632,538**	**(131,224)**	**4,501,314**	**4,661,564**	**(125,021)**	**4,536,543**	**(0.8)**
Depreciation and amortization	(869,167)	(53,020)	(922,187)	(1,018,872)	(54,750)	(1,073,622)	(14.1)
Interest, foreign exchange loss & others	(1,336,669)	(40,074)	(1,376,743)	199,355	24,755	224,110	(714.3)
Benefit from income tax	517	–	517	3,611	–	3,611	(85.7)
Net profit	**₱2,427,219**	**(₱224,318)**	**₱2,202,901**	**₱3,845,658**	**(₱155,016)**	**₱3,690,642**	**(40.3)**
Basic Earnings Per Share			₱0.201			₱0.336	
Diluted Earnings Per Share			₱0.200			₱0.335	

** Operating results for the three months ended March 31, 2018 were restated in compliance with PFRS 15. For a detailed explanation of PFRS 15 adjustments, please refer to the notes section of the 2018 Audited Financial Statements published last March 5, 2019.*
*** before PFRS 15 allocation*
**** includes Interest Income*

OPERATING RESULTS FOR THE THREE MONTHS ENDED MARCH 31, 2019 COMPARED WITH 2018

The following table shows the geographical segments of the operating results of the Group for the three months ended March 31, 2019 and 2018.

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, 2019 and 2018:

Table 2.2 Revenues

	For the Three Months Ended March 31						% Change 2019 vs. 2018
In thousands, except % change data	2019			2018*			
	Philippines	Korea	Consolidated	Philippines	Korea	Consolidated	
Gaming	₱12,595,857	₱253,608	₱12,849,465	₱12,974,044	₱51,187	₱ 13,025,231	(1.3)
Hotel, food and beverage	961,273	10,906	972,179	871,404	32,629	904,033	7.5
Retail and others	868,959	1,663	870,622	610,264	9,014	619,278	40.6
Interest income	76,333	34	76,367	13,784	120	13,904	449.2
Gross revenues**	**14,502,422**	**266,211**	**14,768,633**	**14,469,496**	**92,950**	**14,562,446**	**1.4**
Less contra revenue accounts	3,885,919	115,036	4,000,955	4,255,138	2,873	4,258,011	(6.0)
Net revenues	**₱10,616,503**	**₱151,175**	**₱10,767,678**	**₱10,214,358**	**₱90,077**	**₱10,304,435**	**4.5**

** Operating results for the three months ended March 31, 2018 were restated in compliance with PFRS 15. For a detailed explanation of PFRS 15 adjustments, please refer to the notes section of the 2018 Audited Financial Statements published last March 5, 2019.*
*** as defined under PFRS 15*

In the first quarter of 2019, gross gaming revenues, non-gaming revenues (including hotel, food and beverage, retail and other), and interest income represented 87.0 percent, 12.5 percent and 0.5 percent of gross revenues, respectively. In the same period last year, gross gaming revenue was 89.4 percent of gross revenue; hotel, food and beverage accounted for 10.5 percent; and interest income for 0.1 percent. Contra revenue decreased to ₱4,001.0 million, down 6.0 percent year-on-year, mainly due to lower rebates to junket operators as a result of lower VIP volume.

Gaming

Philippines

Solaire registered robust growth in mass table drop and slot coin-in for the first quarter of 2019. Mass table drop and slot coin-in, grew by 16.7 percent and 5.1 percent, respectively, for 2019 compared to the same period in the prior year. VIP volumes, on the other hand, posted a decline of 5.6 percent in volume.

Gross gaming revenue after PFRS 15 allocation in the first quarter of 2019 decreased by 2.9 percent or ₱378.2 million as compared to the same period last year. Below is the breakdown of the growth in gross gaming revenue:

Amounts in millions	2019			2018			Change in Revenue	
	Volume*	Revenue	Hold	Volume*	Revenue	Hold	Amount	%
VIP tables	185,900	₱5,980	3.22%	197,019	₱7,110	3.61%	(₱1,130)	(15.9)
Mass tables	11,379	3,997	35.1%	9,749	3,237	33.2%	760	23.5
Slots	54,664	3,639	6.7%	52,026	3,349	6.4%	290	8.7
		13,615			**13,695**		**(80)**	**(0.6)**
PFRS 15 Allocation		(1,019)			(721)		(298)	(41.3)
Total		**₱12,596**			**₱12,974**		**(₱378)**	**(2.9)**

** VIP volume represents rolling chips; Mass volume represents mass drop; Slots volume represents coin in.*

On a hold normalized basis, the VIP revenue would have decreased by 11.4 percent. The VIP hold rate stood at 3.22 percent, above the normal hold of 2.85 percent. The current quarter showed strong results in mass table gaming revenues as reflected by a ₽759.9 million or 23.5 percent increase in revenue . Slot revenue also increased by ₽290.0 million or 8.7 percent as compared to the first quarter of last year.

There were 1,584,496 visitors for the first quarter of 2019, representing growth of 1.6 percent over the same period last year.

Korea
Jeju Sun registered ₽253.6 million in gross gaming revenue for the first quarter of 2019 which was 395.5 percent higher than the same period last year. The significant increase in gross gaming revenue was attributed to the increased level of play in VIP and mass segments as a result of the highly competitive marketing programs of Jeju Sun.

Hotel, Food and Beverage

Philippines
Hotel, food and beverage revenue increased by ₽89.9 million or 10.3 percent for the first quarter of 2019 versus the same quarter last year. Solaire increased its REVPAR by 13.3 percent year-on-year and at the same time. Hotel occupancy rate was 87.8 percent in the first quarter of 2019.

Hotel cash revenues were approximately 52.4 percent for the first quarter of 2019 compared to 56.6 percent for the comparative period in 2018, while non-gaming F&B cash revenues accounted for 51.7 percent of F&B revenues for the first quarter of 2019 compared to 61.3 percent in the prior year.

Food and beverage covers in the first quarter of 2019 were 480,396 in comparison to 497,728 covers for the comparable period in 2018, representing a decrease of 3.5 percent. Average check for the first quarter of 2019 increased by 2.6 percent to ₽1,125.

Korea
The hotel and F&B operation of Jeju Sun generated ₽10.9 million of revenue for the first quarter of 2019, 66.6 percent lower than the comparative period in 2018 due to ongoing renovations in 80% of the property's hotel rooms and all four of its F&B outlets. Renovation works are anticipated to be completed by the fourth quarter of 2019.

Retail and Others

Philippines
Retail and other revenues increased by 42.4 percent to ₽869.0 million compared to the prior year due to additional rental revenue from new tenants at the Shoppes.

Korea
The retail and other revenues of Jeju Sun generated ₽1.7 million for this quarter which is lower by 81.6 percent compared to same period in 2018. The retail area was also impacted by renovation works.

Interest Income

Consolidated interest income increased by 449.2 percent, from ₱13.8 million in 2018 to ₱76.4 million because of higher average consolidated cash balances in 2019.

COST AND EXPENSES

Cost and expenses consist of: (1) Operating cost and expenses; (2) Interest expense; (3) Foreign exchange gains; and (4) Others.

The table below shows the breakdown of total expenses for 2019 and 2018.

Table 2.3 Expenses

	For the Three Months Ended March 31,						% Change 2019 vs. 2018
	2019			2018*			
In thousands, except % change data	Philippines	Korea	Consolidated	Philippines	Korea	Consolidated	
Operating costs and expenses	₱6,853,132	₱335,419	₱7,188,551	₱6,571,666	₱269,848	₱6,841,514	5.1
Interest expense	1,381,437	3,581	1,385,018	508,058	4,533	512,591	170.2
Foreign exchange gains - net	(44,768)	36,492	(8,276)	(708,962)	(29,288)	(738,250)	(98.9)
Others	-	1	1	1,549	-	1,549	(100.0)
Total Expenses	**₱8,189,801**	**₱375,493**	**₱8,565,294**	**₱6,372,311**	**₱245,093**	**₱6,617,404**	**29.4**

** Operating results for the three months ended March 31, 2018 were restated in compliance with PFRS 15. For a detailed explanation of PFRS 15 adjustments, please refer to the notes section of the 2018 Audited Financial Statements published last March 5, 2019.*

Total expenses of the Group for the first quarter of 2019 increased by 29.4 percent to ₱8.6 billion due to higher: a) interest expense b) gaming promotions to boost VIP and mass gaming activities in South Korea, c) cost of sales and d) outside service and charges.

Philippines

Solaire operating costs and expenses increased by 4.3 percent from ₱6.6 billion to ₱6.9 billion.

Interest expense increased by 171.9 percent from ₱508.1 million to ₱1.4 billion due to the ₱73.5 billion Syndicated Loan Facility secured by the Group in the second quarter of 2018.

The Philippine peso depreciated against the US dollar and other foreign currencies resulting in net foreign exchange gain of ₱44.8 million in the first quarter of 2019 as compared to the net foreign exchange gain of ₱709.0 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 ₱335.4 million in combined operating costs and expenses which was ₱65.6 million higher than the first quarter of 2018. The increase was mainly due to higher gaming promotions expense that resulted from ₱202.4 million. of incremental gaming revenue. The Korean operation also registered ₱36.5 million in foreign exchange loss mainly due to the continued depreciation of the Korean Won against the US Dollar. Solaire Korea and Jeju Sun's liabilities to the Parent Company are US dollar denominated.

EBITDA

Philippines
For first quarter of 2019, Solaire's EBITDA of ₱4.6 billion was 0.6 percent or ₱29.0 million lower as compared to the same quarter last year. EBITDA margin for the quarter was 43.6 percent as compared to 45.6 percent the same period last year.

Korea
Solaire Korea and its subsidiary, Jeju Sun posted ₱131.2 million negative EBITDA or 86.8 percent negative EBITDA margin in the first quarter of 2019 due to an increase in advertising and promotions expense to boost gaming operations.

Consolidated
Below is the consolidated hold-normalized EBITDA highlights:

	For the Three Months Ended March 31		Change
In thousands, except % change data	**2019**	**2018**	
Net Revenue	**10,767,678**	10,304,435	4.50%
EBITDA	**4,501,314**	4,536,543	(0.78%)
EBITDA Margin	**41.80%**	44.03%	(222 bps)
Hold-Normalized EBITDA*	**4,086,350**	3,477,443	17.5%
Hold-Normalized EBITDA Margin*	**41.61%**	41.59%	2.4 bps

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

The reported VIP hold in the first quarter of 2019 was 3.22 percent, 37 basis points higher than the 2.85 percent normalized hold. This resulted in the reported EBITDA being 9.2 percent higher than hold-normalized EBITDA of ₱4.1 billion.

Benefit from Income Tax

In the first quarter of 2019, Solaire recognized ₱0.5 million of benefit from income tax, a 85.7 percent decrease from the prior year's ₱3.6 million in benefit from income tax.

Net Income

Solaire registered a net income of ₱2.4 billion, which was 36.9 percent lower as compared to net income recorded for the same quarter last year mainly due to higher interest expense and lower foreign exchange gain.

The basic earnings per share of ₱0.201 for first quarter 2019 was lower from last year's earnings per share of ₱0.336. The diluted earnings per share for the first quarter of 2019, after considering the shares granted under the stock incentive plan, was ₱0.200 compared to diluted earnings per share for first quarter 2018 of ₱0.335.

TRENDS, EVENTS OR UNCERTAINTIES AFFECTING RECURRING REVENUES AND PROFITS

The Group is exposed to a number of trends, events, and uncertainties which affect 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, 2019 and December 31, 2018:

Table 2.6 Consolidated Condensed Balance Sheets

In thousands, except % change data	**March 31, 2019**	**December 31, 2018**	**% Change 2019 vs. 2018**
Current assets	41,207,532	40,466,064	1.8%
Total assets	126,855,715	125,648,978	1.0%
Current liabilities	20,155,660	19,000,603	6.1%
Total interest-bearing debt	70,669,083	71,186,920	(0.7%)
Total liabilities	89,748,614	89,087,875	0.7%
Equity[2]	37,106,413	36,552,125	1.5%
Current assets/total assets	32.48%	32.21%	
Current ratio	2.04	2.13	
Debt-equity ratio[1]	2.42	2.44	
Net debt-equity ratio	1.42	1.44	

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

Current assets were higher by 1.8 percent to ₱41.2 billion as of March 31, 2019 from ₱40.5 billion as of December 31, 2018. The increase was mainly due to the ₱677.5 million increase in cash and cash equivalents.

Total assets increased by 1.0 percent to ₱126.9 billion as of March 31, 2019 from ₱125.6 billion as of December 31, 2018. The increase was attributable to higher level of cash and cash equivalents and increase in noncurrent assets due to prepaid debt issue costs related to the new ₱40.0 billion Syndicated Loan Facility. The increase was partially offset by the decrease in property and equipment due to depreciation expense charged in the first quarter of 2019, net of property and equipment acquired in 2019.

The increase in current liabilities by 6.1% is mainly due to cash dividends declared but not yet paid as of March 31, 2019.

Total liabilities increased by 0.7 percent from ₱89.1 billion as of December 31, 2018 to ₱89.7 billion as of March 31, 2019 because of the higher level of current liabilities as mentioned above. This was offset by the decrease in long-term debt resulting from the scheduled principal repayments.

Total equity as of March 31, 2019 amounted to ₱37.1 billion, 1.5 percent higher as compared with ₱36.6 billion reported as of December 31, 2018. The increase was due to the ₱2.2 billion net income reported for the first quarter of 2019 which was partially offset by cash dividends declared in March 2019 amounting to ₱1.7 billion.

MATERIAL VARIANCES AFFECTING THE BALANCE SHEET

Balance sheet accounts as of March 31, 2019 with variances of plus or minus 5.0 percent against December 31, 2018 balances are discussed, as follows:

Current Assets

1. Inventories increased by 8.9 percent due to the increased inventory level of operating supplies.

2. Prepaid expenses and other current assets decreased by 7.2 percent mainly due to reduction in advances to suppliers and prepaid promotional merchandise.

Noncurrent Assets

3. Other noncurrent assets increased by 151.2 percent due to the recognition of prepaid debt issue costs related to the ₱40.0 billion Syndicated Loan Facility which has not been drawn as of March 31, 2019.

Current Liabilities

4. Payables and other current liabilities were higher by 6.8 percent due to unpaid cash dividends declared in March 2019 and higher outstanding chip and other gaming liabilities.

Noncurrent Liabilities

5. Retirement liability increased by 5.7 percent to ₱406.9 million due to the accrual of normal cost for the first quarter of 2019.

Equity

6. Share-based payment plan increased by 32.7 percent due to the recognition of current period's expense.

7. Other comprehensive income pertains to the net effect of the translation of the financial statements of Solaire Korea and its subsidiaries.

8. Retained earnings increased by 4.5 percent due to the net income reported for the first three months of 2019 amounting to ₱2.2 billion which was partially offset by cash dividends declared in March 2019 amounting to ₱1.7 billion.

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, 2019 and 2018:

Table 2.7 Consolidated Cash Flows

	For the Three Months Ended March 31		% Change
In thousands, except % change data	**2019**	**2018**	**2019 vs. 2018**
Net cash provided by operating activities	₱4,058,452	₱6,539,957	(37.9)
Net cash used in investing activities	(1,494,482)	(329,200)	354.0
Cash used in financing activities	(1,898,788)	(1,380,546)	37.5
Effect of exchange rate changes on cash	12,356	275,717	(97.0)
Net increase in cash and cash equivalents	677,539	5,105,928	(86.7)
Cash and cash equivalents, beginning	36,465,848	21,961,407	66.0
Cash and cash equivalents, end	₱37,143,387	₱27,067,335	37.2

Cash and cash equivalents increased by 1.9 percent as of March 31, 2019 mainly due to ₱4.0 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 ₱73.5 billion Syndicated Loan Facility.

In the first quarter of 2019, the Group registered positive cash flows from operating activities of ₱4.1 billion, 37.9 percent lower than last year due to higher net working capital during the first quarter of 2019.

Investing activities for the first quarter is mainly due to additional acquisition of property and equipment and minor construction projects**.**

In the first quarter of 2019, the Group's financing activities consists primarily of partial repayment of principal of its outstanding loan facility and interest payments totaling ₱1.9 billion.

Capital Resources

The table below shows the Group's capital sources as of March 31, 2019 and December 31, 2018:

Table 2.8 Capital Sources

In thousands, except % change data	**March 31, 2019**	**December 31, 2018**	**% Change 2019 vs. 2018**
Long-term debt	₱70,669,083	₱71,186,920	(0.7)
Equity*	37,106,413	36,552,125	1.5
	₱107,775,496	₱107,739,045	0.03

**Attributable to equity holders of the Parent Company*

Total debt and equity increased by 0.03 percent to ₱107.8 billion as of March 31, 2019 from ₱107.7 billion as of December 31, 2018. The increase was due to ₱2.2 billion net income earned for the first quarter of 2019 which was offset by ₱551.3 million partial repayment of

₱73.5 billion Syndicated Loan Facility and ₱1.7 billion cash dividends declared in March 2019.

Please refer to Note 8 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 instruments will fluctuate due to changes in foreign exchange rates. The Group has recognized in the consolidated statements of comprehensive income net foreign exchange gains of ₱8.3 million and ₱738.2 million in the first quarter of 2019 and 2018, respectively. on the revaluation of its foreign currency denominated cash and cash equivalents, receivables and payables and other current liabilities for the three months ended March 31, 2019 and 2018, respectively.

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 ₱37.1 billion and ₱36.5 billion as of March 31, 2019 and December 31, 2018, 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, 2019:

In thousands	
Current	₱2,647,735
90 Days	258,318
Over 90 Days	346,533
Total	₱3,252,586

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, 2019

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

May 7, 2019