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SEC Registration Number

B L O O M B E R R Y R E S O R T S C O R P O R A T I O N

(Company's Full Name)

T H E E X E C U T I V E O F F I C E S , S O L A I R E
R E S O R T & C A S I N O , I A S E A N A V E N U E ,
E N T E R T A I N M E N T C I T Y , T A M B O ,
P A R A Ñ A Q U E C I T Y

(Business Address: No. Street City/Town/Province)

JONAS R. RAMOS

(Contact Person)

8883-8921

(Company Telephone Number)

1 2

Month
(Fiscal Year)

3 1

Day

(Fiscal Year)

Preliminary

S E C 20 IS

(Form Type)

Third Thursday
of April

Month Day
(Annual Meeting)

N/A

(Secondary License Type, If Applicable)

SEC-MSRD

Dept. Requiring this Doc.

N/A

Amended Articles Number/Section
Total Amount of Borrowings

94

(as of 31 December 2019)

Total No. of Stockholders

N/A

Domestic

N/A

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS**

**INFORMATION STATEMENT PURSUANT TO
SECTION 20 OF THE SECURITIES REGULATION CODE**

1. Check the appropriate box:
[x] Preliminary Information Statement
[] Definitive Information Statement
2. Name of Registrant as specified in its charter
Bloomerry Resorts Corporation
3. Province, country or other jurisdiction of incorporation or organization
Philippines
4. SEC Identification Number **A199904864**
5. BIR Tax Identification Code **204-636-102**
6. Address of Principal Office **The Executive Offices, Solaire Resort & Casino,
1 Asean Avenue, Entertainment City, Tambo,
Parañaque City**
Postal Code **1701**
7. Registrant's telephone number, including area code **(632) 8883-8920**
8. Date, time and place of the meeting of security holders: April 16, 2020 at 2:00 p.m. to be held at The Tent at Solaire Resort & Casino, 1 Asean Avenue, Entertainment City, Barangay Tambo, Parañaque City
9. Approximate date on which the Information Statement is first to be sent or given to security holders: **March 24, 2020**
1. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Stock Outstanding as of 31 December 2019
Unclassified Shares, P1.00 par value	10,999,346,901 Shares

11. Are any or all of registrant's securities listed in a Stock Exchange?
Yes ☒ No ☐

Name of Stock Exchange: **Philippine Stock Exchange**
Class of Securities Listed: **Common Shares**

**BLOOM MANAGEMENT IS NOT SOLICITING PROXIES FOR
THIS ANNUAL STOCKHOLDERS' MEETING.**

PLEASE DO NOT SEND BLOOM MANAGEMENT YOUR PROXY.



**BLOOMBERRY RESORTS CORPORATION
2020 ANNUAL STOCKHOLDERS' MEETING**

Notice is hereby given that the Annual Stockholders' Meeting of Bloomberg Resorts Corporation will be held at The Tent at Solaire Resort & Casino, 1 Asean Avenue, Entertainment City, Barangay Tambo, Parañaque City, Philippines on Thursday, April 16, 2020 at 2:00 p.m., with the following agenda:

A G E N D A

1. Call to order
2. Determination of existence of quorum
3. Approval of the minutes of the meeting of 11 April 2019
4. Report of the Chairman
5. Approval of the Audited Financial Statements
6. Ratification of all acts, contracts, investments and resolutions of the board of directors and management since the last annual stockholders' meeting
7. Election of the members of the Board of Directors
8. Appointment of the External Auditor
9. Other Matters

The Board of Directors fixed March 18, 2020 as the record date for the purpose of determining Stockholders entitled to notice and to vote at the said meeting.

Registration starts at 1:00 p.m. Please bring your identification documents (e.g. SSS card, driver's license, passport) to facilitate registration.

Should you be unable to attend the meeting, but wish to be represented, please send us a Proxy.

For Stockholders whose shareholdings are lodged with the Philippine Central Depository, please secure a certification from your respective brokers and send it to us on or before March 31, 2020.

Proxy validation will be held on April 03, 2020 at 11 a.m. at the Executive Offices, Solaire Resort & Casino, 1 Asean Avenue, Entertainment City, Tambo Parañaque City.

Makati City, March 2, 2020

For the Board of Directors:


SILVERIO BENNY J. TAN
Corporate Secretary

PART I. A. GENERAL INFORMATION

Item 1. Date, Time and Place of Meeting of Security Holders

The Annual Stockholders' Meeting of Bloomberry Resorts Corporation (the "Company" or "BLOOM") will be held on April 16, 2020 at the Tent at Solaire Resort & Casino, 1 Asean Avenue, Entertainment City, Barangay Tambo, Parañaque City at 2:00 p.m.

The address of the principal office of BLOOM is The Executive Offices, Solaire Resort & Casino, 1 Asean Avenue, Entertainment City, Tambo Parañaque City. This Information Statement will be mailed to Stockholders entitled to notice of and to vote at the Annual Stockholders' Meeting on or about March 24, 2020.

Item 2. Dissenters' Right of Appraisal

The matters to be acted upon at this Annual Stockholders' Meeting are not matters with respect to which a dissenting Stockholder may exercise his appraisal right under Section 80 of the Revised Corporation Code.

Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

Other than election of Directors, there are no substantial interest, by security holdings or otherwise, of BLOOM, any Director or Officer thereof, or associate of any of the foregoing persons in any matter to be acted upon at the Annual Stockholders' Meeting.

None of the Directors of BLOOM has informed BLOOM in writing that he intends to oppose any action to be taken by BLOOM at this Annual Stockholders' Meeting.

Part I. B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

As of December 31, 2019, there are 10,999,346,901 common shares of BLOOM issued and outstanding. Only Stockholders of record at the close of business on March 18, 2020 are entitled to notice and to vote at the Annual Stockholders' Meeting. The stockholders will vote on matters scheduled to be taken up at the Annual Meeting with each share being entitled to cast one (1) vote.

For the election of Directors, Stockholders entitled to vote may vote such number of shares for as many persons as there are Directors to be elected, or may cumulate said shares and give one candidate as many votes as the number of Directors to be elected multiplied by the number of their shares shall equal or may distribute them on the same principle among as many candidates as they shall see fit.

Security Ownership of Certain Beneficial Owners and Management

As of December 31, 2019, the Company does not know of anyone who beneficially owns in excess of 5% of the Company's stock except as set forth in the table below:

Security Ownership of Certain Record and Beneficial Owners

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage
Common Shares	Prime Metroline Holdings, Inc. 18/F Liberty Center, 104 H.V. Dela Costa St., Salcedo Village, Makati City Controlling Shareholder of Issuer	Enrique K. Razon, Jr. Controlling Shareholder	Filipino	5,935,972,444 ¹	53.80%
Common Shares	Quasar Holdings, Inc. 18/F Liberty Center, 104 H.V. Dela Costa St., Salcedo Village, Makati City Controlling Shareholder of Issuer	Enrique K. Razon, Jr. Controlling Shareholder	Filipino	921,184,056 ¹	8.35%
Common Shares	PCD Nominee Corporation (Non-Filipino) Makati Stock Exchange Bldg., Ayala Avenue, Makati City No relationship	Various parties	Foreign	2,831,718,293 ²	25.67%
Common Shares	PCD Nominee Corporation (Filipino) Makati Stock Exchange Bldg., Ayala Avenue, Makati City No relationship	Various parties	Filipino	1,059,224,230	9.60%
Common Shares	Global Gaming Philippines, LLC 499 Park Avenue, 2 nd Floor, New York, United States of America No relationship	Global Gaming Asset Management Holdings, LLC Controlling Entity of Global Gaming Philippines, LLC	Foreign	921,184,056 ²	8.35%

¹ Enrique K. Razon Jr. is the controlling stockholder of Prime Metroline Holdings, Inc., Quasar Holdings, Inc. and Falcon Investco Holdings, Inc. Enrique K. Razon, Jr. directly and indirectly owns 7,113,389,332 shares or 64.47% some of which are lodged with the PCD Nominee Corporation.

² The shares of Global Gaming Philippines, LLC is lodged under the shares of PCD Nominee Corporation (Non-Filipino).

Security Ownership of Management as of December 31, 2019

Name	Citizenship	Number of Shares	Percentage of Ownership
Enrique K. Razon, Jr. ¹	Filipino	7,113,389,332	64.47%
Jose Eduardo J. Alarilla	Filipino	2,196,335	0.02%
Donato C. Almeda	Filipino	2,263,868	0.02%
Thomas Arasi	American	4,037,820	0.04%
Christian R. Gonzalez	Filipino	100,933	0.00%
Estella Tuason-Occea	Filipino	3,400,100	0.03%
Silverio Benny J. Tan	Filipino	112,619	0.00%
Laurence Upton	New Zealander	1,237,266	0.01%
Cyrus Sherafat	American	2,967,319	0.03%

¹ Enrique K. Razon, Jr. directly owns 100 shares and indirectly owns: through Prime Metroline Holdings, Inc., 5,935,972,444 (53.97%) shares, through Falcon Investco Holdings, Inc., 225,000,000 (2.05%) shares; and through Quasar Holdings, Inc., 921,184,056 (8.37%) shares.

Voting Trust Holders of 5% or More

None

Change in Control

None

Certain Relationships and Related Transactions

Descriptions and explanations of the related party transactions are disclosed in Note 14, *Related Party Transactions*, to the Annual Audited Consolidated Financial Statements.

Aside from the transactions as disclosed in the Annual Audited Consolidated Financial Statements, the Group does not have any other transactions with its directors, executive officers, security holders or members of their immediate family.

Item 5. Directors and Executive Officers

The following are information on the business experience of the members of the Board of Directors (the Board) and Executive Officers of BLOOM for the last five (5) years.

The members of the Board of Directors and executive officers of BLOOM as of February 1, 2020 are:

Office	Name	Citizenship	Age
Chairman of the Board and CEO	Enrique K. Razon Jr.	Filipino	59
Vice Chairman	Jose Eduardo J. Alarilla	Filipino	68
Vice Chairman for Construction and Regulatory Affairs	Donato C. Almeda	Filipino	65
Director, President & Chief Operating Officer	Thomas Arasi	American	62
Director	Christian R. Gonzalez	Filipino	44
Independent Director	Carlos C. Ejercito	Filipino	74
Independent Director	Jose P. Perez	Filipino	73
Chief Financial Officer and Treasurer	Estella Tuason-Occea	Filipino	50
Senior Vice President for International Marketing	Laurence Upton	New Zealander	50
Senior Vice President for Casino Marketing	Cyrus Sherfat	American	37
Corporate Secretary and Compliance Officer	Silverio Benny J. Tan	Filipino	63
Assistant Corporate Secretary	Jonas S. Khaw	Filipino	40

Below are summaries of the business experience and credentials of the Directors and the Company's key executive officers:

Enrique K. Razon, Jr. — Chairman and Chief Executive Officer

Mr. Razon is the Chairman and the President of International Container Terminal Services, Inc. (ICTSI)*, ICTSI Warehousing, Inc., ICTSI Foundation, Inc., Razon Industries, Inc., Prime Metroline Holdings Inc. (PMHI), Quasar Holdings Inc., Falcon Investco Holdings Inc., Achillion Holdings Inc., Collingwood Investment Company Ltd., Bravo International Port Holdings Inc., Provident Management Group, Inc., and Prime Metro Power Holdings Corp; the CEO and the Chairman of Bloomberry Resorts and Hotels, Inc.; the Chairman of Sureste Realty Corp., WawaJVCo Inc., and Australian Terminal Ltd.; the President of Contecon Manzanillo S.A., Tecon Suape, S.A., Tecplata S.A. and Razon & Co. Inc.; a Director A of Contecon Guayaquil S.A.; a Director B of ICTSI Capital B.V.; and a Director of Sureste, ICTSI (Hongkong) Ltd., Monte Oro Resources and Energy, Inc. (MORE), Yantai International Container Terminals, Limited, Australian Container Terminals Ltd., Pentland International Holdings Ltd., CLSA Exchange Capital and Xcell Property Ventures, Inc., and Prime Metroline Infrastructure Holdings Corporation.

Mr. Razon is a member of the American Management Association, the Management Association of the Philippines, the US Philippines Society and the World Economic Forum. Mr. Razon was conferred an honorary degree of Doctor of Science in Logistics from the De La Salle University on February 16, 2019.

**Publicly-listed Corporation*

Jose Eduardo J. Alarilla — Vice Chairman

Mr. Alarilla is the President of Lakeland Village Holdings, Inc., Devoncourt Estates Inc., Eiffle House Inc., Alpha Allied Holdings Ltd., Sureste, WawaJVCo Inc., and Fremont Holdings Inc. He is the President and CEO of Mega Subic Terminal Services, Inc., Chairman of Mega Equipment International Corp., and President of Manila Holdings and Management, Inc. Mr. Alarilla is a director of BRHI, PMHI, Apex Mining Co. Inc.* MORE, MORE Electric & Power Corporation, International Cleanenvironment Systems Inc., Manila Harbor Center Port Services Inc., The Country Club Inc., and is a director and treasurer of Bloomberry Cultural Foundation Inc. and Prime Metro Power Holdings Corp. He holds a Bachelor of Science in Mechanical Engineering from De La Salle University and a Master in Business Management from the Asian Institute of Management.

**Publicly-listed Corporation*

Donato C. Almeda — Vice Chairman for Construction and Regulatory Affairs

Mr. Almeda is a director of BRHI, Bloomberry Cruise Terminals Inc. MORE Electric & Power Corporation, and is the President of Bloomberry Cultural Foundation Inc. He served as President and CEO of Waterfront Philippines Inc. He also served as: President of Waterfront Cebu City Hotel, Waterfront Mactan Hotel and Fort Ilocandia Hotel, Managing Director of Waterfront Promotions Ltd. (a gaming company) and President of Insular Hotel in Davao. He earned his Engineering Degree from De La Salle University.

Thomas Arasi —President and Chief Operating Officer

Mr. Arasi was appointed as President and Chief Operating Officer of the Company effective October 11, 2013. He is also the President of BRHI. He was formerly President and Chief Executive Officer of Marina Bay Sands Pte Ltd. He has also held senior positions with InterContinental Hotels Group as President of three major divisions, and was formerly the President of Tishman Hotel Corporation. Mr. Arasi is a graduate of Cornell University, where he received a Bachelor of Arts degree in Hotel and Restaurant Administration.

Christian R. Gonzalez — Director

Mr. Gonzalez is a director of BRHI, Sureste, PMHI, Prime Metroline Infrastructure Holdings Corporation, WawaJVCo Inc., and Prime Metro Power Holdings Corp. He is the Vice President and Head of Asia Pacific Region & Head of Manila International Container Terminal (MICT) in ICTSI*. Mr. Gonzalez is the Chairman and/or President of ICTSI Subic, Inc., Subic Bay International Terminal Holdings, Inc. and IW Cargo Handlers, Inc.; the Chairman of ICTSI Far East Pte. Ltd.; the President Commissioner of PT Makassar Terminal Services and ICTSI Jasa Prima; and a Director of Bauan International Ports, Inc., Davao Integrated Port & Stevedoring Services Corp., Mindanao International Container Terminal Services, Inc., South Cotabato Integrated Ports Services, Inc., Subic Bay International Terminal Corp., Abbotsford Holdings, Inc., ICTSI Warehousing, Inc., Hijo International Port Services, Inc., International Container Terminal Services (India) Private Limited, and Pakistan International Container Terminal Limited. Mr. Gonzalez is a Director and the Chairman of the Board in both Yantai International Container Terminals, Limited and Victoria International Container Terminal Ltd. In 2009, Mr. Gonzalez was appointed as the Treasurer of the Board of Trustees of ICTSI Foundation, Inc. In 2010, he was elected a Director of The Country Club.

Mr. Gonzalez is a graduate of *Instituto de Estudios Superiores de la Empresa* (IESE) Business School, the graduate school of management of the University of Navarra, in Barcelona, Spain, where he received his Bilingual Masters in Business Administration. He is also a graduate of Business Administration from Pepperdine University in California.

**Publicly-listed Corporation*

Carlos C. Ejercito — Independent Director

Mr. Ejercito is an independent director of Monte Oro Resources & Energy, Inc. He is the Chairman and President of Northern Access Mining Corporation, Forum Cebu Coal Corporation, Morganhouse Holdings Inc., Aboitiz Power Corporation* and Century Properties Group, Inc.* He was Chairman of the Board of Directors of United Coconut Planters Bank, and was the former CEO of United Laboratories Inc. and several of its subsidiaries. He was a director of Ayala Greenfield Development Corporation. He was a former director in National Grid Corporation of the Philippines, Greenfield Development Corporation, Fort Bonifacio Development Corporation and Bonifacio Land Corporation. Mr. Ejercito is a governor of the Management Association of the Philippines and is a member of the Philippine Chamber of Commerce. Mr. Ejercito has a Bachelor's degree in Business Administration, cum laude, from the University of the East, and is an MBA candidate from Ateneo Graduate School of Business. He attended the Program for Management Development of Harvard Business School.

Jose P. Perez — Independent Director

Retired Justice Perez is an independent director of Eagle Cement Corporation*, SMC Yamamura Glass, SMC Hong Kong, South Luzon Tollway Corporation. He is the Dean of Manuel L. Quezon University School of Law. He was formerly an Associate Justice of the Supreme Court from December 2009 to December 2016. He holds a Bachelor of Laws degree from the University of the Philippines College of Law and a Bachelor of Arts degree Major in Political Science, from the University of the Philippines.

**Publicly-listed Corporation*

Estella Tuason-Occeña — Chief Financial Officer and Treasurer

Ms. Occeña is the Treasurer of BRHI and Sureste and Director and Treasurer of PMHI. She is an Executive Officer of ICTSI*, Treasurer of Sureste Realty Corporation, Lakeland Village Holdings Inc., Devoncourt Estates Inc., Achillion Holdings, Inc., and Razon Industries, Inc. She was Chief Financial Officer of MORE and was a director and Chief Financial Officer of International Cleanenvironment Systems Inc.. Ms. Occeña has an MBA from De La Salle University and graduated with Distinction from St. Scholastica's College with a Bachelor's Degree in Commerce.

**Publicly-listed Corporation*

Laurence Upton — Senior Vice President for International Marketing

Mr. Upton was previously with Crown Ltd, Melbourne as Senior Vice President, VIP International Marketing. He was also previously connected with Star City Pty Ltd in a variety of senior management roles. He is a graduate of the New South Wales Vocational and Education and Training Accreditation Board in Australia with a diploma in Business Management.

Cyrus Sherfat — Senior Vice President for Casino Marketing

Mr. Sherfat has 10 years' experience in the gaming industry working in various marketing roles both at local casinos and international integrated resorts. He was the Vice President of Casino Marketing in Marina Bay Sands in Singapore. He is a graduate of Cornell University's School of Hotel Administration. He began his career in the gaming industry with Pinnacle Entertainment, a regional casino operator in the United States.

Silverio Benny J. Tan — Corporate Secretary & Compliance Officer

Atty. Tan is a partner, and was managing partner in 2013 to 2015, in the law firm Picazo Buyco Tan Fider & Santos. He is chairman of the Board of Mapfre Insular Insurance Corporation. He is a director and corporate secretary of Prime Metroline Holdings, Inc., Bravo International Port Holdings Inc., Alpha International Port Holdings Inc., Eiffle House Inc., Cyland Corp., Industries Philippines Inc., Negros Perfect Circles Food Corp., and Razon & Co. Inc. He is also a director of the following companies: Celestial Corporation, Skywide Assets Ltd., Monte Oro Minerals (SL) Ltd., and Dressline Holdings Inc. and its subsidiaries and affiliates. He is the corporate secretary of several companies including: Sureste, BRHI, MORE Electric & Power Corporation, Lakeland Village Holdings Inc., Devoncourt Estates Inc., Apex Mining Company Inc.* Monte Oro Resources & Energy Inc., Bloomberry Cultural Foundation Inc., Pilipinas Golf Tournaments, Inc., and OSA. He is the assistant corporate secretary of ICTSI* and ICTSI Ltd.

Atty. Tan holds a Bachelor of Laws, cum laude, from the University of the Philippines College of Law and a Bachelor of Arts Major in Political Science, cum laude, from the University of the Philippines College Iloilo. Atty. Tan placed third in the 1982 Philippine Bar exams.

**Publicly-listed Corporation*

Jonas S. Khaw — Assistant Corporate Secretary

Atty. Khaw is a partner in the law firm Picazo Buyco Tan Fider & Santos. He is the corporate secretary of Medco Holdings, Inc.* Atty. Khaw holds a Juris Doctor and Bachelor of Science in Management Engineering degrees both from the Ateneo de Manila University.

**Publicly-listed Corporation*

Significant Employees

No person who is not an executive officer of BLOOM is expected to make a significant contribution to BLOOM.

Family Relationships

Director Christian R. Gonzales is the nephew of Chairman and President, Enrique K. Razon, Jr. There are no other family relationships among the directors and officers listed.

Involvement in Certain Legal Proceedings

Based on their individual responses after due inquiry as of date hereof, none of the following events occurred with respect to any of the foregoing nominees and executive officers during the past five (5) years up to the latest date that would be material to an evaluation of their ability or integrity to act as directors or executive officers of the Corporation, except as otherwise provided below:

- (a) Any bankruptcy petition filed by or against any business of which the nominee was a general partner or executive officer either at the time of the bankruptcy or within two (2) years prior to that time;
- (b) Any conviction by final judgment, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
- (c) Being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring,

suspending or otherwise limiting the nominee's involvement in any type of business, securities, commodities or banking activities; and

- (d) Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

As of date, other than as disclosed below, there are no other material pending legal proceedings to which the registrant or any of its subsidiaries or affiliates is a party.

Sureste and BRHI are respondents in an arbitration proceedings filed by Global Gaming Philippines LLC and GGAM Netherlands on the termination of their Management Services Agreement in 2013. On September 27, 2019, the arbitral tribunal issued a Final Award on Remedies which provided that Respondents pay GGAM: (a) US\$ 85.2 million as damages for lost management fees; (b) US\$ 391,224 as pre-termination fees and expense; (c) US\$ 14,998,052 as Cost. Respondents to pay Php10,169,871,978.24 for the 921,184,056 GGAM shares in Bloomberry Resorts Corporation (BRC) (the Shares) in exchange for GGAM's turning over the Shares after the payment. If Respondents do not pay for the Shares, GGAM may sell the Shares in the market and Respondents will be liable for the difference in the selling price if it is less than the awarded price (or receive the amount in excess of the awarded price). If the cash dividends subject of injunction by the RTC Makati are released to GGAM they are to be deducted from the cost of the Shares. Post-award interest is 6%, compounded annually, or 50 basis per month for the pre-termination.

Respondents have filed a petition with Singapore courts to vacate the Final Award on Remedies because the award was procured by fraud and is in violation of public policy. At this time, Respondents are not able to predict when the Singapore courts will issue a decision. The Final Award on Remedies of the arbitration tribunal can be enforced in the Philippines only through an order of a Philippine court of proper jurisdiction, after appropriate proceedings taking into account applicable Philippine law and public policy.

Nominees for Independent Directors/Nomination Committee

In line with established procedures, a formal nomination of an Independent Director is signed by an incumbent Director, and is submitted to the Corporate Secretary. The Corporate Secretary, guided by the By-Laws, Revised Manual on Corporate Governance and the Revised Corporation Code, forwards the same to the Nomination Committee. In accordance with the Revised Manual on Corporate Governance, the Nominations Committee passes upon the qualifications of the nominee; the process includes an examination of the nominee's business background and company affiliations, and ascertains that the nominee does not possess any of the disqualifications to serve as an Independent Director of BLOOM as provided in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations. The Nomination Committee is composed of Enrique K. Razon Jr. as Chairman, and Jose Eduardo J. Alarilla, Christian Gonzalez as members.

Carlos C. Ejercito and Jose P. Perez were nominated as Independent Directors of BLOOM by Ms. Estella Tuason-Occea, and Enrique K. Razon Jr. respectively. Information on the nominees are stated on page 7 of this Information Statement.

Directors and Executive Officers

The following have been nominated as Members of the Board of Directors for the ensuing year:

Name	Citizenship	Age
Enrique K. Razon, Jr.	Filipino	59
Jose Eduardo J. Alarilla	Filipino	68
Donato C. Almeda	Filipino	65
Thomas Arasi	American	62
Christian R. Gonzalez	Filipino	44
Carlos C. Ejercito*	Filipino	74
Jose P. Perez*	Filipino	73

*As Independent Director

Item 6. Compensation of Directors and Executive Officers

The Group paid compensation in 2018¹ to the Chief Executive Officer (CEO) and executive officers named below, as a group, amounting to ₱254.2 million.

Name	Office
Enrique K. Razon Jr.	Chairman of the Board & Chief Executive Officer
Jose Eduardo J. Alarilla	Vice Chairman
Donato C. Almeda	Vice Chairman for Construction and Regulatory Affairs
Thomas Arasi	President & Chief Operating Officer
Christian R. Gonzalez	Director
Estella Tuason-Occea	Chief Financial Officer & Treasurer
Laurence Upton	Senior Vice President for International Marketing
Cyrus Sherafat	Senior Vice President for Casino Marketing
Arcan Lat	Senior Vice President for Finance
Silverio Benny J. Tan	Corporate Secretary & Compliance Officer

The following is the breakdown of the aggregate amount of compensation paid to the CEO and top four (4) highest paid executive officers in 2017 and 2018², and estimated to be paid to the CEO and top four (4) highest paid executive officers in 2019 named below (amounts in millions):

	Year	Salary	Bonus & Others	Total
President and Top 4 Executive Officers, as group:	2019 (Estimate)	₱25.8	₱139.3	₱165.1
Enrique K. Razon, Jr. – <i>Chairman & Chief Executive Officer</i>	2018 (Actual)	25.8	161.2	187.0
Thomas Arasi – <i>President & Chief Operating Officer</i>	2017 (Actual)	25.2	77.5	102.7
Cyrus Sherafat – <i>Senior Vice President for Casino Marketing</i>				
Laurence Upton – <i>Senior Vice President for International Marketing</i>				

¹ To be updated for the year 2019 upon availability of the Audited Financial Statements of BLOOM as of 31 December 2019 which as of date is not yet available.

² To be updated for the year 2019 upon availability of the Audited Financial Statements of BLOOM as of 31 December 2019 which as of date is not yet available.

All Other Officers and Directors, as a group unnamed	2019 (Estimate)	₱22.7	₱27.0	₱49.7
	2018 (Actual)	19.8	47.4	67.2
	2017 (Actual)	5.3	15.4	20.7

The members of the Board are not expected to receive any compensation in 2019. There are no material terms of any other arrangements or contracts where any director of the Company was compensated or is to be compensated, directly or indirectly, in 2017, 2018 or in the coming year, for any service provided as a director.

Named executives officers are covered by Letters of Appointment, with the Company stating therein their respective terms of employment.

There are no existing compensatory plans or arrangements, including payments to be received from the Company by any named executive officer, upon resignation, retirement or any other termination of the named executive officer's employment with the Company and its subsidiaries or from a change-in-control of the Company or a change in the named executive officers' responsibilities following a change-in-control.

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 board of directors. The Participants to the SIP are: permanent and regular employees of the Group or its affiliates with at least one year tenure; officers and directors of the Group; officers and directors of affiliates of the Group; and other persons who have contributed to the success and profitability of the Group or its affiliates.

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

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

Below is a summary of SIP grants and their corresponding schedule of vesting:

Grant Date	Details		2017		2018		2019		Balance as of December 31, 2019
	No. of Shares	Price per Share	Cancelled	Vested	Cancelled	Vested	Cancelled	Vested	
2016									
February 16	18,986,490	4.49	166,251	9,326,994	166,264	9,326,981	-	-	-
June 28	558,289	5.8	163,637	115,508	166,637	115,507	-	-	-
2017									
April 18*	26,914,402	8.38	-	-	60,695	13,313,566	156,370	13,383,771	-
2018									
May 16*	22,273,374	12.66	-	-	-	-	661,659	10,538,927	11,072,788
June 8*	89,147	11.40	-	-	-	-	-	44,574	44,573
August 1*	103,751	9.00	-	-	-	-	-	51,876	51,875

2019									
March 18*	24,933,792	11.62	-	-				147,475	24,786,317
Total	93,693,365		329,888	9,442,502	393,596	22,756,054	818,029	24,166,623	35,955,553

* includes Dividend Re-investment Plan shares

The stock incentive obligation amounting to 304.9 million and 220.7 million for 2019 and 2018, respectively were recognized as part of "Salaries and benefits" under "Operating costs and expenses" in the consolidated financial statements.

Item 7. Independent Public Accountants

On April 11, 2019, the Stockholders of BLOOM re-appointed SGV & Co. as external auditor to audit its financial statements for 2019. Ms. Christine Vallejo, partner of SGV & Co., is the audit partner for the audit of the Company's books and accounts in 2019.

External Audit Fees and Services

The Group paid its external auditors the following fees for the last three years³ for professional services rendered:

	For the Year Ended December 31		
<i>In thousands pesos</i>	2018	2017	2016
Audit	P11,877.7	P9,283.5	P10,707.4
Tax and others	3,868.6	6,316.0	6,356.0
Total	P15,746.3	P15,599.5	P17,063.4

Tax fees paid to the auditors are for tax compliance and tax advisory services. In 2018, 2017 and 2016, the other fees include fees for limited review services provided.

The Audit Committee makes recommendations to the Board concerning the external auditors and pre-approves audit plans, scope and frequency before the conduct of the external audit. The Audit Committee reviews the nature of the non-audit related services rendered by the external auditors and the appropriate fees paid for these services.

Changes in and Disagreements with Accountants of Accounting and Financial Disclosure

There were no changes or disagreements with the Company's external auditors, SyCip Gorres Velayo & Co. (SGV & Co.) on accounting and financial statement disclosures.

Item 8. Compensation Plans

Not Applicable

PART I. C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. Authorization or Issuance of Securities Otherwise for Exchange

Not Applicable

Item 10. Modification or Exchange of Securities

Not Applicable

Item 11. Financial and Other Information

Not Applicable

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

Not Applicable

Item 13. Acquisition or Disposition of Property

³ To be updated for the year 2019 upon availability of the Audited Financial Statements of BLOOM as of 31 December 2019 which as of date is not yet available.

Item 14. Restatement of Accounts

Not Applicable

Part I. D. OTHER MATTERS**Item 15. Action with Respect to Reports****Ratification of All Acts, Contracts, Investments and Resolutions of the Board of Directors and Management since the Last Annual Stockholders' Meeting**

As a matter of corporate policy, Management seeks the approval and ratification by the Stockholders of all acts, contracts, investments and resolutions of the Board of Directors and Management since April 11, 2019, the date of the last Annual Stockholders' Meeting. These are reflected in the minutes of the meetings of the Board of Directors, in the regular reports and disclosures to the Securities and Exchange Commission and to the Philippine Stock Exchange, and in the 2018 Annual Report and the Report of the Chairman.

The affirmative vote of a majority of the votes cast on this matter is necessary for the ratification of all acts, contracts, investments and resolutions of the Board of Directors and Management, which include the following:

<u>Date of Board Meeting</u>	<u>Matters Approved</u>														
01 February 2019	<u>Appointment of Jose P. Perez as independent director</u>														
04 March 2019	Approved the 2018 Financial Statements as of and for the fiscal year ending December 31, 2018, as reviewed by Sycip Gorres Velayo & Co.														
21 March 2019	Approved cash dividend of Fifteen Centavos (P0.15) per share to stockholders of record as of Record Date 05 April 2019 with Payment Date on 16 April 2019.														
11 April 2019	The following Executive Officers of BLOOM, were elected, namely: <table border="1"> <tr> <td>Chairman of the Board and Chief Executive Officer</td><td>Enrique K. Razon Jr.</td></tr> <tr> <td>President & Chief Operating Officer</td><td>Thomas Arasi</td></tr> <tr> <td>Chief Finance Officer and Treasurer</td><td>Estella Tuason-Occeña</td></tr> <tr> <td>Senior Vice President for International Marketing</td><td>Laurence Upton</td></tr> <tr> <td>Senior Vice-President for Casino Marketing</td><td>Cyrus Sherafat</td></tr> <tr> <td>Corporate Secretary & Compliance Officer</td><td>Silverio Benny J. Tan</td></tr> <tr> <td>Assistant Corporate Secretary</td><td>Jonas S. Khaw</td></tr> </table> The Board appointed the following chairmen and members of mandated committees: Audit Committee Carlos C. Ejercito - Chairman Christian R. Gonzalez Jose P. Perez Nomination Committee Enrique K. Razon Jr. - Chairman Jose Eduardo J. Alarilla Christian R. Gonzalez	Chairman of the Board and Chief Executive Officer	Enrique K. Razon Jr.	President & Chief Operating Officer	Thomas Arasi	Chief Finance Officer and Treasurer	Estella Tuason-Occeña	Senior Vice President for International Marketing	Laurence Upton	Senior Vice-President for Casino Marketing	Cyrus Sherafat	Corporate Secretary & Compliance Officer	Silverio Benny J. Tan	Assistant Corporate Secretary	Jonas S. Khaw
Chairman of the Board and Chief Executive Officer	Enrique K. Razon Jr.														
President & Chief Operating Officer	Thomas Arasi														
Chief Finance Officer and Treasurer	Estella Tuason-Occeña														
Senior Vice President for International Marketing	Laurence Upton														
Senior Vice-President for Casino Marketing	Cyrus Sherafat														
Corporate Secretary & Compliance Officer	Silverio Benny J. Tan														
Assistant Corporate Secretary	Jonas S. Khaw														

	Compensation Committee and Stock Incentive Plan Committee Jose Eduardo J. Alarilla - Chairman Estella Tuason-Occea Carlos C. Ejercito Related Party Transactions Committee Jose P. Perez - Chairman Carlos C. Ejercito Jose Eduardo J. Alarilla
14 May 2019	1. Approval of the Revised Money Laundering and Anti-Terrorism Prevention Program (MLPP) 2. Appointment of Vice Chairman for Construction and Regulatory Affairs
22 May 2019	1. Approved sale of motor vehicle 2. Designation of Mr. Donato Almeda as Vice Chairman for Construction and Regulatory Affairs
14 June 2019	Approved the expression of interest in the proposed project of the Queensland Government
26 July 2019	Approved the establishment of Bloomerry Cruise Terminals, Inc.
25 September 2019	1. Application of the Tax Clearance Certificate with the Bureau of Internal Revenue (BIR) 2. Registration or Renewal under PhilGEPS 3. Appeal to the Court of Tax Appeals the Assessment by the BIR against the Company Deficiency for Documentary Stamp Tax and Other Assessment
07 October 2019	Approved the Related Party Transactions Policy of the Company
31 October 2019	Increase in target shares to be acquired pursuant to the share buy-back program to 100,000,000 shares
13 December 2019	Approval of operating budget for 2020

Summary of the Minutes of the Annual Stockholders' Meeting on April 11, 2019

The stockholders elected the following Directors:

Enrique K. Razon, Jr.
Jose Eduardo J. Alarilla
Donato C. Almeda
Thomas Arasi
Christian R. Gonzalez
and
Carlos C. Ejercito
Jose P. Perez
as Independent Directors

The stockholders approved all other items in the agenda.

Item 16. Matters not Required to be Submitted

Not Applicable

Item 17. Amendment of Charter, Bylaws or Other Documents

Not Applicable

Item 18. Other Proposed Actions**Approval of Minutes of the Annual Stockholders' Meeting on April 11, 2019**

The Minutes of the Annual Stockholders' Meeting of BLOOM held on April 11, 2019 ("Minutes") will be presented for approval of the Stockholders in the Annual Stockholders' Meeting. Such action on the part of the Stockholders will not constitute approval or disapproval of the matters referred to in said Minutes since Stockholder approval and action on those items had already been obtained in that meeting.

The Minutes and related records are available for inspection by any Stockholder at any reasonable hour during business days. In addition, copies of the Minutes shall be posted at the meeting site, and will be available for review by the Stockholders present in the Annual Stockholders' Meeting.

The affirmative vote of a majority of the votes cast on this matter is necessary for approval of the Minutes.

Approval of the 2019 Audited Financial Statements

The audited financial statements of Company as of and for the year ended December 31, 2019 and the accompanying notes to audited financial statements (referred to as Financial Statements) prepared by the Company and audited by SGV & Co., the independent auditors appointed by the stockholders in 2019, will be submitted for approval of the Stockholders at the Annual Stockholders' Meeting.

The information and representations in the Financial Statements are the responsibility of the Company's management. The financial statements have been prepared in conformity with Philippine Financial Reporting Standards, and reflect amounts that are based on best estimates and informed judgment of management with an appropriate consideration to materiality.

Management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition, and liabilities are recognized. Management likewise discloses to the Company's audit committee and to its external auditors: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data; (ii) material weaknesses in internal controls; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

The Board of Directors reviews the financial statements before such statements are approved and submitted to the stockholders of the Company.

SGV & Co. have examined the financial statements of the Company in accordance with Philippine Standards on Auditing, and have expressed their opinion on the fairness of presentation upon completion of such examination in the Report to the Stockholders and Board of Directors of the Company.

The affirmative vote of majority of the votes cast on this proposal will constitute approval of the Financial Statements.

Item 19. Voting Procedures

The Chairman will announce each proposal to the floor, which shall be voted upon separately. In the absence of any objection from the floor, the Chairman shall instruct the Corporate Secretary to enter a unanimous vote of approval except for the votes indicated in

proxies with specific voting instruction. If there is an objection, the Chairman will call for a division of the house. The votes of shareholders present in person or by Proxy shall be counted by hand, and the Chairman will announce the result of the voting, unless voting by ballots is called for. If voting by ballots is decided, ballots will be distributed to Stockholders present in person or by Proxy in the meeting. The ballots will be filled up by stockholders, and submitted to the Corporate Secretary or his duly authorized representatives. The valid ballots will be counted by the Corporate Secretary or a committee that the Board may organize for the purpose for the votes of the Stockholders. The Chairman will then announce the result after the counting.

The following matters require the following votes:

Subject Matter	Votes Required
Approval of Minutes of the Annual Stockholders' Meeting on April 11, 2019	Majority of the votes cast
Approval of the 2019 Audited Financial Statements	Majority of the votes cast
Ratification of all acts, contracts, investments and resolutions of the board of directors and management since the last annual stockholders' meeting	Majority of the votes cast
Election of Directors	The top seven (7) nominees with the most number of votes are elected
Appointment of SGV & Co. as the Company's external auditors	Majority of the votes cast

Undertaking to Provide Annual Report

A copy of the 2019 BLOOM Annual Report on SEC Form 17-A for the fiscal year ended December 31, 2019, as filed with the Securities and Exchange Commission, will be sent to any Stockholder at their indicated address without charge upon written request addressed to:

The Corporate Secretary
Bloomberry Resorts Corporation

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

Item 20. Proxies:

Not Applicable

Attached herewith are the following: Annex "A" is the Management Report of the Company; Annex "B" is the audited financial statements of the Company as of December 31, 2018; and Annex "C" is the unaudited financial statements of the Company as of September 30, 2019.

Part IV. SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on March 2, 2020.

For and in behalf of the Board of Directors

By:


SILVERIO BENNY J. TAN
Corporate Secretary

MANAGEMENT REPORT

Management's Discussion and Analysis or Plan 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 September 30, 2019 and for the three months and nine months ended September 30, 2019 and 2018 and as of and December 31, 2018.

OVERVIEW

The Parent Company was engaged in the manufacture of printed circuit boards up to 2003. It ceased commercial operations in December 2003 up until 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., Muui Agricultural Corporation and Bloomberry Cruise Terminals Inc. 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 such, 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 a 94% stake in Solaire de Argentina S.A. Bloom Capital B.V. is currently not in operation. Solaire de Argentina S.A. has started the process of liquidation.

Solaire Korea Co., Ltd.

On December 28, 2014 Bloomberg established, through a nominee, a new company named Solaire Korea Co., Ltd. (Solaire Korea), to hold the Group's investment interest in the Republic of Korea. After a series of stock subscriptions, Bloomberg 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 an additional 18.98% of G&L, bringing Solaire Korea's ownership in G&L to 96.23%. On August 20, 2015, Bloomberg 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.

Upon completion of Phase 1 of Solaire, now referred to as the Bay Tower, BRHI and Sureste commenced commercial operations on March 16, 2013. Solaire opened with its main gaming area and initial non-gaming amenities, which included hotel, food and beverage outlets.

Phase 1 of Solaire consists of a casino with an aggregate gaming floor area of approximately 18,500 square meters (including approximately 6,000 square meters of exclusive VIP gaming areas), with approximately 1,653 slot machines, 295 gaming tables and 88 electronic table games. Phase 1 has 488 hotel rooms, suites and bayside villas, and 15 specialty restaurants and F&B outlets including (the number of seats are approximations): 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 spa and fitness center, a bayview promenade, and multilevel parking building with approximately 1,500 parking slots.

On November 22, 2014, Bloomberg 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, amplified music and speech events. The Forum is a 2,000 square-meter meeting facility with eight meeting rooms, two boardrooms and a flexible pre-function area. The ballroom is now in the process of being reconfigured into a new gaming area. The Tent at Solaire was established as a temporary versatile function venue with full banquet and catering facilities. Sky Tower also features the Sky Range Shooting Club with 5 rifle shooting bays and 15 pistol bays. Sky Tower is accessible through a 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 Louis Vuitton, Saint Laurent, Bvlgari, Salvatore Ferragamo, Givenchy, Prada, Tumi, and Lukfook Jewelry. In the first half of 2019, new outlets

were opened including Versace, Chao Tai Fook, Porsche Design, Univers, Marcelo Burlon and Stefano Ricci.

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 in the Sky Tower has been reconfigured and leased out as office space for BPO businesses.

Solaire North

In 2015, Sureste purchased from the National Housing Authority (NHA) 15,676 square meters of land in Vertis North, Quezon City Central Business District and was issued Transfer Certificates of the Title on June 24, 2016. This property is the site of BRHI's proposed second integrated resort in the Philippines, "Solaire North", under the same PAGCOR license. The Group started the excavation work for the said project in July 2019.

Bloomberry Cruise Terminals Inc.

Bloomberry established a new company named Bloomberry Cruise Terminals Inc. to manage and operate the proposed Solaire Cruise Center and Yacht Harbor, a two-berth luxury cruise terminal attached to Solaire and fronting Manila Bay, and a cruise tender terminal being developed in the Port of Salomague, Cabugao, Ilocos Sur in the northern Philippines. The proposed Solaire Cruise Center and Yacht Harbor were designated by the Tourism Infrastructure and Enterprise Zone Authority as a Tourism Enterprise Zone.

Sureste was awarded a 10-year lease from the Philippine Ports Authority which gives Sureste the right to construct, develop, manage and operate cruise passenger facilities at the Port of Salomague.

The construction of the cruise terminal projects will commence once all relevant regulatory approvals are secured.

Solaire Korea

Solaire Korea owns 20.96 hectares and 12.2 hectares in the South Korean islands of Silmi and Muui, 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 operations 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 guests 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 previous 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, restaurants, lobby, building façade, sports bar, gym, sauna, back of the house and a new ballroom for the purpose of securing the 5 Hibiscus rating that is required to keep its gaming license.

OPERATING RESULTS

The following are the key performance indicators of the Group in the third quarter and first nine months of 2019 with comparison for 2018:

Table 1.0 Key Performance Indicators

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
<i>In thousands pesos except for ratios</i>	2019	2018	2019	2018
EBITDA	₱6,360,874	₱3,182,878	₱15,817,316	₱11,467,756
Net Debt to Equity Ratio (D/E)	1.09	1.52	1.09	1.52
Current Ratio	2.41	2.38	2.41	2.38
Total Assets	130,798,118	122,157,872	130,798,118	122,157,872
Return on Equity (ROE)	9.07%	3.19%	19.86%	18.12%

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 and nine months ended September 30, 2019 and 2018 as derived from the accompanying unaudited condensed consolidated financial statements.

Table 2.0 Unaudited Consolidated Statements of Income

	For the Three Months Ended September 30		%	For the Nine Months Ended September 30		%
<i>In thousands, except % change data</i>	2019	2018	Change	2019	2018	Change
Net revenues	₱13,310,549	₱8,919,784	49.2	₱35,697,045	₱28,845,134	23.8
Cost and expenses	9,393,323	7,788,949	20.6	27,123,288	22,409,098	21.0
Provision for (benefit from) income tax	4,669	(3,399)	237.4	7,969	(4,689)	270.0
Net income	3,912,557	1,134,234	245.0	8,565,788	6,440,725	33.0
Earnings per share:						
Basic	0.356	0.103	245.6	0.780	0.588	32.7
Diluted	0.354	0.103	243.7	0.778	0.585	33.0

OPERATING RESULTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2019 COMPARED WITH 2018

The following table shows the geographical segments of the operating results of the Group for the three months ended September 30, 2019 and 2018.

Table 2.1 Unaudited Consolidated Statements of Income

In thousands, except % change data	For the Three Months Ended September 30						% Change 2019 vs. 2018
	2019			2018*			
	Philippines	Korea	Consolidated	Philippines	Korea	Consolidated	
Gross gaming revenues**	₱17,111,061	₱109,262	₱17,220,323	₱11,711,076	₱193,450	₱11,904,526	44.7
PFRS 15 allocation	(1,102,572)	-	(1,102,572)	(885,375)	-	(885,375)	24.5
Contra revenue accounts	(4,839,620)	(46,699)	(4,886,319)	(3,762,250)	(26,022)	(3,788,272)	29.0
Net gaming revenues	11,168,869	62,563	11,231,432	7,063,451	167,428	7,230,879	55.3
Non-gaming & other revenues***	2,039,891	39,226	2,079,117	1,626,778	62,127	1,688,905	23.1
Net revenues	13,208,760	101,789	13,310,549	8,690,229	229,555	8,919,784	49.2
Cash operating expenses	(6,722,126)	(174,400)	(6,896,526)	(5,531,551)	(205,355)	(5,736,906)	20.2
Provisions for doubtful accounts	(53,149)	-	(53,149)	-	-	-	-
EBITDA	6,433,485	(72,611)	6,360,874	3,158,678	24,200	3,182,878	99.8
Depreciation and amortization	(880,301)	(48,277)	(928,578)	(804,219)	(45,487)	(849,706)	9.3
Interest, foreign exchange loss & others	(1,358,326)	(156,744)	(1,515,070)	(1,266,244)	63,907	(1,202,337)	26.0
Benefit from (provision for) income tax	(4,669)	-	(4,669)	3,399	-	3,399	(237.4)
Net profit	₱4,190,189	(₱277,632)	₱3,912,557	₱1,091,614	₱42,620	₱1,134,234	245.0
Basic earnings per share			₱0.356			₱0.103	
Diluted earnings per share			₱0.354			₱0.103	

* Operating results for the three months ended September 30, 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

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 September 30, 2019 and 2018:

Table 2.2 Revenues

	For the Three Months Ended September 30						% Change
<i>in thousands, except % change data</i>	2019			2018*			2019 vs. 2018
	Philippines	Korea	Consolidated	Philippines	Korea	Consolidated	
Gaming	₱16,008,489	₱109,262	₱16,117,751	₱10,825,701	₱193,450	₱11,019,151	46.3
Hotel, food and beverage	1,063,282	34,286	1,097,568	806,719	39,449	846,168	29.7
Retail and others	898,300	4,904	903,204	781,144	22,571	803,715	12.4
Interest income	78,309	36	78,345	38,915	107	39,022	100.8
Gross revenues**	18,048,380	148,488	18,196,868	12,452,479	255,577	12,708,056	43.2
Less contra revenue accounts	4,839,620	46,699	4,886,319	3,762,250	26,022	3,788,272	29.0
Net revenues	₱13,208,760	₱101,789	₱13,310,549	₱8,690,229	₱229,555	₱8,919,784	49.2

* Operating results for the three months ended September 30, 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 third quarter of 2019, gross gaming revenues (GGR), non-gaming revenues (including hotel, food and beverage, retail and other), and interest income represented 88.6 percent, 11.0 percent and 0.4 percent of gross revenues, respectively. GGR, non-gaming revenues and interest income in the same period last year accounted for 86.7 percent, 13.0 percent and 0.3 percent of gross revenues, respectively.

Contra revenue increased to P4.9 billion in the third quarter of 2019, up 29.0 percent year-on-year, mainly due to higher rebates to junket operators and VIP patrons as a result of

higher VIP gaming revenue as well as other customer promotions and incentives provided to mass gaming guests.

Gaming

Philippines

Solaire registered robust growth in mass table drop and slot coin-in in the third quarter of 2019. Mass table drop and slot coin-in grew by 9.9 percent and 23.2 percent to record levels of P13.5 billion and P66.9 billion, respectively. The VIP segment, on the other hand, posted a decline of 4.7 percent in volume.

Gaming revenues after PFRS 15 allocation in the third quarter of 2019 increased by 47.9 percent or P5.2 billion as compared to the same period last year.

Below is the breakdown of gaming revenues:

Table 2.3 Breakdown of GGR

Amounts in millions	Third Quarter of 2019			Third Quarter of 2018			Change in Revenue	
	Volume*	Revenue	Hold	Volume*	Revenue	Hold	Amount	%
VIP tables	P198,655	P8,645	4.35%	P208,497	P3,983	1.91%	P4,662	117.0
Mass tables	13,484	4,208	31.2%	12,265	4,140	33.8%	68	1.7
Slots	66,910	4,258	6.4%	54,314	3,589	6.6%	670	18.7
		17,111			11,711		5,400	46.1
PFRS 15 Allocation		(1,103)			(885)		(218)	24.6
Total		P16,008			P10,826		P5,182	47.9

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

VIP revenue was P8.6 billion, representing an increase of 117.0 percent as a result of a higher VIP win rate. The VIP hold rate was 4.35 percent, higher than the 1.91 percent in the third quarter of last year and the normal hold of 2.85 percent. On a hold normalized basis, VIP revenue would have decreased by 4.7 percent.

Mass table drop increased by 9.9 percent year-on-year. Mass gaming revenue increased by P68.4 million or 1.7 percent partially affected by lower hold percentage. Slot revenue increased by P670.0 million or 18.7 percent as compared to the third quarter of last year.

There were 1,693,827 visitors in the third quarter of 2019, higher by 3.3 percent as compared to the same period last year.

Korea

Jeju Sun registered P109.3 million of GGR in the third quarter of 2019 which was 43.5 percent lower compared to P193.5 million in the third quarter of last year. The decline was due to an unfavorable hold percentage in the property's gaming segment.

Hotel, Food and Beverage

Philippines

Hotel, food and beverage revenue amounted to P1.1 billion in the third quarter of 2019, representing an increase of P256.6 million or 31.8 percent compared to the third quarter of last year. The increase was primarily due to higher REVPAR which grew by 26.6 percent.

In the third quarter of 2019, hotel cash revenues were 50.0 percent as compared to 56.7 percent in the same period last year, while non-gaming F&B cash revenues accounted for 53.5 percent of F&B revenues as compared to 51.7 percent in the prior year.

Solaire F&B outlets served 481,516 covers in the third quarter of 2019 as compared to 487,744 covers for the comparable period in 2018, representing a decrease of 1.3 percent. The decline was due to the closure of grand ballroom where banquets are held. The grand ballroom was closed to make way for a new gaming area. Average checks increased by 14.1 percent to P1,192.

Korea

The hotel and F&B operation of Jeju Sun generated P34.3 million of revenue in the third quarter of 2019, 13.1 percent lower than the comparative period in 2018 due to ongoing renovations covering 164 rooms, restaurants, lobby, building façade, sports bar, gym, sauna, back of the house and a new ballroom for the purpose of securing the 5 Hibiscus rating that is required to keep its gaming license. Renovation works are anticipated to be completed by the fourth quarter of 2019.

Retail and Others

Philippines

Retail and other revenues amounted to P898.3 million in the third quarter of 2019, an increase of 15.0 percent from P781.1 million in the same period last year. The increase was primarily attributable to additional rental revenue earned from new tenants at the Shoppes.

Korea

The retail and other revenues of Jeju Sun generated P4.9 million in the third quarter of 2019 which is lower by 78.3 percent compared to the same period in 2018. The retail area was also adversely impacted by renovation works.

Interest Income

Consolidated interest income amounted to P78.3 million in the third quarter of 2019, representing an increase of 100.8 percent from consolidated interest income of P39.0 million in the third quarter last year, mainly due to higher average consolidated cash balances in the third quarter of 2019.

COST AND EXPENSES

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

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

Table 2.4 Expenses

In thousands, except % change data	For the Three Months Ended September 30,						% Change 2019 vs. 2018
	2019			2018*			
	Philippines	Korea	Consolidated	Philippines	Korea	Consolidated	
Operating costs and expenses	₱7,655,576	₱222,677	₱7,878,253	₱6,335,770	₱250,842	₱6,586,612	19.6
Interest expense	1,395,278	2,840	1,398,118	1,429,276	3,790	1,433,066	(2.4)
Foreign exchange losses (gains) - net	(94,414)	153,904	59,490	(163,032)	(67,697)	(230,729)	(125.8)
Others	57,462	-	57,462	-	-	-	-
Total Cost and Expenses	₱9,013,902	₱379,421	₱9,393,323	₱7,602,014	₱186,935	₱7,788,949	20.6

* Operating results for the three months ended September 30, 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 in the third quarter of 2019 increased by 20.6 percent to P9.4 billion due to higher taxes and licenses and foreign exchange losses.

Philippines

Solaire operating costs and expenses increased by 20.8 percent year-on-year, from P6.3 billion to P7.7 billion. The increase was mainly due to higher gaming taxes which is proportionate to the increase in gaming revenues.

The Philippine peso depreciated against the US dollar and other foreign currencies resulting in net foreign exchange gains of P94.4 million in the third quarter of 2019 as compared to the net foreign exchange gain of P163.0 million in the same period last year. The Company maintains foreign currency deposits mainly denominated in US and Hong Kong dollars.

Others pertains to share in net loss of a joint venture.

Korea

Solaire Korea registered P379.4 million in operating costs and expenses which was P192.5 million higher than the third quarter of 2018. The increase was mainly due to P153.9 million of foreign exchange loss recognized in the third quarter of 2019 as compared to P67.7 million of foreign exchange gains in the same period last year.

EBITDA

Philippines

In the third quarter of 2019, Solaire's EBITDA of P6.4 billion was 103.7 percent or P3.3 billion higher compared to the same quarter last year. EBITDA margin in the third quarter of 2019 was 48.7 percent as compared to an EBITDA margin of 36.3 percent in the same quarter last year.

Korea

Solaire Korea posted P72.6 million negative EBITDA in the third quarter of 2019. EBITDA was impacted by lower VIP hold percentage which resulted to a decrease in gaming revenue, as well as a decrease in hotel, food and beverage and retail revenues due to the ongoing renovations covering 164 rooms, restaurants, lobby, building façade, sports bar, gym, sauna, back of the house and a new ballroom for the purpose of securing the 5 Hibiscus rating that is required to keep its gaming license.

CONSOLIDATED

Below is the consolidated hold-normalized EBITDA highlights:

	For the Three Months Ended September 30		Change
<i>In thousands, except % change data</i>	2019	2018	
Net Revenue	13,310,549	8,919,784	49.2%
EBITDA	6,360,874	3,182,878	99.8%
EBITDA Margin	47.8%	35.7%	1,210bps
Hold-Normalized EBITDA*	4,496,753	4,435,273	1.4%
Hold-Normalized EBITDA Margin*	48.8%	41.8%	700bps

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

The reported VIP hold in the third quarter of 2019 was 4.35 percent, 150 basis points higher than the 2.85 percent normalized hold. This resulted in the reported EBITDA being 41.5 percent higher than hold-normalized EBITDA of P4.5 billion.

Provision for (Benefit from) Income Tax

In the third quarter of 2019, Solaire recognized P4.7 million of provision for income tax, representing a 237.4 percent increase from the prior year's third quarter benefit from income tax of P3.4 million.

Net Income (Loss)

In the third quarter of 2019, the Group reported a consolidated net income of P3.9 billion or an increase of 245.0 percent from consolidated net income of P1.1 billion in the same quarter last year.

The Philippine operations registered net income of P4.2 billion, an increase of 283.9 percent from net income of P1.1 billion in the third quarter of 2018. The increase was due to higher EBITDA which was partially offset by higher foreign exchange losses and increased interest and depreciation expenses. The Korean operations detracted P277.6 million from consolidated net income.

Earnings per Share

The basic earnings per share of P0.356 in the third quarter of 2019 was higher than the P0.103 reported in the same quarter of last year. The diluted earnings per share in the third quarter of 2019, after considering the shares granted under the stock incentive plan, was P0.354 compared to P0.103 diluted earnings per share in the third quarter of 2018.

OPERATING RESULTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 COMPARED WITH 2018

The following table shows the geographical segments of the operating results of the Group for the nine months ended September 30, 2019 and 2018.

Table 2.5 Unaudited Consolidated Statements of Income

In thousands, except % change data	For the Nine Months Ended September 30						% Change 2019 vs. 2018
	2019			2018*			
	Philippines	Korea	Consolidated	Philippines	Korea	Consolidated	
Gross gaming revenues**	₱45,348,009	₱497,618	₱45,845,627	₱37,740,740	₱297,036	₱38,037,776	20.5
PFRS 15 allocation	(3,185,743)	-	(3,185,743)	(2,373,857)	-	(2,373,857)	34.2
Contra revenue accounts	(12,733,185)	(236,541)	(12,969,726)	(11,689,479)	(31,093)	(11,720,572)	10.7
Net gaming revenues	29,429,081	261,077	29,690,158	23,677,404	265,943	23,943,347	24.0
Non-gaming & other revenues***	5,930,753	76,134	6,006,887	4,742,671	159,116	4,901,787	22.5
Net revenues	35,359,834	337,211	35,697,045	28,420,075	425,059	28,845,134	23.8
Cash operating expenses	(19,061,108)	(682,149)	(19,743,257)	(16,747,369)	(600,765)	(17,348,154)	13.8
Provisions for doubtful accounts	(136,472)	-	(136,472)	(29,224)	-	(29,224)	367.0
EBITDA	16,162,254	(344,938)	15,817,316	11,643,462	(175,706)	11,467,756	37.9
Depreciation and amortization	(2,614,787)	(144,699)	(2,759,486)	(2,614,460)	(146,614)	(2,761,074)	(0.1)
Interest, foreign exchange loss & others	(4,326,768)	(157,305)	(4,484,073)	(1,967,645)	(303,001)	(2,270,646)	97.5
Benefit from (provision for) income tax	(7,969)	-	(7,969)	4,689	-	4,689	(270.0)
Net profit	₱9,212,730	(646,942)	₱8,565,788	₱7,066,046	(625,321)	₱6,440,725	33.0
Basic Earnings Per Share			₱0.780			₱0.588	
Diluted Earnings Per Share			₱0.778			₱0.585	

* Operating results for the nine months ended September 30, 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

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 nine months ended September 30, 2019 and 2018:

Table 2.6 Revenues

	For the Nine Months Ended September 30						% Change
In thousands, except % change data	2019			2018*			2019 vs. 2018
	Philippines	Korea	Consolidated	Philippines	Korea	Consolidated	
Gaming	₱42,162,266	₱497,618	₱42,659,884	₱35,366,883	₱297,036	₱35,663,919	19.6
Hotel, food and beverage	3,065,153	66,092	3,131,245	2,601,362	117,263	2,718,625	15.2
Retail and others	2,631,984	9,935	2,641,919	2,070,370	41,536	2,111,906	25.1
Interest income	233,616	107	233,723	70,939	317	71,256	228.0
Gross revenues**	48,093,019	573,752	48,666,771	40,109,554	456,152	40,565,706	20.0
Less contra revenue accounts	12,733,185	236,541	12,969,726	11,689,479	31,093	11,720,572	10.7
Net revenues	₱35,359,834	₱337,211	₱35,697,045	₱28,420,075	₱425,059	₱28,845,134	23.8

* Operating results for the nine months ended September 30, 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 nine months of 2019, GGR, non-gaming revenues (including hotel, food and beverage, retail and other), and interest income represented 87.6 percent, 11.9 percent and 0.5 percent of gross revenues, respectively. GGR, non-gaming revenues and interest income in the same period last year accounted for 87.9 percent, 11.9 percent and 0.2 percent of gross revenues, respectively. Contra revenue increased to P13.0 billion, up 10.7 percent year-on-year, due to higher rebates to junket operators and VIP patrons as a result of higher VIP gaming revenue as well as other customer promotions and incentives provided to mass gaming guests.

Gaming

Philippines

In the first nine months of 2019, Solaire registered robust growth in mass table drop and slot coin-in which grew by 13.2 percent and 17.2 percent to record levels of P37.4 billion and P187.1 billion, respectively. The VIP segment, on the other hand, posted a decline of 5.3 percent in volume.

Gaming revenues after PFRS 15 allocation in the first nine months of 2019 increased by 19.2 percent or P6.8 billion as compared to the same period last year.

Below is the breakdown of gaming revenues:

Table 2.7 Breakdown of GGR

Amounts in millions	First Nine Months of 2019			First Nine Months of 2018			Change in Revenue	
	Volume*	Revenue	Hold	Volume*	Revenue	Hold	Amount	%
VIP tables	₱561,600	₱20,806	3.70%	₱592,753	₱15,759	2.66%	₱5,047	32.0
Mass tables	37,370	12,282	32.9%	32,998	11,582	35.1%	700	6.0
Slots	187,051	12,260	6.6%	159,543	10,400	6.5%	1,860	17.9
		45,348			37,741		7,607	20.2
PFRS 15 Allocation		(3,186)			(2,374)		(812)	34.2
Total		₱42,162			₱35,367		₱6,795	19.2

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

VIP revenue amounted to P20.8 billion, representing an increase of 32.0 percent as a result of a higher VIP win rate. The VIP hold rate was 3.70 percent, higher than the 2.66 percent in the first

nine months of last year and the normal hold of 2.85 percent. On a hold normalized basis, VIP revenue would have decreased by 5.3 percent.

The first nine months of 2019 showed strong results in mass table gaming revenues as reflected by a P700 million or 6.0 percent increase in revenue. Slot revenue also increased by P1.9 billion or 17.9 percent compared to the same period last year.

There were 4,897,015 visitors in the first nine months of 2019, lower by 0.7 percent as compared to the same period last year.

Korea

Jeju Sun registered P497.6 million of GGR in the first nine months of 2019, representing an increase of 67.5 percent from P297.0 million in the first nine months of 2018. The significant increase was attributable to the increased level of play in VIP and mass segments as a result of the competitive casino programs of Jeju Sun.

Hotel, Food and Beverage

Philippines

Hotel, food and beverage revenue amounted to P3.1 billion in the first nine months of 2019, representing an increase of P463.8 million or 17.8 percent as compared to the first nine months of 2018. The increase was primarily due to higher REVPAR and average daily room rate which grew by 18.5 percent and 22.7 percent, respectively. The hotel occupancy rate was 89.7 percent in the first nine months of 2019.

In the first nine months of 2019, hotel cash revenues were 51.6 percent as compared to 56.7 percent in the same period last year, while non-gaming F&B cash revenues accounted for 52.5 percent of F&B revenues as compared to 57.5 percent in the prior year.

Solaire F&B outlets served 1,434,255 covers in the first nine months of 2019 as compared to 1,532,031 covers for the comparable period in 2018, a decrease of 6.4 percent. The decline was due to the closure of grand ballroom where banquets are held. The grand ballroom was closed to make way for a new gaming area. Average checks increased by 8.1 percent to P1,145.

Korea

The hotel and F&B operation of Jeju Sun generated P66.1 million of revenue in the first nine months of 2019, 43.6 percent lower than the comparative period in 2018 due to ongoing renovations in 80% of the property's hotel rooms, gym, spa, sauna, lobby and all five 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 amounted to P2.6 billion in the first nine months of 2019, an increase of 27.1 percent from P2.1 billion in the same period last year. The increase was primarily attributable to additional rental revenue earned from new tenants at the Shoppes.

Korea

The retail and other revenues of Jeju Sun generated P9.9 million in the first nine months of 2019 which is lower by 76.1 percent compared to the same period in 2018. The retail area was also impacted by renovation works.

Interest Income

Consolidated interest income amounted to P233.7 million in the nine months ended September 30, 2019, representing an increase of 228.0 percent from last year's consolidated interest income of P71.3 million due to higher average consolidated cash balances so far in 2019.

COST AND EXPENSES

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

The table below shows the breakdown of total expenses for the nine months ended September 30, 2019 and 2018.

Table 2.8 Expenses

In thousands, except % change data	For the Nine Months Ended September 30,						% Change 2019 vs. 2018
	2019			2018*			
	Philippines	Korea	Consolidated	Philippines	Korea	Consolidated	
Operating costs and expenses	₱21,812,367	₱826,848	₱22,639,215	₱19,391,073	₱747,379	₱20,138,452	12.4
Interest expense	4,163,238	9,585	4,172,823	3,134,618	12,709	3,147,327	32.6
Foreign exchange losses (gains) - net	106,068	147,720	253,788	(1,168,528)	290,292	(878,236)	(128.9)
Others	57,462	-	57,462	1,555	-	1,555	3,595.3
Total Cost and Expenses	₱26,139,135	₱984,153	₱27,123,288	₱21,358,718	₱1,050,380	₱22,409,098	21.0

* Operating results for the nine months ended September 30, 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 nine months ended September 30, 2019 increased by 21.0 percent to P27.1 billion due to higher: a) taxes and licenses b) interest expense c) cost of sales and d) foreign exchange losses.

Philippines

Solaire operating costs and expenses increased by 12.4 percent from P19.4 billion to P21.8 billion, mainly due to higher gaming taxes which is consistent with the increase in gaming revenues and the higher cost of sales due to increased promotional merchandise items given to patrons.

Interest expense increased by 32.8 percent from P3.1 billion to P4.2 billion due to the P73.5 billion Syndicated Loan Facility which was secured by the Group in the second quarter of 2018.

The Philippine peso appreciated against the US dollar and other foreign currencies resulting in net foreign exchange loss of P106.1 million in the first nine months of 2019 as compared to the net foreign exchange gain of P1.2 billion in the same period last year. The Company maintains foreign currency deposits mainly denominated in US and Hong Kong dollars.

Others pertains to share in net loss of a joint venture and market-to-market loss.

Korea

Solaire Korea registered P984.2 million in operating costs and expenses which was P66.2 million lower than the first nine months of 2018. The decrease was mainly due to P147.7 million foreign exchange loss recognized in the first nine months of 2019 as compared to P290.3 million of foreign exchange losses in the same period last year.

EBITDA

Philippines

In the first nine months of 2019, Solaire's EBITDA of P16.2 billion was 38.8 percent or P4.5 billion higher compared to the same period last year. EBITDA margin in the first nine months of 2019 was 45.7 percent as compared to 41.0 percent in the same period last year.

Korea

In the first nine months of 2019, Solaire Korea posted P344.9 million negative EBITDA. EBITDA was impacted by an increase in advertising and promotions expense to boost gaming operations as well as a decrease in hotel, food and beverage and retail revenues due to the ongoing renovations in 80% of the property's hotel rooms and all four of its F&B outlets.

CONSOLIDATED

Below is the consolidated hold-normalized EBITDA highlights:

	For the Nine Months Ended September 30		% Change
	2019	2018	
<i>In thousands, except % change data</i>			
Net Revenue	35,697,045	28,845,134	23.8
EBITDA	15,817,316	11,467,756	37.9
EBITDA Margin	44.3%	39.8%	450
Hold-Normalized EBITDA*	12,811,361	12,033,823	6.5
Hold-Normalized EBITDA Margin*	40.4%	40.5%	(10 bps)

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

The reported VIP hold in the first nine months of 2019 was 3.70 percent, 85 basis points higher than the 2.85 percent normalized hold. This resulted in the reported EBITDA being 23.5 percent higher than hold-normalized EBITDA of P12.8 billion.

Provision for (Benefit from) Income Tax

In the first nine months of 2019, Solaire recognized P8.0 million of provision for income tax compared to prior year's benefit from income tax of P4.7 million.

Net Income (Loss)

In first nine months of 2019, the Group posted a consolidated net income of P8.6 billion or an increase of 33.0 percent from last year's consolidated net income of P6.4 billion.

Solaire registered a net income of P9.2 billion in the third quarter of 2019, an increase of 30.4 percent from last year's net income of P7.0 billion. The increase was mainly due to higher revenues and lower foreign exchange losses and interest expense.

Solaire Korea registered net loss of P646.9 million in the first nine months of 2019, P21.6 million more than the P625.3 million net loss incurred in the same period last year.

Earnings per Share

The basic earnings per share of P0.780 in the first nine months of 2019 was higher than the P0.588 reported in the first nine months of 2018. The diluted earnings per share in the first nine months of 2019, after considering the shares granted under the stock incentive plan, was P0.778

compared to P0.585 diluted earnings per share in the first nine months of 2018.

TRENDS, EVENTS OR UNCERTAINTIES AFFECTING RECURRING REVENUES AND PROFITS

The Group is exposed to a number of trends, events and uncertainties, which affect the 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.

On January 31, 2020, the World Health Organization (WHO) declared the novel coronavirus acute respiratory disease (2019-nCoV ARD now COVID-19) health event as a public health emergency of international concern after an emergency committee convened on January 30, 2020 in Geneva, Switzerland. On the same day, the Philippines issued a temporary travel ban covering all travellers coming from Hubei Province of China. On February 2, 2020, the Philippines banned all travel to and from China and its two administrative regions, Hong Kong and Macau, to stem the spread of the virus. As of 5 February 2020, the Philippines has 3 confirmed cases of COVID-19. The travel ban and risk of COVID-19 infection will reduce and adversely affect the volume of people coming to the Philippines from China and other countries which in turn will adversely affect the business of BLOOM.

FINANCIAL CONDITION

The table below shows the consolidated condensed balance sheets as of September 30, 2019 and December 31, 2018:

Table 2.9 Consolidated Condensed Balance Sheets

	September 30, 2019	December 31, 2018	% Change 2019 vs. 2018
<i>In thousands, except % change data</i>			
Current assets	45,860,573	40,466,064	13.3
Total assets	130,798,118	125,648,978	4.1
Current liabilities	19,068,211	19,000,603	0.3
Total interest-bearing debt	69,635,184	71,186,920	(2.2)
Total liabilities	87,658,031	89,087,875	(1.6)
Equity ²	43,157,492	36,552,125	18.1
Current assets/total assets	35.06%	32.21%	
Current ratio	2.41	2.13	
Debt-equity ratio ¹	2.03	2.44	
Net debt-equity ratio	1.09	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 13.3 percent to P45.9 billion as of September 30, 2019 from P40.5 billion as of December 31, 2018, mainly due to higher cash in bank and casino receivables.

Total assets increased by 4.1 percent to P130.9 billion as of September 30, 2019 from P125.6 billion as of December 31, 2018. The increase was attributable to higher level of cash and cash equivalents, increased casino receivables, prepaid debt issue costs recognized related to the new P40.0 billion Syndicated Loan Facility and increased advances to contractors. The

increase was partially offset by the decrease in intangible assets and property and equipment due to depreciation expense charged, net of property and equipment acquired in 2019.

Current liabilities were higher by 0.4 percent due to the increase in outstanding chips and other gaming liabilities.

Total liabilities decreased by 1.6 percent from P89.1 billion as of December 31, 2018 to P87.7 billion as of September 30, 2019 primarily due to scheduled principal repayments.

Total equity as of September 30, 2019 amounted to P43.1 billion, 18.0 percent higher as compared to P36.6 billion reported as of December 31, 2018. The increase was due to the P8.6 billion net income reported in the first nine months of 2019 which was partially offset by cash dividends declared in March 2019 amounting to P1.7 billion.

MATERIAL VARIANCES AFFECTING THE BALANCE SHEET

Balance sheet accounts as of September 30, 2019 with variances of plus or minus 5.0 percent against December 31, 2018 balances are discussed, as follows:

Current Assets

1. Cash and cash equivalents increased by 11.6 percent due to higher cash generated by operations.
2. Receivables increased by 40.8 percent, primarily from the increase in casino receivables which is in line with the increase in gross gaming revenues.

Noncurrent Assets

3. Intangible assets decreased by 8.1 percent, mainly due to the impact of foreign exchange translation.
4. Other noncurrent assets increased by 141.7 percent due to the increase in advances to contractors and recognition of prepaid debt issue costs related to the P40.0 billion Syndicated Loan Facility which has not been drawn as of September 30, 2019.

Noncurrent Liabilities

5. Retirement liability increased by 12.5 percent to P433.0 million due to the accrual of service costs in the first nine months of 2019.

Equity

6. Treasury shares decreased by 63.0 percent as a result of the issuance of treasury shares for vested stock awards, net of Bloomberg shares acquired to cover future maturing SIP shares.
7. Share-based payment plan decreased by 6.9 percent due to the issuance of shares for vested stock awards which was partially offset by the recognition of current period's compensation expense.
8. Other comprehensive income represents the net effect of the translation of the financial statements of Solaire Korea and its subsidiaries.

9. Retained earnings increased by 56.3 percent due to ₱8.6 billion net income earned in the first nine months of 2019, reduced 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 nine months ended September 30, 2019 and 2018:

Table 2.10 Consolidated Cash Flows

<i>In thousands, except % change data</i>	For the Nine Months Ended September 30		% Change 2019 vs. 2018
	2019	2018	
Net cash provided by operating activities	₱15,082,968	₱12,789,900	17.9
Net cash used in investing activities	(2,726,168)	(40,225,889)	(93.2)
Net cash provided by (used in) financing activities	(7,930,049)	37,216,121	(121.3)
Effect of exchange rate changes on cash	(179,139)	953,017	(118.8)
Net increase in cash and cash equivalents	4,247,612	10,733,148	(60.4)
Cash and cash equivalents, beginning	36,465,848	21,961,407	66.0
Cash and cash equivalents, end	₱40,713,460	₱32,694,555	24.5

Cash and cash equivalents increased due to the positive cash flows generated by the operations in Solaire, net of payments made for capital expenditures, interest payment and partial principal repayment relating to the ₱73.5 billion Syndicated Loan Facility.

In the first nine months of 2019, the Group registered positive cash flows from operating activities of ₱15.1 billion. Due to strong operational results from Solaire, operating income before working capital changes increased by 36.1 percent.

Cash used in investing activities in the first nine months of 2019 is due to payments made for additional acquisition of property and equipment and minor construction projects, and payments for other noncurrent assets such as prepaid debt issue cost and advances to contractors.

Net cash used in financing activities in the first nine months of 2019 consists primarily of scheduled principal repayments and interest payments on its outstanding loan facility totaling ₱4.1 billion and for cash dividends paid in April 2019 amounting to ₱1.7 billion.

Capital Resources

The table below shows the Group's capital sources as of September 30, 2019 and December 31, 2018:

Table 2.11 Capital Sources

<i>In thousands, except % change data</i>	September 30, 2019	December 31, 2018	% Change 2019 vs. 2018
Long-term debt	₱69,635,184	₱71,186,920	(2.2)
Equity*	43,157,492	36,552,125	18.1
	₱112,792,676	₱107,739,045	4.7

*Attributable to equity holders of the Parent Company

Total debt and equity increased by 4.7 percent to ₱112.8 billion as of September 30, 2019 from ₱107.7 billion as of December 31, 2018. The increase was attributed to ₱8.6 billion net income earned in the first nine months of 2019, reduced by ₱1.7 billion 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 (losses) of (₱253.8) million and ₱878.2 million in the first nine months of 2019 and 2018, respectively, on the revaluation of its foreign currency denominated cash and cash equivalents, receivables and payables and other current liabilities.

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 ₱40.7 billion and ₱36.5 billion as of September 30, 2019 and December 31, 2018, respectively that are allocated to meet the Group's liquidity and capital expenditure requirements.

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 September 30, 2019:

<i>In thousands</i>	
Current	₱3,123,147
90 Days	172,518
Over 90 Days	1,099,765
Total	₱4,395,430

Consolidated Financial Statements

The Company's financial statements and accompanying notes are incorporated herein by reference.

Corporate Governance

The Company, its Board of Directors, officers and employees strive, through good corporate governance, to enhance the value of the Company and optimize over time the returns to its shareholders by:

- Sound, prudent, and effective management,
- Efficient and effective management information system,
- Effective risk management,
- Reliable financial and operational information,
- Cost effective and profitable business operations, and
- Compliance with laws, rules, regulations and contracts.

The following are measures that the Company has undertaken or will undertake to fully comply with the adopted leading practices on good governance:

1. Manual of Corporate Governance

On May 30, 2017, the Board approved a new Manual of Corporate Governance of the Company. Our Compliance Officer will continue to coordinate with the Philippine SEC with respect to compliance requirements, monitor compliance with the manual and report any governance-related issues to the Board. The Company commits itself to principles and best practices of governance in the attainment of corporate goals.

2. Board of Directors

Bloomberry's Board has the expertise, professional experience, and background that allow for a thorough examination and deliberation of the various issues and matters affecting the Group. The Board is responsible for the Company's overall management and direction. The Board will meet regularly on a quarterly basis, or more frequently as required, to review and monitor the Company's project development, future results of operations and financial position. Bloomberry's Amended Articles of Incorporation provide that the Board shall consist of seven (7) directors where two (2) members are Independent Directors: Mr. Carlos C. Ejercito and retired Justice Jose P. Perez and except for Mr. Enrique K. Razon, Jr., Mr. Thomas Arasi, and Mr. Donato C. Almeda all members of the Board are non-executive Directors.

Bloomberry's directors are elected at the Annual Stockholders' Meeting. They shall hold office until the next succeeding annual meeting and until their respective successors have been elected and qualified.

The Attendance of the Directors in the 2019 Board Meetings are as follows:

Name	01 February	04 March	21 March	11 April ¹	14 May	22 May	14 June	26 July	25 September	07 October	31 October	13 December
Enrique K. Razon, Jr	P	P	P	P	P	P	P	P	P	P	P	P
Jose Eduardo J. Alarilla	P	P	P	P	P	P	P	P	P	P	A	A
Donato C. Almeda	P	P	P	P	P	P	P	P	P	P	P	P

Thomas Arasi	P	P	P	P	P	P	P	P	P	P	P	P	P
Christian R. Gonzalez	P	P	P	P	P	P	P	P	P	P	P	P	P
Carlos C. Ejercito	P	P	P	P	P	P	P	P	P	P	P	P	A
Jose P. Perez*	-	P	P	P	P	P	P	P	P	P	P	P	P

P – Present A – Absent

* Appointed to the Board on 01 February 2019

¹ Organizational Meeting of the BOD

The directors and key officers of the Company attended the corporate governance seminar held on various dates from August 09, 2019 to December 02, 2019.

3. Audit Committee

The Company's Audit Committee is responsible for assisting the Board in its fiduciary responsibilities by providing an independent and objective assurance to its management and stockholders of the continuous improvement of its risk management systems, business operations and the proper safeguarding and use of the resources and assets of its operating subsidiaries. It provides a general evaluation and assistance in the overall improvement of its risk management, control and governance processes. The Committee is composed of three (3) Board members, including one (1) independent director who serves as the committee chairman. The Committee reports to its Board and is required to meet at least four (4) times a year. As of the date of this report, the Audit Committee Chairman is Mr. Carlos C. Ejercito who serves with Mr. Christian R. Gonzalez and Atty. Jose P. Perez as members.

The 2019 attendance of the audit committee are as follows:

Office	Name	Date of Appointment	No of Meetings Held During the Year	No. of Meetings Attended	%	Length of Service as of 31 December 2019
Chairman	Carlos C. Ejercito	6/5/2018	5	5	100%	71 Months
Member	Christian R. Gonzalez	6/5/2018	5	4	80%	71 months
Member	Jose P. Perez ¹	4/11/2019	5	4	80%	8 months

¹Appointed to the Board on 01 February 2019.

4. Nomination Committee

The Board organized the Nomination Committee to review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval and to assess the effectiveness of the Board's processes and procedures in the election or replacement of directors. As of the date of this report, the Nomination Committee Chairman is Mr. Enrique K. Razon, Jr. who serves with Mr. Jose Eduardo J. Alarilla and Mr. Christian R. Gonzalez as members.

5. Compensation and Remuneration Committee

A Compensation and Remuneration Committee was organized by the Board to establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the Company's culture, strategy and the business environment in which it operates. As of the date of this report, the Compensation and Remuneration Committee Chairman is Mr. Eduardo J. Alarilla, who serves with Mr. Carlos C. Ejercito and Ms. Estella T. Occeña as members. The Chairman and members of the Compensation and Remuneration Committee are likewise the chairman and members of the Stock Incentive Plan Committee.

6. Executive Officers

Bloomberry's Management Team in the operating subsidiaries (BRHI and SPI), will be

responsible for the day-to-day management and operations of the casino and hotel. The registered address of the Company's executive officers for the moment is The Executive Offices, Solaire Resort & Casino, Asean Avenue, Entertainment City, Tambo, Parañaque City, Philippines.

7. Independent Audit

Part of the Company's organizational structure is the Internal Audit Department (IAD). Its purpose, authority and responsibilities is defined in the Audit Charter, consistent with the definition of Internal Auditing, IIA Code of Ethics and the International Standards for the Professional Practice of Internal Auditing. The Audit Charter will be subject to the approval of the President and the Audit Committee. To ensure its independence, the IAD functionally reports to the Audit Committee of the Board.

8. Management and Reporting Structure

The Board together with the management in the operating subsidiaries has developed a reporting structure based on the approved organizational structure of the hotel and casino operation. The reporting structure, which clearly segregates the different operations and functions, defines the responsibilities of each department and incorporates the proper check and balance within the organization.

9. Continuing Improvements for Corporate Governance

Bloomberry will continue to improve its corporate governance, systems and processes to enhance adherence to practices of good corporate governance.

MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

Principal Market where Company's shares are traded: Philippine Stock Exchange

As of the latest practicable trading date on 14 February 2020 the share prices of the Company were:

	Price/Share
Open:	8.93
High:	8.93
Low:	8.60
Close:	8.66

The high and low share prices for each quarter within the last two years are:

Calendar Period	High	Low
<u>2018</u>		
Quarter 1	10.70	14.86
Quarter 2	9.52	14.52
Quarter 3	7.98	11.12
Quarter 4	7.30	9.84
<u>2019</u>		
Quarter 1	12.12	11.70
Quarter 2	11.44	11.20
Quarter 3	11.52	10.72
Quarter 4	11.34	11.00

Holder

The number of stockholders of record as of the latest practicable date on December 31, 2019 was 94 excluding shares under PCD Nominees. Shares outstanding as of the same date were 10,999,346,901 shares which are all listed at the PSE.

The following are the Company's top 20 registered stockholders holding listed and unlisted shares as of December 31, 2019:

	Name	No. of Shares Held	% of Total
1.	Prime Metroline Holdings, Inc.	5,935,972,444	53.80%
2.	PCD Nominee Corporation (Non-Filipino)	2,831,718,293	25.67%
3.	PCD Nominee Corporation (Filipino)	1,059,224,230	9.60%
4.	Quasar Holdings, Inc.	921,184,056	8.35%
5.	Falcon Investco Holdings Inc.	225,000,000	2.04%
6.	Enrique K. Razon, Jr.	31,232,832	0.28%
7.	Thomas Arasi	4,037,820	0.04%
8.	Estella T. Occeña	3,400,100	0.03%
9.	Cyrus Sherafat	2,967,319	0.03%
10.	Donato C. Almeda	2,263,868	0.02%
11.	Jose Eduardo J. Alarilla	2,196,335	0.02%
12.	Lesothea Management Inc.	2,018,256	0.02%
13.	Nossahead Management Inc.	2,018,256	0.02%
14.	Ondareta Management Inc.	1,651,588	0.01%
15.	Real Sociedad Management Inc.	1,651,588	0.01%
16.	Hock Seng Yeo	1,500,000	0.01%
17.	Laurence Upton	1,237,266	0.01%
18.	Chadbrad Management Inc.	833,400	0.01%
19.	Croker Island Management Inc.	833,300	0.01%
20.	Willy O. Dizon or Nene C. Dizon	640,000	0.01%

As of December 31, 2019, the public ownership level of the Company is at 35.18%.

Dividends

On March 21, 2019, the Board declared a P0.15 cash dividend per share to stockholders of Record Date April 05, 2019 and was paid on April 16, 2019.

Recent Sales of Unregistered or Exempt Securities/ Exempt Transactions

None.

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	1	9	9	9	0	4	8	6	4
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COMPANY NAME

B	L	O	O	M	B	E	R	R	Y		R	E	S	O	R	T	S		C	O	R	P	O	R	A	T	I	O	N
	A	N	D		S	U	B	S	I	D	I	A	R	I	E	S													

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

T	h	e		E	x	e	c	u	t	i	v	e		O	f	f	i	c	e	s	,		S	o	l	a	i	r	e
R	e	s	o	r	t		&		C	a	s	i	n	o	,		1		A	s	e	a	n		A	v	e	n	u
e	,		E	n	t	e	r	t	a	i	n	m	e	n	t		C	i	t	y	,		T	a	m	b	o	,	
P	a	r	a	ñ	a	q	u	e		C	i	t	y																

Form Type

1	7	-	A
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Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

-			
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COMPANY INFORMATION

Company's Email Address

-

Company's Telephone Number

888-8888

Mobile Number

-

No. of Stockholders

98

Annual Meeting (Month / Day)

Every Third Thursday of April

Fiscal Year (Month / Day)

December 31

CONTACT PERSON INFORMATIONThe designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

Gerard Angelo Emilio J. Festin

Email Address

gerardfestin@solairesort.com

Telephone Number/s

883-8921

Mobile Number

-

CONTACT PERSON'S ADDRESS

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

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

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





Bloomberg Resorts Corporation

March 4, 2019

The Securities and Exchange Commission
SEC Building, EDSA, Greenhills
Mandaluyong City

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

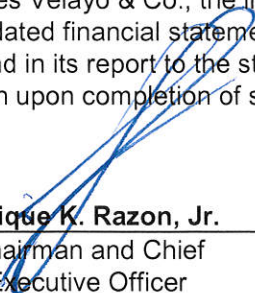
The management of **BLOOMBERRY RESORTS CORPORATION** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, as of December 31, 2018 and 2017 and for the three years in the period ended December 31, 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.


Enrique K. Razon, Jr.

Chairman and Chief
Executive Officer


Thomas Arasi

President and Chief
Operating Officer


Estella Tuason-Occena

Chief Financial Officer
and Treasurer

SUBSCRIBED AND SWORN to before me this 4th day of March 2019, affiant(s) exhibiting to me their Passports, as follows:

NAMES	PASSPORT. NO.	DATE OF ISSUE	PLACE OF ISSUE
Enrique K. Razon Jr.	EC5918738	09 Nov 2015	Manila
Thomas Arasi	486967802	22 November 2011	U.S.A
Estella Tuason Occena	P028747A	12 October 2016	Manila

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Book No. II
Series of 2019


MARIA MARGARITA M. VILLANUEVA
Commission No. 201-2018
Notary Public for Parañaque City
Until December 31, 2019
1 Asean Avenue, Entertainment City
Tambobo, Parañaque City 1701
Roll No. 61398

The Executive Offices, Solaire Resort & Casino, Asean Ave., Entertainment City, Tambobo,
Parañaque City 1701

TR No. 1234968/January 03, 2018/Parañaque City
IBP No. 021717/January 05, 2018/ Manila IV

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Bloomberry Resorts Corporation
The Executive Offices, Solaire Resort & Casino
1 Asean Avenue, Entertainment City, Tambo
Parañaque City

Opinion

We have audited the consolidated financial statements of Bloomberry Resorts Corporation and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2018 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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



Adoption of PFRS 15, Revenue from Contracts with Customers

Effective January 1, 2018, the Group adopted the new revenue recognition standard, PFRS 15, *Revenue from Contracts with Customers*, under the full retrospective approach. The adoption of PFRS 15 resulted in changes in the Group's revenue process and revenue recognition accounting policy. The following matters are significant to our audit because these involve application of significant judgment and estimate: (1) identification of the contract for gaming services in the application of PFRS 15 guidance; (2) identification of performance obligations; (3) determination of the transaction price; and (4) allocation of the transaction price to the performance obligations.

The Group applied PFRS 15 guidance to a portfolio of contracts with similar characteristics as the entity 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. In determining the performance obligations in the contract, the Group considers as separate performance obligation the promotional merchandise provided to patrons as part of marketing activities; and incentives granted in conjunction with the gaming activity. In determining the transaction price, the Group considers the effect of rebates paid through gaming promoters. In the allocation of the transaction price, the Group considers the amount at which the entity would sell or purchase the promotional merchandise or incentives separately as the stand-alone selling price of the performance obligations. The adoption of PFRS 15 resulted to transition adjustments involving reclassifications in the revenue and costs recognized in the consolidated statements of comprehensive income in 2017 and 2016.

The disclosures related to the adoption of PFRS 15 are included in Notes 2, 3 and 16 to the consolidated financial statements.

Audit Response

We obtained an understanding of the Group's revenue recognition process, including the process of implementing the new revenue recognition standard. We reviewed the PFRS 15 adoption impact assessment prepared by management, including revenue streams identification and scoping and contract identification.

For the identification of contract in the application of PFRS 15 guidance, we assessed the practicability of monitoring the play of each patron and the effect of applying PFRS 15 guidance on a portfolio basis considering our understanding of the Group's operations. For the determination of performance obligations in the contract, we obtained an understanding of the nature of the promotional merchandise provided to patrons as part of marketing activities and the incentives provided to patrons in conjunction with the gaming activity on a discretionary and non-discretionary basis. For the determination of the transaction price, we obtained an understanding of the rebates paid through gaming promoters, including the judgment and determination of consideration to which the Group is entitled using all available information, and checked the amounts paid to gaming promoters through inspection of settlement documents. We tested the stand-alone selling prices of the promotional merchandise and incentives against market prices and checked the allocation of the transaction price to the different performance obligations.

We reviewed the transition adjustments and evaluated the disclosures made in the financial statements on the adoption of PFRS 15.



Adequacy of Allowance for Doubtful Accounts on Gaming Receivables upon Adoption of PFRS 9, Financial Instruments

On January 1, 2018, the Group adopted PFRS 9, Financial Instruments. PFRS 9, which replaced PAS 39, Financial Instruments: Recognition and Measurement, introduces a forward-looking expected credit loss model to assess impairment on debt financial assets not measured at fair value through profit or loss. The Group adopted the modified retrospective approach in adopting PFRS 9.

The Group's adoption of the expected credit loss (ECL) model in calculating the allowance for doubtful accounts of its gaming receivables is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include: segmenting the Group's credit risk exposures; defining default; determining assumptions to be used in the ECL model such as timing and amounts of expected net recoveries from defaulted accounts; and incorporating forward-looking information (called overlays) in calculating ECL.

The disclosures on the allowance for doubtful accounts are included in Notes 2, 3 and 5 to the consolidated financial statements.

Audit Response

We obtained an understanding of the methodologies and models used for the Group's different credit exposures and assessed whether these considered the requirements of PFRS 9 to reflect an unbiased and probability-weighted outcome, the time value of money, and the best available forward-looking information.

We (a) assessed the Group's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) tested the definition of default against historical analysis of accounts and credit risk management policies and practices in place, (c) tested historical loss rates by inspecting historical recoveries and write-offs; (d) checked the classification of outstanding exposures to their corresponding aging buckets; and (e) checked the forward looking information used for overlay through statistical test and corroboration using publicly available information and our understanding of the Group's receivable portfolios and industry practices.

Further, we checked the data used in the ECL models, such as the historical collection analysis and default and recovery data, by examining the supporting documents for credits granted to patrons and their subsequent settlement and performing an analysis of gaming receivables' aging buckets. We checked subsequent collections and performed inquiry with the Casino Credit and International Marketing representatives on the status of collections. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets with similar risk characteristics, we traced or re-performed the disaggregation from source systems to the loss allowance analysis.

We recalculated impairment provisions on a sample basis. We checked the transition adjustments and reviewed the disclosures made in the financial statements based on the requirements of PFRS 9.



Recoverability of Goodwill and Casino License

The Group's goodwill and casino license, arising from the acquisition of Golden & Luxury Co., Ltd. in 2015 amounted to ₱1,959.1 million as of December 31, 2018. Under PFRSs, the Group is required to annually test goodwill and any intangible asset with an indefinite useful life, specifically the casino license, for impairment. The Group's goodwill and casino license are allocated to a single cash generating unit (CGU), i.e., casino-hotel business. Management's impairment assessment involved the measurement of the recoverable amount of the Group's casino-hotel business where goodwill and casino license are attributable. The recoverable amount was measured using the higher of fair value less costs of disposal (FVLCD) or value in use (VIU) calculation as of reporting date. The exercise requires significant judgment and estimates related to the determination of weighted average prices from comparable transactions and costs of disposal for FVLCD calculation and to the CGU's prospective financial information, which includes assumptions on revenue growth rates, long-term growth rate and discount rate, for VIU calculation. Given the significance of the key assumptions used in estimating the CGU's recoverable amount where goodwill and casino license are allocated, we considered this as a key audit matter.

The disclosures on goodwill and casino license are included in Notes 3 and 10 to the consolidated financial statements.

Audit response

We involved our valuation specialist to assist in evaluating the methodologies and key assumptions used by the Group in the impairment testing analysis. The inputs and assumptions include the weighted average prices from comparable transactions and costs of disposal for FVLCD calculation and the composition of estimates of future cash flows, including assumed growth rates, terminal value calculation including long-term growth rate, and discount rate for VIU calculation. We compared the key assumptions used against the historical performance of the CGU and other relevant external data. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive, specifically those that have the most significant effect on the determination of the recoverable amount of goodwill and casino license.

Provisions and Contingencies

The Group is involved in certain legal proceedings. This matter is significant to our audit because the determination of whether the provision should be recognized and the estimation of the potential liability resulting from these legal proceedings require significant judgment by management. The inherent uncertainty over the outcome of these legal matters is brought about by the differences in the interpretation and implementation of the relevant laws. We considered this as a key audit matter.

The disclosures on contingencies are discussed in Notes 3 and 19 to the consolidated financial statements.



Audit Response

Our audit procedures focused on the evaluation of management's assessment on whether any provision for contingencies should be recognized and the estimation of such amount. We discussed with management the status of the legal proceedings and obtained opinions from the Group's external legal counsels, whose professional qualifications and objectivity were also evaluated. We evaluated the position of the Group by considering the relevant laws and jurisprudence.

Other Information

Management is responsible for the other information. The other information comprises the SEC Form 17-A for the year ended December 31, 2018 but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the SEC Form 20-IS (Definitive Information Statement) and Annual Report for the year ended December 31, 2018, which are expected to be made available to us after that date.

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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



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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.



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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Christine G. Vallejo.

SYCIP GORRES VELAYO & CO.



Christine G. Vallejo

Partner

CPA Certificate No. 99857

SEC Accreditation No. 1402-AR-1 (Group A),

March 2, 2017, valid until March 1, 2020

Tax Identification No. 206-384-906

BIR Accreditation No. 08-001998-105-2017,

January 31, 2017, valid until January 30, 2020

PTR No. 7332623, January 3, 2019, Makati City

March 4, 2019



BLOOMBERRY RESORTS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 21)	₱36,465,847,957	₱21,961,406,978
Receivables (Notes 5, 13, 16, 18 and 21)	2,805,958,496	2,283,423,748
Inventories (Note 6)	291,573,331	320,836,366
Prepayments and other current assets (Notes 7, 18, 19 and 21)	902,684,435	1,340,818,517
Total Current Assets	40,466,064,219	25,906,485,609
Noncurrent Assets		
Property and equipment (Notes 9 and 12)	82,699,866,703	42,470,677,934
Intangible assets (Note 10)	1,959,046,027	1,942,408,693
Restricted cash (Notes 8 and 21)	—	2,250,906,354
Other noncurrent assets (Notes 10 and 21)	524,001,443	215,972,935
Total Noncurrent Assets	85,182,914,173	46,879,965,916
	₱125,648,978,392	₱72,786,451,525
LIABILITIES AND EQUITY		
Current Liabilities		
Payables and other current liabilities (Notes 11, 16, and 21)	₱16,928,855,982	₱9,245,936,992
Current portion of long-term debt (Notes 12 and 21)	2,068,149,254	2,727,330,526
Income tax payable	3,597,310	1,597,045
Total Current Liabilities	19,000,602,546	11,974,864,563
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 12 and 21)	69,118,770,432	29,373,489,070
Deferred tax liabilities - net (Note 20)	245,160,354	401,378,947
Retirement liability (Note 14)	384,884,739	449,557,616
Other noncurrent liabilities (Notes 18 and 21)	338,456,494	301,810,617
Total Noncurrent Liabilities	70,087,272,019	30,526,236,250
Total Liabilities	89,087,874,565	42,501,100,813
Equity Attributable to Equity Holders of the Parent Company		
Capital stock (Note 15)	11,032,998,225	11,032,998,225
Additional paid-in capital (Note 15)	13,166,895,086	13,141,571,978
Equity reserve (Note 2)	(27,138,558)	(27,138,558)
Cost of shares held by a subsidiary (see Note 15)	(9,269,647)	—
Treasury shares (Note 15)	(185,406,175)	(125,192,149)
Share-based payment plan (Note 15)	226,349,792	159,743,028
Other comprehensive income (loss) (Notes 10 and 14)	18,065,308	(18,821,215)
Retained earnings (Note 15)	12,329,630,590	6,093,273,408
Total Equity Attributable to Equity Holders of the Parent Company	36,552,124,621	30,256,434,717
Equity Attributable to Non-controlling Interests	8,979,206	28,915,995
Total Equity	36,561,103,827	30,285,350,712
	₱125,648,978,392	₱72,786,451,525

See accompanying Notes to Consolidated Financial Statements.



BLOOMBERRY RESORTS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years Ended December 31			
	2018	2017 (As restated - Note 2)	2016 (As restated - Note 2)
REVENUES			
Gaming (Notes 3, 16, and 19)	P31,605,445,445	P27,041,155,050	P23,118,609,481
Hotel, food and beverage (Notes 3 and 16)	3,760,663,461	3,727,286,239	3,023,610,171
Retail and others (Notes 3, 16 and 18)	2,854,117,177	2,253,252,537	1,447,992,595
	38,220,226,083	33,021,693,826	27,590,212,247
OPERATING COSTS AND EXPENSES (Note 17)	27,096,192,238	25,094,171,249	21,890,765,345
INCOME BEFORE OTHER INCOME (EXPENSES) AND INCOME TAX	11,124,033,845	7,927,522,577	5,699,446,902
OTHER INCOME (EXPENSES)			
Interest expense (Notes 11, 12, 17 and 18)	(4,581,927,053)	(2,151,548,585)	(2,223,313,044)
Foreign exchange gains - net (Note 21)	357,712,255	882,235,472	482,392,935
Interest income (Notes 4, 5, 8 and 17)	141,076,096	66,175,264	44,030,573
Others (Notes 9, 10, 12 and 17)	(1,554,869)	(429,134,443)	(20,408,783)
	(4,084,693,571)	(1,632,272,292)	(1,717,298,319)
INCOME BEFORE INCOME TAX	7,039,340,274	6,295,250,285	3,982,148,583
PROVISION FOR (BENEFIT FROM) INCOME TAX (Notes 19 and 20)	(126,489,216)	232,632,503	1,659,083,148
NET INCOME	7,165,829,490	6,062,617,782	2,323,065,435
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will be reclassified to profit or loss in subsequent years:			
Exchange difference on translation of foreign operations	30,831,523	(4,953,395)	4,182,417
Unrealized gain on equity instrument designated at fair value through other comprehensive income (Note 10)	8,650,000	2,850,000	—
Income tax effect	(2,595,000)	(855,000)	—
	36,886,523	(2,958,395)	4,182,417
Items that will not be reclassified to profit or loss in subsequent years:			
Remeasurement gain (loss) (Note 14)	162,626,262	(67,637,458)	(16,963,379)
Income tax effect	(8,735,536)	3,049,699	(1,161,302)
	153,890,726	(64,587,759)	(18,124,681)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	190,777,249	(67,546,154)	(13,942,264)
TOTAL COMPREHENSIVE INCOME	P7,356,606,739	P5,995,071,628	P2,309,123,171
Net Income (Loss) Attributable To			
Equity holders of the Parent Company	P7,188,233,443	P6,070,718,652	P2,357,140,560
Non-controlling interests	(22,403,953)	(8,100,870)	(34,075,125)
	P7,165,829,490	P6,062,617,782	P2,323,065,435
Total Comprehensive Income (Loss) Attributable To			
Equity holders of the Parent Company	P7,376,543,528	P6,003,601,750	P2,343,632,903
Non-controlling interests	(19,936,789)	(8,530,122)	(34,509,732)
	P7,356,606,739	P5,995,071,628	P2,309,123,171
Earnings Per Share on Net Income Attributable to Equity Holders of the Parent Company (Note 22)			
Basic	P0.652	P0.551	P0.214
Diluted	P0.651	P0.549	P0.214

See accompanying Notes to Consolidated Financial Statements.



BLOOMBERRY RESORTS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

	Equity Attributable to Equity Holders of the Parent Company								Equity		
	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	Attributable to Non-controlling Interests	Total Equity
Balances at January 1, 2018	₱11,032,998,225	₱13,141,571,978	(₱27,138,558)	₱–	(₱125,192,149)	₱159,743,028	(₱18,821,215)	₱6,093,273,408	₱30,256,434,717	₱28,915,995	₱30,285,350,712
Net income	–	–	–	–	–	–	–	7,188,233,443	7,188,233,443	(22,403,953)	7,165,829,490
Remeasurement gain on defined benefit plan (Note 14)	–	–	–	–	–	–	151,423,562	–	151,423,562	2,467,164	153,890,726
Exchange difference on translation of foreign operations	–	–	–	–	–	–	30,831,523	–	30,831,523	–	30,831,523
Unrealized gain on equity instrument designated at fair value through other comprehensive income (Note 10)	–	–	–	–	–	–	6,055,000	–	6,055,000	–	6,055,000
Total comprehensive income (loss)	–	–	–	–	–	–	188,310,085	7,188,233,443	7,376,543,528	(19,936,789)	7,356,606,739
Dividend declaration (Note 15)	–	–	–	–	–	–	–	(1,103,299,823)	(1,103,299,823)	–	(1,103,299,823)
Share-based payments (Note 15)	–	–	–	–	–	220,722,540	–	–	220,722,540	–	220,722,540
Purchase of treasury shares (Note 15)	–	–	–	–	(189,006,694)	–	–	–	(189,006,694)	–	(189,006,694)
Issuance of treasury shares for share-based payments (Note 15)	–	25,323,108	–	–	128,792,668	(154,115,776)	–	–	–	–	–
Purchase of Bloomberry shares by a subsidiary (Note 15)	–	–	–	(34,656,827)	–	–	–	–	(34,656,827)	–	(34,656,827)
Issuance of Bloomberry shares held by a subsidiary (Note 15)	–	–	–	25,387,180	–	–	–	–	25,387,180	–	25,387,180
Remeasurement gain on defined benefit plan transferred to retained earnings	–	–	–	–	–	–	(151,423,562)	151,423,562	–	–	–
Balances at December 31, 2018	₱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
Balances at January 1, 2017	₱11,032,998,225	₱13,166,617,236	(₱27,138,558)	₱–	(₱214,589,978)	₱78,291,899	(₱15,862,820)	₱86,713,263	₱24,107,029,267	₱37,446,117	₱24,144,475,384
Net income	–	–	–	–	–	–	–	6,070,718,652	6,070,718,652	(8,100,870)	6,062,617,782
Remeasurement loss on defined benefit plan (Note 14)	–	–	–	–	–	–	(64,158,507)	–	(64,158,507)	(429,252)	(64,587,759)
Exchange difference on translation of foreign operations	–	–	–	–	–	–	(4,953,395)	–	(4,953,395)	–	(4,953,395)
Unrealized gain on equity instrument designated at fair value through other comprehensive income (Note 10)	–	–	–	–	–	–	1,995,000	–	1,995,000	–	1,995,000
Total comprehensive income (loss)	–	–	–	–	–	–	(67,116,902)	6,070,718,652	6,003,601,750	(8,530,122)	5,995,071,628
Issuance of treasury shares for share-based payments (Note 15)	–	(25,045,258)	–	–	89,397,829	(64,352,571)	–	–	–	–	–
Share-based payments (Note 15)	–	–	–	–	–	145,803,700	–	–	145,803,700	–	145,803,700
Remeasurement loss on defined benefit plan transferred to retained earnings	–	–	–	–	–	–	64,158,507	(64,158,507)	–	–	–
Balances at December 31, 2017	₱11,032,998,225	₱13,141,571,978	(₱27,138,558)	₱–	(₱125,192,149)	₱159,743,028	(₱18,821,215)	₱6,093,273,408	₱30,256,434,717	₱28,915,995	₱30,285,350,712



	Equity Attributable to Equity Holders of the Parent Company									Equity	Total Equity
	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 (Deficit)	Total	Attributable to Non-controlling Interests	
Balances at January 1, 2016	₱11,032,998,225	₱13,161,582,250	(₱27,138,558)	₱—	(₱216,422,356)	₱48,287,785	(₱20,045,237)	(₱2,252,737,223)	₱21,726,524,886	₱70,393,349	₱21,796,918,235
Net income	—	—	—	—	—	—	—	2,357,140,560	2,357,140,560	(34,075,125)	2,323,065,435
Remeasurement loss on defined benefit plan (Note 14)	—	—	—	—	—	—	(17,690,074)	—	(17,690,074)	(434,607)	(18,124,681)
Exchange difference on translation of foreign operations	—	—	—	—	—	—	4,182,417	—	4,182,417	—	4,182,417
Total comprehensive income (loss)	—	—	—	—	—	—	(13,507,657)	2,357,140,560	2,343,632,903	(34,509,732)	2,309,123,171
Purchase of treasury shares (Note 15)	—	—	—	—	(47,677,001)	—	—	—	(47,677,001)	—	(47,677,001)
Issuance of treasury shares for share-based payments (Note 15)	—	5,034,986	—	—	49,509,379	(54,544,365)	—	—	—	—	—
Share-based payments (Note 15)	—	—	—	—	—	84,548,479	—	—	84,548,479	—	84,548,479
Remeasurement loss on defined benefit plan transferred to retained earnings	—	—	—	—	—	—	17,690,074	(17,690,074)	—	—	—
Non-controlling interests arising from incorporation of a subsidiary (Note 1)	—	—	—	—	—	—	—	—	—	1,562,500	1,562,500
Balances at December 31, 2016	₱11,032,998,225	₱13,166,617,236	(₱27,138,558)	₱—	(₱214,589,978)	₱78,291,899	(₱15,862,820)	₱86,713,263	₱24,107,029,267	₱37,446,117	₱24,144,475,384

See accompanying Notes to Consolidated Financial Statements.



BLOOMBERRY RESORTS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	P7,039,340,274	P6,295,250,285	P3,982,148,583
Adjustments for:			
Interest expense (Notes 11, 12, 17 and 18)	4,581,927,053	2,151,548,585	2,223,313,044
Depreciation and amortization (Notes 9, 10 and 17)	3,629,437,211	4,353,852,334	4,855,041,542
Unrealized foreign exchange gains - net	(334,675,921)	(871,109,503)	(381,009,023)
Share-based payment expense (Note 15)	220,722,540	145,803,700	84,548,479
Interest income (Notes 4, 5, 8 and 17)	(141,076,096)	(66,175,264)	(44,030,573)
Loss (gain) on sale/write-off of property and equipment - net (Notes 9 and 17)	(5,855,215)	148,849,614	5,709,215
Net change in retirement liability (Note 14)	96,244,140	72,260,970	43,673,324
Other expenses (Notes 9, 10, 12 and 17)	1,554,869	279,187,362	20,408,783
Operating income before working capital changes	15,087,618,855	12,509,468,083	10,789,803,374
Decrease (increase) in:			
Receivables	(473,918,006)	706,313,442	(51,589,242)
Inventories	29,263,035	(44,518,564)	(52,542,489)
Prepayments and other current assets	436,579,213	(392,008,645)	(276,461,655)
Increase (decrease) in:			
Payables and other current liabilities	7,329,925,919	535,535,300	(2,886,370,780)
Other noncurrent liabilities	36,645,877	40,847,523	259,558,381
Net cash generated from operations	22,446,114,893	13,355,637,139	7,782,397,589
Interest received	118,975,737	65,778,730	(1,474,648,086)
Income taxes paid	(38,316,865)	(1,201,630)	44,791,151
Net cash provided by operating activities	22,526,773,765	13,420,214,239	6,352,540,654
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment (Note 9)	(43,801,076,692)	(1,801,912,337)	(1,480,641,639)
Decrease (increase) in:			
Restricted cash	2,250,906,354	890,738	300,003
Other noncurrent assets	(313,162,938)	(65,521,986)	157,695,195
Proceeds from disposal of property and equipment	9,580,561	34,129,611	399,739
Net cash used in investing activities	(41,853,752,715)	(1,832,413,974)	(1,322,246,702)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from availment of loans (Note 12)	72,206,053,556	—	—
Payments of:			
Long-term debt principal (Notes 12 and 21)	(33,455,867,500)	(1,807,002,500)	(3,047,730,000)
Interest	(3,604,051,545)	(2,048,983,641)	(2,108,629,505)
Short-term borrowing (Note 11 and 21)	(80,451,753)	(74,892,394)	(191,552,400)
Refinancing cost (Note 12)	—	—	(43,435,251)
Dividend payment	(1,101,821,109)	—	—
Acquisitions of:			
Treasury shares (Note 15)	(189,006,694)	—	(47,677,001)
Parent Company's shares by a subsidiary (Note 15)	(9,269,647)	—	—
Proceeds from subsidiary's issuance of capital to non-controlling interest	—	—	1,562,500
Net cash provided by (used in) financing activities	33,765,585,308	(3,930,878,535)	(5,437,461,657)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	65,834,621	(21,025,919)	237,157,908
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	14,504,440,979	7,635,895,811	(170,009,797)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (Note 4)	21,961,406,978	14,325,511,167	14,495,520,964
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	P36,465,847,957	P21,961,406,978	P14,325,511,167

See accompanying Notes to Consolidated Financial Statements.



BLOOMBERRY RESORTS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Business

a. Corporate Information

Bloomberry Resorts Corporation (referred to as “Bloomberry” or “Parent Company”), was incorporated in the Philippines and registered with the Securities and Exchange Commission (“SEC”) on May 3, 1999. The Parent Company’s corporate life is 50 years and can be extended for another 50 years on or within five years before the expiration of its term. 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”).

As of December 31, 2018 and 2017, Prime Metroline Holdings, Inc. (“PMHI”) is the Group’s ultimate parent company.

The consolidated financial statements have been approved and authorized for issuance by the Board of Directors (“BOD”) on March 4, 2019.

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. BRHI holds 9.34% of the shares of Sureste. The primary purpose of Sureste and BRHI is to develop and operate tourist facilities, including hotel-casino entertainment complexes with hotel, retail, amusement areas and themed development components.

Solaire Korea Co., Ltd. (“Solaire Korea”), Golden & Luxury Co., Ltd. (“G&L”) and Muui Agricultural Corporation (“Muui”)

In December 2014, Solaire Korea was established by Bloomberry to hold the Parent Company’s investment in the leisure and entertainment business in Republic of Korea. On April 24, 2015, Solaire Korea acquired 77.26% of the outstanding shares of G&L. Subsequently on May 22, 2015, Solaire Korea acquired additional 18.97% of G&L, bringing its ownership in G&L to 96.23%. 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.

On November 21, 2013, Bloomberg 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 October 23, 2014, Bloomberg acquired the remaining 40% of the capital stock of Bloom Capital B.V. In 2014, Bloom Capital B.V. acquired 94% ownership interest in Solaire de Argentina S.A.

c. Status of Operations

Sureste and BRHI

The Philippine Amusement and Gaming Corporation (“PAGCOR”) has 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. Prior to the development of integrated resorts in the Philippines, only PAGCOR-operated casinos and six private casinos in special economic zones were allowed to operate in the country. The Provisional License, as well as any regular license to be issued to replace it, is concurrent with PAGCOR’s congressional franchise. PAGCOR’s franchise will expire on July 11, 2033 and may be renewed when PAGCOR’s franchise is renewed by law. On May 5, 2015, BRHI’s Provisional License was replaced with a regular casino Gaming License upon full completion of the Project, referred to as “Solairé”. The Gaming License has the same terms and conditions as the Provisional License.

Solairé is one of the Philippines’ first premium/luxury hotel and gaming resort. The 16-hectare gaming and integrated resort complex along Asean Avenue in Parañaque City is the first casino to operate within Entertainment City. BRHI, as the license holder, operates the casino while Sureste operates the hotel and non-gaming business.

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

On November 22, 2014, the Group opened the Sky Tower, which was previously referred to as Phase 1A development of Solairé. Contiguous to the existing Solairé Resort and Casino, the Sky Tower consists of a 312 all-suite hotel, additional 10 VIP gaming salons with 66 gaming tables and 223 slot machines, an exclusive House of Zhou Chinese restaurant and The Macallan Whisky and Cigar Bar for VIP gamers, state-of-the art meeting rooms (“The Forum”) and a lyrical theater (“The Theatre”). The Sky Tower also features two restaurants, the Waterside Restobar and Oasis Garden Café. The Theatre is a certified 1,760-seat lyric theatre designed to provide a superior audio-visual experience for wide range of theatre plays and musicals, dance performances, concerts, and amplified music and speech events. It is also accessible to a new multi-level parking garage that can accommodate and secure over 3,000 vehicles. The Forum is a 2,000 square meters of meeting facility with eight meeting rooms, two boardrooms and a column-free grand ballroom and a flexible pre-function area. In 2016, retail stores, including premium brand boutiques, were opened in The Shoppes in the Sky Tower. In January 2017, Louis Vuitton and Prada 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 purchase price of this parcel of 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 is 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 Bloomberg in 2015, the property was rebranded as “Jeju Sun Hotel & Casino” (“Jeju Sun”). The property consists of 202-room hotel with 5 Hibiscus rating, 2,000 square meters of gaming operation with 36 tables and 20 electronic gaming machines. The property has four food and beverage outlets to service its hotel guest and casino patrons. The casino operation of Jeju Sun was temporarily closed in May 2015 for the renovation and expansion of the gaming area of the property. The casino operation resumed on September 15, 2015. However, the gaming regulator Casino Regulation Division (“CRD”) imposed a one-month suspension which started on November 16, 2015 due to the result of the CRD’s investigation of the gaming tax (tourism tax) payment practices of the casino under its old management and owners. On December 15, 2015, Jeju Sun opened its upgraded and expanded facilities. In 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.

2. Summary of Significant Accounting Policies and Disclosures

Basis of Preparation

The Group’s consolidated financial statements have been prepared in conformity with Philippine Financial Reporting Standards (“PFRS”). PFRS include statements named PFRS and Philippine Accounting Standards (“PAS”), and Philippine Interpretations based on equivalent interpretations of International Financial Reporting Interpretations Committee (“IFRIC”) issued by the Philippine Financial Reporting Standards Council (“FRSC”).

The consolidated financial statements have been prepared under the historical cost basis except for derivative assets and investment in club shares which have been measured at fair value. The consolidated financial statements are presented in Philippine Peso, the functional and presentation currency of the Group, and all values are rounded to the nearest peso, except when otherwise indicated.

Basis of Consolidation

The consolidated financial statements include the financial statements of Bloomberg and its subsidiaries (collectively referred to as the “Group”).

As of December 31, 2018 and 2017, direct and indirect subsidiaries of Bloomberg include:

	Effective Percentage of Ownership			
	2018		2017	
	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 Group controls an investee, if and only if, the Group 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 financial statements 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. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

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. 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. The Group has not restated the comparative information, which continues to be reported under PAS 39. The adoption of PFRS 9 did not have material impact on the consolidated financial statements.

- a) *Classification and measurement*

Under PFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortized cost or fair value through OCI. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' (SPPI) on the principal amount outstanding.

The assessment of the Group's business model was made at the date of initial application, January 1, 2018. The assessment of whether contractual cash flows on debt instruments are SPPI was based on the facts and circumstances at the initial recognition of the assets.

The following are the changes in the classification of the Group's financial assets:

- Cash and cash equivalents and trade receivables previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing SPPI. These are now classified and measured as financial assets at amortized cost.



- Quoted equity investment previously classified as available-for-sale (AFS) financial assets are now classified and measured as financial assets at fair value through OCI. The Group elected to classify irrevocably its investment in club shares under this category as it intends to hold these investments for the foreseeable future. There were no impairment recognized in profit or loss for this investment in prior periods.

The Group has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Group's financial liabilities.

The classification and measurement requirements of PFRS 9 did not have a significant impact to the Group. The Group continued measuring at amortized cost all financial assets previously carried at amortized cost under PAS 39.

In summary upon the adoption of PFRS 9, the Company had the following required or elected reclassifications:

As at January 1, 2018

	PAS 39 Measurement Category		PFRS 9 Measurement Category		
	Loans and Receivables	AFS	FVPL	Amortized Cost	FVOCI
Cash and cash equivalents	₱21,961,406,978	₱—	₱—	₱21,961,406,978	₱—
Receivables	2,283,423,748	—	—	2,283,423,748	—
Quoted equity investment	—	16,350,000	—	—	16,350,000
	₱24,244,830,726	₱16,350,000	₱—	₱24,244,830,726	₱16,350,000

b) Impairment

The adoption of PFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. PFRS 9 requires the Group to recognize an allowance for ECL for all debt instruments not held at fair value through profit or loss and contract assets. The adoption of PFRS 9 ECL approach, however, did not materially impact the recognized impairment on the Group's financial assets such as cash and cash equivalents and receivables.

■ 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. The effect of the transition on the current period has not been disclosed as the standard provides an optional practical expedient. In addition, the Group applied PFRS 15 guidance to a portfolio of contracts with similar characteristics as the entity 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. The Group did not apply any of the other available optional practical expedients.



The effect of adopting PFRS 15 is as follows:

		2017			2016		
	Reference	As previously Reported	Adjustments	As restated	As previously Reported	Adjustments	As restated
REVENUES							
Gaming	<i>a, b, c, d</i>	₱33,381,950,713	(₱6,340,795,663)	₱27,041,155,050	₱28,049,873,847	(₱4,931,264,366)	₱23,118,609,481
Hotel, food and beverage	<i>b</i>	2,413,546,028	1,313,740,211	3,727,286,239	1,887,823,815	1,135,786,356	3,023,610,171
Retail and others	<i>a, b</i>	855,018,891	1,398,233,646	2,253,252,537	448,847,215	999,145,380	1,447,992,595
		36,650,515,632	(3,628,821,806)	33,021,693,826	30,386,544,877	(2,796,332,630)	27,590,212,247
OPERATING COSTS AND EXPENSES							
	<i>a, b, c, d</i>	28,722,993,055	(3,628,821,806)	25,094,171,249	24,687,097,975	(2,796,332,630)	21,890,765,345



The change did not have an impact on the consolidated net income, total comprehensive income, basic and diluted earnings per share, equity, and consolidated statements of cash flows.

The nature of the adjustments are described below:

a) Promotional merchandise given to patrons as part of marketing activities

The Group provides promotional merchandise items to its patrons as giveaways at different marketing events. Before the adoption of PFRS 15, no revenue is recognized for the promotional merchandise given to patrons as part of marketing activities. The costs incurred in providing the promo merchandise are charged as part of operating expenses.

Under PFRS 15, retail revenue, arising from providing promotional merchandise to patrons, previously not recognized as revenue is allocated from gaming revenue based on the stand-alone selling price of the promo merchandise and the amount incurred to purchase the goods is charged to cost of sales. Upon adoption of PFRS 15, the Group reclassified “Gaming revenue” of ₱324.6 million and ₱24.7 million in 2017 and 2016, respectively, to “Retail and others”. In addition, the cost incurred to purchase the goods, which was initially recorded under “Advertising and promotions”, was charged to “Cost of sales”.

b) Discretionary incentives issued in conjunction with gaming activities

The Group, at management’s discretion, grants certain complimentaries in the form of free hotel accommodation; food and beverages; and retail merchandise from outlets to incentivize future gaming. Before the adoption of PFRS 15, all discretionary incentives, except for complimentaries to be supplied by third parties, are recognized as gaming revenue at market value (equivalent to stand-alone selling price) of the provided goods and services upon redemption of the discretionary incentives by the patrons. Complimentaries supplied by third parties are recognized as part of operating expenses.

Under PFRS 15, complimentary revenues arising from discretionary incentives is allocated from gaming revenues to respective revenue streams based on the stand-alone selling price of complimentaries upon redemption. Hence, upon adoption of PFRS 15, the Group reclassified “Gaming revenue” amounting to ₱1,313.7 million and ₱1,135.8 million in 2017 and 2016, respectively, to “Hotel, food and beverage”. The Group also reclassified “Gaming revenue” amounting to ₱1,073.6 million and ₱974.4 million in 2017 and 2016, respectively, to “Retail and others”. In addition, the cost incurred in providing the complimentaries supplied by third parties amounting to ₱982.6 million and ₱887.6 million in 2017 and 2016, respectively, which was initially recorded under “Advertising and promotions”, was charged to “Cost of sales”.

c) Loyalty points program (non-discretionary incentives)

The Group grants loyalty points to patrons based on play activities which may be redeemed for complimentary hotel accommodations; food and beverages; shopping and leisure items, transportation, entertainment and similar items at a predetermined rate. Before the adoption of PFRS 15, the Group’s loyalty points program resulted in the allocation of a portion of the transaction price to the loyalty points and recognition of a deferred revenue in relation to points issued but not yet redeemed or expired. Revenue is recognized upon redemption of the points, except for points redeemed through third parties which is included as part of advertising and promotions expense.



Under PFRS 15, a loyalty program that provides a material right to the customer that the customer would not receive without entering into the contract should be identified as a performance obligation for purposes of revenue recognition. If the customer (holder of the points) is able to use the points as a currency (that is the currency value has already been fixed and can no longer be changed by the issuer), the amount is classified as a financial liability and the amount of points redeemed through third parties are recognized as reduction in gaming revenue. Hence, upon adoption of PFRS 15, the Group presented as reduction in gaming revenue previously recognized “Advertising and promotions” amounting to ₱1,661.4 million and ₱987.2 million in 2017 and 2016, respectively.

d) *Amounts Paid to Gaming Promoters*

The Group pays the gaming promoters, who introduce VIP patrons to Solaire, a percentage of the gross gaming win generated by each gaming promoter. Before the adoption of PFRS 15, the estimated amount of rebates returned to the patrons through the gaming promoters are netted against gaming revenue while the estimated amount ultimately retained by the gaming promoters for their compensation are included in operating expenses. Such estimation process involves assumptions of information that is proprietary to the gaming promoters and is not communicated by the gaming promoters to the Group.

Under PFRS 15, the Group can apply judgment and determine the consideration to which it is entitled using all the information available. If the casino (acting as the principal) is not expected to know the ultimate price charged by the gaming promoters (acting as agent) to the patrons, then the difference between the amount to which the gaming entity is entitled from the intermediary and the amount charged by the intermediary to the end customer are not variable consideration and, therefore, should not be included in the transaction price. 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 gaming revenue. Upon the adoption of PFRS 15, the estimated amount retained by gaming promoters of ₱1,967.5 million and ₱1,809.2 million in 2017 and 2016, respectively, previously presented as part of “Advertising and promotions” was netted against revenue.

The change did not have a significant impact on the Group’s consolidated statement of financial position, except for outstanding chips liability and gaming customers’ deposits which are now considered as contract liabilities.

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

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



The amendments have no significant impact on the Group's consolidated financial statements.

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

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Retrospective application of the amendments is not required and is only permitted if this is possible without the use of hindsight.

The amendments have no impact on the Group's consolidated financial statements.

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

The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transaction for each payment or receipt of advance consideration. Retrospective application of this interpretation is not required.

The clarification has no impact on the Group's consolidated financial statements.

Standards Issued But Not Yet Effective

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 and 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.



Current versus Noncurrent Classification

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

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

All other assets are classified as noncurrent.

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, respectively.

Fair Value Measurement

The Group measures financial instruments such as derivatives at fair value at each reporting date. Fair value related disclosures for financial instruments that are measured at fair value or where fair values are disclosed are summarized in Note 21.

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, Subsequent Measurement and Impairment Prior to the Adoption of PFRS 9

Initial Recognition and Measurement

Financial assets are classified as FVPL, loans and receivables, HTM investments, available-for-sale (AFS) financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at FVPL, transaction costs that are attributable to the acquisition of the financial asset.

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 FVPL, loans and receivables, HTM investments and AFS financial assets.

The Group has no HTM investments and has not designated any financial assets at FVPL.

Loans and receivables

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less impairment. 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 effective interest rate. The effective interest rate amortization is included in interest income in profit or loss. The losses arising from impairment of receivables are recognized in profit or loss.

The Group's cash and cash equivalents, receivables, restricted cash and security deposits are included in this category as of December 31, 2017.



AFS financial assets

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

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

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

Impairment of Financial Assets

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

For financial assets carried at amortized cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment



loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other income in profit or loss.

Initial Recognition, Subsequent Measurement and Impairment Upon Adoption of PFRS 9

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 amortised cost if both of the following conditions are met:

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



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

The Group's cash and cash equivalents, receivables and security deposits are included in this category as of 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 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 elected to classify irrevocably its non-listed equity investments under this category.

The Group's investment in club shares is classified as equity instrument designated at fair value through OCI as of 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 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's derivative asset arising from the loan prepayment option is classified as financial assets at FVPL.

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 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 either 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 Subsequent Measurement Prior to and Upon Adoption of PFRS 9

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 December 31, 2018 and 2017.



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 December 31, 2018 and 2017.

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 December 31, 2018 and 2017.

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. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from the date of acquisition, and for which there is an insignificant risk of change in value.

Restricted Cash

Restricted cash represents cash in escrow account which are restricted as to withdrawal and use as required by a lending bank of Sureste.

Inventories

Inventories are valued at the lower of cost and 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
Office and communication equipment	5 years

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, such as the casino license and goodwill, 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 less accumulated amortization, as applicable. 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 of assets. When the carrying amount of an asset or 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.

Equity

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



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

Treasury shares are the Group'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 Group'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 Group and subsidiaries receive remuneration for their services in the form of equity shares of the Group ("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 expense or credit in the consolidated statement of comprehensive income for a period represents the movement in cumulative expense recognized at the beginning and end of that period and is recognized as share-based payment expense as part of "Salaries and benefits" under operating costs and expenses.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transaction for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Foreign Currency Transactions and Translations

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

Transactions and Balances

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

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



Group Companies

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

Revenue from Contracts with Customers

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.

Costs and Expenses

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

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

Gaming Taxes

Being a PAGCOR licensee, BRHI is required to pay license fees on its gross gaming revenues on a monthly basis starting from the date the casino commences operations. These license fees are reported as part of "Taxes and licenses" account 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.



Taxes

Current income tax

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

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

Deferred income tax

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

Deferred tax liabilities are recognized for all taxable temporary differences except: (1) when the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and (2) 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 (Loss) Per Share

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

Basic earnings (loss) per share ("EPS") is calculated by dividing net income (loss) for the 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 (loss) 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 2018, 2017 and 2016 where it derives its revenue. Financial information on segment reporting is presented in Note 24.



3. Management's Use of Judgments, Estimates and Assumptions

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

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments apart from those including estimations and assumptions, which has the most significant effect on the amounts recognized in the 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 (see Note 19).

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 (see Note 18).



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 (see Note 10).

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 unlikelihood to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:
 - a. The borrower is experiencing financial difficulty or is insolvent;
 - b. The borrower is in breach of financial covenant(s);
 - c. Concessions have been granted by the 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 in 2018 amounted to ₱29.1 million. The carrying amount of trade receivables amounted to ₱2,806.0 million as at December 31, 2018 (see Note 5).

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 Allowance for Doubtful Accounts Prior to the Adoption of PFRS 9. The Group reviews its receivables at each reporting date to assess whether an allowance for doubtful accounts should be recorded in the consolidated statement of financial position. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. In addition to specific allowance against individually significant receivables, the Group also makes a collective impairment allowance against exposures which, although not specifically identified as requiring specific allowance, have a greater risk of default than when originally granted.

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

Provision (reversal of allowance) for doubtful accounts for the years ended December 31, 2017 and 2016 amounted to (₱32.9 million) and ₱203.8 million, respectively (see Note 17). The carrying amount of receivables amounted to ₱2,283.4 million as of December 31, 2017 (see Note 5).

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 ₱81,969.0 million and ₱42,302.4 million as of December 31, 2018 and 2017, respectively (see Note 9).

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. See Note 10 for the key assumptions used to determine the fair value less costs of disposal and value-in-use of the relevant CGU.

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.

The Group has recognized an impairment loss on its goodwill and casino license amounting to nil and ₱271.6 million in 2018 and 2017, respectively. The impairment loss is presented as part of "Other expenses" in the 2017 consolidated statement of comprehensive income (see Note 17).

As of December 31, 2018 and 2017, the carrying values of nonfinancial assets subject to impairment review are as follows:

	2018	2017
Property and equipment (see Note 9)	₱82,699,866,703	₱42,470,677,934
Casino license and goodwill (see Note 10)	1,959,046,027	1,942,408,693
Advances to contractors (see Note 10)	269,000,913	117,840,549
Investment in a joint venture (see Note 10)	124,949,998	—
Operating equipment (see Note 10)	15,122,692	7,019,640
	₱85,067,986,333	₱44,537,946,816

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 ₱384.9 million and ₱449.6 million as of December 31, 2018 and 2017, respectively (see Note 14).

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 recognized deferred tax assets amounting to ₱423.3 million and ₱456.9 million as of December 31, 2018 and 2017, respectively (see Note 20). The Group's unused tax losses and MCIT for which no deferred tax assets have been recognized amounted ₱10,805.5 million and ₱8,794.3 million as of December 31, 2018 and 2017, respectively, resulting from the Group's assessment that it will not have sufficient profits in the future in which it could utilize its deferred tax assets (see Note 20).

4. Cash and Cash Equivalents

This account consists of:

	2018	2017
Cash on hand	₱2,181,713,440	₱1,776,561,344
Cash in banks	20,387,668,654	17,583,055,499
Temporary cash investments	10,450,472,138	963,002,888
Debt collateral accounts (see Note 12)	3,445,993,725	1,638,787,247
	₱36,465,847,957	₱21,961,406,978

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

Debt collateral accounts are bank accounts maintained by the Group as collateral for its long-term debt (see Note 12).

Interest income earned from cash and cash equivalents amounted to ₱136.5 million, ₱37.8 million and ₱31.2 million for the years ended December 31, 2018, 2017 and 2016, respectively (see Note 17).



5. Receivables

This account consists of:

	2018	2017
Gaming (see Notes 16 and 19)	₱2,776,947,415	₱2,290,513,611
Hotel (see Note 16)	151,791,746	132,109,525
Receivables from officers and employees (see Note 13)	116,750,740	117,241,378
Others (see Note 18)	75,655,021	83,806,686
	3,121,144,922	2,623,671,200
Less allowance for doubtful accounts	315,186,426	340,247,452
	₱2,805,958,496	₱2,283,423,748

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 (see Note 13). Interest income earned from receivables from officers and employees amounted to ₱1.5 million, ₱1.8 million and ₱2.7 million in 2018, 2017 and 2016, respectively (see Note 17).

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

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

The movements in the allowance for doubtful accounts on gaming receivables are summarized below:

	2018	2017
Balance at beginning of year	₱340,247,452	₱1,722,238,785
Provision (reversal) - net (see Note 17)	29,050,229	(32,873,711)
Write-off	(58,182,882)	(1,355,826,237)
Revaluation	4,071,627	6,708,615
Balance at end of year	₱315,186,426	₱340,247,452



6. Inventories

This account consists of:

	2018	2017
At cost:		
Operating supplies	₱180,184,754	₱110,179,893
Food and beverage	99,974,670	202,859,717
Retail merchandise	11,413,907	7,796,756
	₱291,573,331	₱320,836,366

Inventories charged to cost of sales amounted to ₱2,679.5 million, ₱2,217.8 million and ₱1,626.2 million for the years ended December 31, 2018, 2017 and 2016, respectively (see Note 17).

7. Prepayments and Other Current Assets

This account consists of:

	2018	2017
Creditable withholding tax	₱212,656,133	₱145,802,119
Advances to suppliers (see Note 13)	154,158,908	203,825,253
Promo merchandise	142,205,500	100,173,053
Fund held in trust (see Note 19)	110,873,410	110,651,903
Prepaid taxes	84,148,414	105,211,357
Prepaid maintenance	75,082,557	79,765,384
Prepaid insurance	55,792,169	79,278,622
Security deposits classified as current (see Note 18)	31,774,336	66,000,864
Prepaid rent (see Note 18)	18,463,752	396,017,074
Input VAT - net	4,347,170	—
Derivative asset (see Note 12)	—	1,554,870
Others (see Note 19)	13,182,086	52,538,018
	₱902,684,435	₱1,340,818,517

Creditable withholding tax represents the amount withheld in relation to sales. These are recognized upon collection and are utilized as tax credits against income tax due as allowed by the Philippine taxation laws and regulations.

Advances to suppliers pertain to advance payments made by the Group for goods and services such as table playing cards, guaranteed flight services and aircraft maintenance.

Promo merchandise pertains to items to be provided by the Group to its patrons as giveaways at different marketing events.

Security deposits mainly pertain to deposits made by the Group for guaranteed flight services. It also includes security deposit for the Group's various lease agreements (see Note 18).

Fund held in trust pertains to the bank account under the freeze order issued by Anti-Money Laundering Council ("AMLC") (see Note 19).



8. Restricted Cash

Restricted cash represents the escrow account being maintained by the Group as security to Sureste's loan.

As of December 31, 2018, the Group no longer maintains the escrow account as the loan was already settled in April 2018 prior to the scheduled full settlement in 2026 (see Note 12). As of December 31, 2017, the escrow account amounting to ₱2,250.9 million is presented under the noncurrent assets section in the 2017 consolidated statement of financial position.

Interest income on the restricted cash amounted to ₱3.1 million, ₱26.6 million and ₱10.1 million for the years ended December 31, 2018, 2017 and 2016, respectively (see Note 17).



9. Property and Equipment

This account consists of:

2018										
	Land and Land Improvements	Building and Improvements	Machineries	Gaming Equipment	Office Furniture and Fixtures	Transportation Equipment	Leasehold Improvements	Office and Communication Equipment	Construction in Progress	Total
Cost										
Balances at beginning of year	₱7,119,346,922	₱29,976,925,412	₱8,921,564,515	₱2,972,211,990	₱4,078,630,251	₱1,081,187,096	₱206,791,889	₱6,357,819,094	₱168,294,108	₱60,882,771,277
Additions	40,490,111,834	571,599,834	401,250,141	501,474,083	325,561,836	50,633,657	—	895,315,614	565,129,693	43,801,076,692
Disposal/retirement	—	—	(212,659)	(81,531,953)	(61,160,192)	(29,632,887)	(263,795)	(44,468,371)	—	(217,269,857)
Translation adjustment	32,886,980	14,283,118	3,923,929	2,461,244	3,695,323	142,552	(12,941)	354,123	(2,529,031)	55,205,297
Balances at end of year	47,642,345,736	30,562,808,364	9,326,525,926	3,394,615,364	4,346,727,218	1,102,330,418	206,515,153	7,209,020,460	730,894,770	104,521,783,409
Accumulated Depreciation										
Balances at beginning of year	4,178,304	5,122,601,522	3,240,910,401	1,877,792,157	3,129,167,500	341,385,812	70,490,043	4,625,567,604	—	18,412,093,343
Depreciation (see Note 17)	1,290,332	761,521,413	896,425,586	405,125,106	509,532,632	80,282,398	65,124,686	896,350,627	—	3,615,652,780
Disposal/retirement	—	—	(110,760)	(81,531,953)	(59,061,070)	(29,087,636)	(37,604)	(43,715,488)	—	(213,544,511)
Translation adjustment	—	3,912,245	1,140,202	(337,635)	2,617,524	31,983	203	350,572	—	7,715,094
Balances at end of year	5,468,636	5,888,035,180	4,138,365,429	2,201,047,675	3,582,256,586	392,612,557	135,577,328	5,478,553,315	—	21,821,916,706
	₱47,636,877,100	₱24,674,773,184	₱5,188,160,497	₱1,193,567,689	₱764,470,632	₱709,717,861	₱70,937,825	₱1,730,467,145	₱730,894,770	₱82,699,866,703
2017										
	Land and Land Improvements	Building and Improvements	Machineries	Gaming Equipment	Office Furniture and Fixtures	Transportation Equipment	Leasehold Improvements	Office and Communication Equipment	Construction in Progress	Total
Cost										
Balances at beginning of year	₱6,668,653,627	₱28,676,936,589	₱8,328,703,309	₱2,416,653,683	₱3,672,972,705	₱1,488,720,539	₱199,636,305	₱5,989,935,811	₱663,595,806	₱58,105,808,374
Additions	1,502,785	136,590,532	287,804,508	555,558,307	122,666,903	43,037,991	7,130,689	373,077,538	274,543,084	1,801,912,337
Reclassification from construction in progress	—	769,327,750	517,032	—	—	—	—	—	(769,844,782)	—
Disposal/retirement	—	—	(6,358,292)	—	(99,256,068)	(443,241,524)	—	(11,524,110)	—	(560,379,994)
Translation adjustment	449,190,510	394,070,541	310,897,958	—	382,246,711	(7,329,910)	24,895	6,329,855	—	1,535,430,560
Balances at end of year	7,119,346,922	29,976,925,412	8,921,564,515	2,972,211,990	4,078,630,251	1,081,187,096	206,791,889	6,357,819,094	168,294,108	60,882,771,277
Accumulated Depreciation										
Balances at beginning of year	2,950,588	3,919,352,419	2,233,537,063	1,416,166,289	2,088,872,993	483,423,657	9,755,515	3,460,292,330	—	13,614,350,854
Depreciation (see Note 17)	1,227,716	705,823,304	960,433,926	461,625,868	744,038,353	122,166,913	60,713,370	1,203,143,171	—	4,259,172,621
Disposal/retirement	—	—	(2,468,700)	—	(97,888,697)	(266,886,631)	—	(10,156,741)	—	(377,400,769)
Translation adjustment	—	497,425,799	49,408,112	—	394,144,851	2,681,873	21,158	(27,711,156)	—	915,970,637
Balances at end of year	4,178,304	5,122,601,522	3,240,910,401	1,877,792,157	3,129,167,500	341,385,812	70,490,043	4,625,567,604	—	18,412,093,343
	₱7,115,168,618	₱24,854,323,890	₱5,680,654,114	₱1,094,419,833	₱949,462,751	₱739,801,284	₱136,301,846	₱1,732,251,490	₱168,294,108	₱42,470,677,934



Construction in progress represents costs incurred in the improvement of Solaire property. Costs incurred mainly include raw materials procurement, general construction works, architectural design services, engineering consultancy and construction supervision services and interior design services.

In 2018, the Group purchased two parcels of land previously being leased from PAGCOR for a total acquisition cost of ₱37,333.1 million (see Note 18).

In 2017, the Group wrote off an aircraft (included in the transportation equipment) and sold the related spare parts, with carrying value of ₱172.2 million. Loss on write-off/sale amounted to ₱149.9 million (see Note 17).

There were no capitalizable interests for the years ended December 31, 2018, 2017 and 2016.

As of December 31, 2018 and 2017, BRHI's and Sureste's property and equipment under mortgage have carrying values of ₱75.8 billion and ₱35.6 billion, respectively (see Note 12).

10. Intangible and Other Noncurrent Assets

a. Intangible Assets

The movements in the goodwill and casino license follow:

	2018	2017
Balance at beginning of year	₱1,942,408,693	₱1,959,867,224
Translation adjustment	16,637,334	254,115,555
Impairment loss	–	(271,574,086)
Balance at end of year	₱1,959,046,027	₱1,942,408,693

Impairment Testing of Goodwill and Casino License with Indefinite Useful Life

The Group's goodwill and casino license with indefinite useful life acquired through a business combination (Solaire Korea's acquisition of G&L in 2015) are allocated to a single CGU, i.e., casino-hotel business in the Republic of Korea.

The CGU's recoverable amount has been determined based on fair value less costs of disposal ("FVLCD") calculation which is higher than the value-in-use ("VIU") calculation.

FVLCD is determined using market approach. The fair value is calculated by weighted average prices from three comparable transactions over the last five years at the time of the transaction (under level 2 hierarchy). *Comparable transactions* are the business or stock transfer deals including change in corporate ownership with respect to casino businesses that are operating under the approval of the Governor in accordance with the relevant laws and regulations in Jeju, Korea. *Price* is the premium for acquisition of casino business license generated at the time of casino business or stock transfer including change in ownership. *Weighted average* means the weighted recent transactions more heavily to reflect the conditions at the date of measurement. Costs of disposal is assumed to be 2% of the fair value of the CGU taking into account legal advice and disposal fees.

VIU calculation uses pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Management determined the financial budgets based on past performance and its expectations for market development. *Revenue growth* is based on the expected operating results of casino and hotel businesses. Management estimated that



revenue will grow at a compounded annual growth rate of 16.0% from 2019 to 2023. *Weighted average long-term growth rate* of 1% is used to extrapolate cash flows beyond the budget period which does not exceed the historical trend of the CGUs. A post-tax *discount rate* of 11.17% has been applied to the cash flow projections, the pre-tax equivalent of which is 13.6%. The discount rate reflects specific risks relating to the Group and is derived from its weighted average cost of capital (“WACC”). The WACC takes into account both debt and equity. As casino license is regulated by the government with risk arising with changes in the tourism policy, discount rate is greater than the average business risk.

The Group has recognized an impairment loss on its goodwill and casino license in 2017 amounting to ₱271.6 million and is presented as part of “Other expenses” in the 2017 consolidated statement of comprehensive income (see Note 17). No further impairment was recognized in 2018.

b. Other Noncurrent Assets

This account consists of:

	2018	2017
Advances to contractors	₱269,000,913	₱117,840,549
Investment in a joint venture	124,949,998	—
Security deposits classified as noncurrent	80,719,348	66,684,841
Investment in club shares	25,000,000	16,350,000
Operating equipment	15,122,692	7,019,640
Others	9,208,492	8,077,905
	₱524,001,443	₱215,972,935

Advances to contractors pertain to advance payments to various contractors for gaming equipment, hotel furniture and fixtures, operating equipment and other gaming and hotel equipment related to the development of hotel and gaming facility of Solaire. As of December 31, 2018 and 2017, 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.

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

Investment in club shares represents the Group’s investment in quoted Manila Polo Club shares.

Operating equipment pertains to linen, china, glassware, kitchen wares and uniforms purchased by the Group to be amortized over a period of two to three years. Purchases in 2018, 2017 and 2016, amounted to ₱21.9 million, ₱4.5 million and ₱7.2 million, respectively. Amortization amounted to ₱13.8 million, ₱94.7 million and ₱160.3 million for the years ended December 31, 2018, 2017 and 2016, respectively (see Note 17).



11. Payables and Other Current Liabilities

This account consists of:

	2018	2017
Outstanding chips and other gaming liabilities (see Note 16)	₱8,871,427,933	₱3,243,586,534
Customers' deposits (see Note 16)	2,499,589,332	2,051,971,869
Payable to contractors and suppliers (see Note 13)	1,117,261,592	688,558,899
Gaming taxes payable (see Notes 13 and 19)	1,074,772,863	777,978,820
Retention payable	476,206,183	239,898,757
Holdback liability (net of indemnification asset)	378,225,323	364,865,130
Short-term borrowing	130,467,000	207,815,000
Output VAT and other taxes payable	64,976,370	212,138,397
Tenants' security deposits classified as current (see Note 18)	26,423,258	16,764,233
Accrued expenses:		
Interest	1,006,778,677	364,817,203
Outside services and charges	418,730,943	360,963,736
Advertising and promotions	403,683,987	237,267,595
Utilities	54,704,288	58,261,736
Salaries and benefits (see Note 13)	45,469,266	41,539,287
Repairs and maintenance	32,717,590	26,813,874
Rent (see Note 18)	12,532,490	50,203,192
Communication and transportation	12,094,394	10,081,980
Others	302,794,493	292,410,750
	₱16,928,855,982	₱9,245,936,992

Outstanding chips and other gaming liabilities include outstanding chips, slot tickets as well as provision for progressive jackpot on slots and for points earned from customer loyalty programs. Outstanding chips as of December 31, 2018 and 2017 amounting to ₱7,524.0 million and ₱2,501.5 million, respectively, pertain to chips purchased by the patrons which are not yet converted into cash (see Note 16). Other gaming liabilities mainly include liability for points earned from customer loyalty programs amounting to ₱452.4 million and ₱353.6 million as of December 31, 2018 and 2017, respectively; junket program rebates amounting to ₱745.6 million and ₱283.8 million as of December 31, 2018 and 2017, respectively; progressive jackpot liability amounting to ₱125.4 million and ₱77.9 million as of December 31, 2018 and 2017, respectively; and slot payout voucher amounting to ₱24.0 million and ₱26.8 million as of December 31, 2018 and 2017, respectively.

The outstanding chip liability represents the collective amounts owed to junket operators and patrons in exchange for gaming chips in their possession. Outstanding chips are expected to be recognized as revenue or redeemed for cash within one year of being purchased.

Customers' deposits pertain to casino patrons' funds deposited directly to the casino's bank accounts or over the cage cashier counter for future purchase of chips or redemption of credit markers and advance payments for retail space lease, hotel accommodations and events services. Customers' deposits pertaining to casino patrons' deposit as of December 31, 2018 and 2017 amounted to ₱2,401.3 million and ₱1,958.4 million, respectively (see Note 16). Customer's deposits are expected to be recognized as revenue or refunded to the patrons within one year of the date the deposit was recorded.



Payable to contractors and suppliers represents obligations of the entity to suppliers or creditors for goods or services received or services performed. These obligations are not secured by liens on assets, security interest, or other collateral unless otherwise indicated. Common transactions included are payment to contractors, suppliers and purchase of inventory and equipment.

Gaming taxes payable mainly pertains to license fees payable to PAGCOR, which are normally settled within one month.

Holdback liability represents the remaining amount of consideration withheld by Solaire Korea relative to G&L's acquisition in 2015. Solaire Korea also recognized an indemnification asset at acquisition date representing reimbursement of payments that Solaire Korea will eventually make upon settlement of the liabilities of G&L covered by the holdback as G&L's sellers effectively indemnify Solaire Korea for the outcome of G&L's legal contingencies.

Short-term borrowing pertains to borrowings of G&L from banks payable within a year with interest rate of 6.5% per annum. Interest charges related to this borrowing, recognized as part of "Interest expense" account in the consolidated statements of comprehensive income, amounted to ₱17.6 million, ₱22.9 million and ₱32.6 million in 2018, 2017 and 2016, respectively (see Note 17). Principal amount paid in 2018, 2017 and 2016 amounted to ₱77.3 million, ₱74.9 million and ₱191.6 million, respectively.

Accrued rent arises from the recognition of various leases on a straight-line basis. Other accrued expenses include accrual for insurance and other expenses.

Payables and other current liabilities are normally settled within one year.

12. Long-term Debt

This account consists of:

	2018	2017
Principal:		
Syndicated loan facility	₱72,397,500,000	₱—
Original facility	—	8,252,697,500
Expansion facility	—	12,789,920,000
Corporate notes	—	11,310,750,000
	72,397,500,000	32,353,367,500
Less unamortized debt discount	1,210,580,314	252,547,904
	71,186,919,686	32,100,819,596
Less current portion of long-term debt*	2,068,149,254	2,727,330,526
	₱69,118,770,432	₱29,373,489,070

*Net of unamortized debt discount of ₱136.6 million and ₱87.8 million as of December 31, 2018 and 2017, respectively.

The movements in unamortized debt discount follow:

	2018	2017
Unamortized debt discount at beginning of year	₱252,547,904	₱334,389,914
Additions	1,293,946,444	—
Amortization (net of prepayment option value accretion)	(335,914,034)	(81,842,010)
Unamortized debt discount at end of year	₱1,210,580,314	₱252,547,904



Future repayment of the principal follows:

	2018	2017
Within one year	₱2,205,000,000	₱2,815,152,500
After one year but not more than five years	9,555,000,000	25,194,690,000
Beyond five years	60,637,500,000	4,343,525,000
	₱72,397,500,000	₱32,353,367,500

a. Syndicated Loan Facility

On April 10, 2018, BRHI (the “Borrower”) entered into an aggregate of ₱73.5 billion, ten-year term loan facilities (“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 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 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 Syndicated Loan Facility was assessed as clearly and closely related to the loan, thus, not subject for bifurcation.

As of December 31, 2018, this facility had been fully drawn. Outstanding long-term debt, net of unamortized debt discount, amounted to ₱71,186.9 million as of December 31, 2018.

b. Original Facility

On January 24, 2011, Sureste and BRHI entered into an aggregate of ₱9.87 billion (₱7.62 billion for Sureste and ₱2.25 billion for BRHI), seven-year term loan facilities (“Original Facility”) with Banco de Oro Unibank, Inc. (“the Lender” or “BDO”) as the lender to finance the construction of the hotel, gaming and entertainment facility, including but not limited to purchase of furniture, fixture and equipment and payment of consultants. Sureste’s loan has an escrow portion in the amount of ₱2.25 billion, which is secured by the assignment and hold-out on the escrow account maintained by BRHI as previously required under the Provisional License from PAGCOR (see Note 8). On April 4, 2012, Sureste’s loan agreement with BDO was amended to, among others, provide for an additional ₱4.73 billion loan facility, making an aggregate available facility for Sureste of ₱12.35 billion.

The Original Facility is payable over seven years in 16 consecutive quarterly installments on each repayment date commencing on the 39th month from the initial drawdown date while the interest on the unpaid principal amount shall be paid in quarterly payments from the initial drawdown date. The loan bears an interest rate based on a spread of 1% over the 3-month PDST-R1 rate with respect to the escrow portion of Sureste’s loan in the amount of ₱2.25 billion and 3% over the 3-month PDST-F rate with respect to the portion not constituting the escrow portion in the amount of ₱12.35 billion.

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

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

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

The prepayment option was assessed as not clearly and closely related to the loan. As at inception date, the value of the prepayment option is not material. Upon additional drawdowns, the option was bifurcated at each drawdown date of the loan, resulting to a value of the bifurcated prepayment option which was offset against additions to capitalized debt issue costs. Accretion



of interest on the option amounting to ₱2.5 million, ₱13.5 million and ₱20.9 million in 2018, 2017 and 2016, respectively, were offset against amortization of debt issue costs. Fair value loss on the prepayment option amounting to ₱1.6 million, ₱7.6 million and ₱20.4 million in 2018, 2017 and 2016, respectively, are recognized as part of “Others” under Other income (expenses) in the consolidated statements of comprehensive income.

As of December 31, 2017, the outstanding long-term debt amounted to ₱8,181.5 million, net of unamortized debt discount, of ₱71.2 million. On April 28, 2018, the outstanding loan principal amounting to ₱8,252.7 million was fully paid. Loan principal amounting to ₱434.4 million and ₱2,796.1 million was paid in 2017 and 2016, respectively.

c. Expansion Facility

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

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

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

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

As of December 31, 2017, the outstanding long-term debt amounted to ₱12,651.3 million, net of unamortized debt discount of ₱138.6 million. On April 28, 2018, the outstanding loan principal amounting to ₱12,789.9 million was fully paid. Loan principal amounting to ₱1,258.4 million and ₱251.6 million was paid in 2017 and 2016, respectively.

d. Corporate Notes

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

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



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

As of December 31, 2017, the outstanding balance of the Corporate Notes amounted to ₱11,268.0 million, net of unamortized debt discount of ₱42.8 million. On April 28, 2018, the outstanding loan principal amounting to ₱11,310.8 million was fully paid. Loan principal amounting to ₱114.2 million was paid in 2017.

All legal and professional fees, including commitment fee, totaling ₱1,293.9 million and ₱794.5 million as of December 31, 2018 and 2017, respectively, were capitalized. Debt issue costs were amortized using EIR method.

In 2018, 2017 and 2016, borrowing costs related to these loan facilities recognized as expense in the consolidated statements of comprehensive income amounted to ₱4,553.1 million, ₱2,120.3 million and ₱2,189.3 million, respectively. This comprises of interest expense amounting to ₱4,217.2 million, ₱2,038.4 million and ₱2,076.7 million and amortization of debt discount (net of interest accretion on the option) amounting to ₱335.9 million, ₱81.9 million and ₱112.6 million in 2018, 2017 and 2016, respectively (see Note 17).

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

Debt Covenant

The Group's syndicated loan facility, original and expansion facilities and corporate notes contain certain restrictive covenants that require the Group to comply with specified financial ratios and other financial tests at quarterly measurement dates. The Group's loan agreements include compliance with certain financial ratios such as debt-to-equity ratio (computed as total liabilities divided by total equity) and debt service coverage ratio (computed as net income less interest expense; depreciation and amortization; Debt Service Payment Account ("DSPA") and Debt Service Reserve Account ("DSRA") divided by current portion of long-term debt and interest payable). In February 2017, the definition of the debt-to-equity ratio requirement for the Expansion Facility was amended to exclude liabilities backed by cash from the total liabilities.

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

Collateral

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

i) Assignment of Debt Service Reserve Account

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 Debt Service Reserve Account (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 December 31, 2018, the Group's debt collateral account related to the Syndicated Loan Facility amounted to ₱3,446.0 million.

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 it shall be solidarily liable with BRHI/Sureste to the Lender and the Security Trustee for the payment of the loan.

v) Pledge

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



Under the original and expansion facilities and corporate notes obtained in prior years, collateral includes the following:

i) Assignment of Accounts and Receivables

To ensure the payment by Sureste/BRHI of the Loan, Sureste/BRHI assigned and conveyed unto the Security Trustee absolutely and unconditionally all of its respective right, title and interest in all monies standing in its Debt Service Payment Account ("DSPA") and DSRA required to be maintained by the Group to service interest and principal payments, all monies standing in the Escrow Account (see Note 3), project receivables, as well as the proceeds, products and fruits of the said accounts.

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

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

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

As of December 31, 2017, the Group's DSRA and DSPA amounted to ₱1,504.5 million and ₱134.3 million, respectively.

ii) Assignment of Project Agreements

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

iii) Mortgage

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



iv) Continuing Suretyship

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

v) Pledge

The Pledgor, i.e. BRHI shareholders, assigned and transferred 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.

13. 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.

Related party receivables and payables are generally settled in cash.

The Group's related party balances are as follows:

Related Party	Nature/Terms of Transaction	Transaction Amounts			Outstanding Receivable (Payable)	
		2018	2017	2016	2018	2017
Global Gaming Philippines, LLC (GGAM), <i>stockholder</i>	Management fees; payable within 30 days; noninterest-bearing (see Notes 11 and 19)	P-	P-	P-	(P4,742,260)	(P4,742,260)
Eaglesight Investments Limited*	Aircraft lease and maintenance reimbursements; payable within 1 month; noninterest-bearing (see Note 11)	228,018,420	223,165,380	206,849,560	-	-
Bloomerry Cultural Foundation**	1. 2% of non-junket gaming revenue; unsecured; payable within one year; noninterest-bearing (see Notes 11 and 19)	521,434,684	386,172,965	343,846,510	49,296,070	(32,184,947)
	2. Noninterest-bearing and unsecured advances (to be settled within 1 year); no impairment (see Notes 7 and 19)	(13,937,640)	10,529,574	3,057,456	259,195	14,196,835
Officers and employees	Interest-bearing and unsecured cash advances to be settled through salary deduction within 1 year; no impairment (see Note 5)	249,020	15,047,809	38,084,166	10,251,394	10,002,374
Other affiliates*	1. Aircraft maintenance reimbursements; noninterest-bearing (see Note 11)	84,333,031	69,981,994	275,597,906	(159,008,742)	(74,175,711)
	2. Noninterest-bearing and unsecured cash advances to be settled through liquidation; no impairment (see Note 7)	(16,477,310)	16,477,310	60,355,738	60,355,738	43,878,428
Key management personnel	1. Short-term employee benefits	254,591,506	123,401,810	120,241,011	-	-
	2. Retirement benefits	1,870,645	3,055,947	1,066,161	(8,804,162)	(6,933,517)

*Under common control

**Corporate social responsibility sector of the Group



14. Retirement Cost

The Group has an unfunded and noncontributory defined benefit pension plan covering substantially all of its regular employees. The cost of providing benefits is valued every year by a professional qualified independent actuary in compliance with PAS 19. Benefits are dependent on the years of service and the respective employees' compensation and are determined using the projected unit credit method.

The following tables summarize the components of retirement expense recognized in the consolidated statements of comprehensive income and the retirement liability recognized in the consolidated statements of financial position as of and for the years ended December 31, 2018, 2017 and 2016:

	2018	2017	2016
Retirement expense:			
Current service cost	₱114,406,350	₱80,854,884	₱81,574,466
Interest cost	19,826,985	11,639,906	7,551,492
Balance at end of year	₱134,233,335	₱92,494,790	₱89,125,958
Retirement liability:			
Balance at beginning of year	₱449,557,616	₱289,563,876	₱226,935,194
Retirement expense	134,233,335	92,494,790	89,125,958
Benefits paid	(37,989,195)	(20,233,820)	(45,452,634)
Remeasurement loss (gain)	(162,626,262)	67,637,458	16,963,379
Translation adjustment	1,709,245	20,095,312	1,991,979
Balance at end of year	₱384,884,739	₱449,557,616	₱289,563,876
Changes in the present value of defined benefit obligation:			
Balance at beginning of year	₱449,557,616	₱289,563,876	₱226,935,194
Current service cost	114,406,350	80,854,884	81,574,466
Interest cost	19,826,985	11,639,906	7,551,492
Benefits paid	(37,989,195)	(20,233,820)	(45,452,634)
Remeasurement loss (gain) in other comprehensive income:			
Experience adjustments	(90,577,502)	42,995,024	(18,095,940)
Changes in demographic assumptions	(18,578,370)	26,190,236	—
Changes in financial assumptions	(53,470,390)	(1,547,802)	35,059,319
Translation adjustment	1,709,245	20,095,312	1,991,979
Balance at end of year	₱384,884,739	₱449,557,616	₱289,563,876

The principal assumptions used in determining the Group's retirement liability as of December 31, 2018 and 2017 are shown below:

	2018				2017			
	Sureste	BRHI	G&L	Solaire Korea	Sureste	BRHI	G&L	Solaire Korea
Discount rate	7.45%	7.43%	2.27%	2.57%	5.80%	5.80%	2.77%	3.01%
Future salary rate increase	6.00%	6.00%	5.00%	2.00%	6.00%	6.00%	5.00%	2.00%
Mortality rate	2017 PICM		KIDI		2017 PICM		KIDI	
Disability rate	1952 disability study, period 2, benefit 5				1952 disability study, period 2, benefit 5			
Turnover rate	A scale ranging from 15% at age 18 decreasing to 0% at age 60		A scale ranging from the age 30 decreasing to retirement		A scale ranging from 13% at age 18 decreasing to 0% at age 60		A scale ranging from the age 30 decreasing to retirement	



Shown below is the maturity profile of the Group's undiscounted benefit payments:

Plan Year	Expected Benefit Payments	
	2018	2017
Less than one year	₱10,730,706	₱12,461,244
More than one year to five years	23,196,459	31,008,556
More than five years to 10 years	143,856,890	114,577,079
More than 10 years to 15 years	468,464,282	482,165,841
More than 15 years to 20 years	590,930,028	710,772,170
More than 20 years	3,337,281,758	4,517,427,838

The average duration of the defined benefit obligation at the end of the reporting period is 24.59 years.

The retirement liability is subject to several key assumptions. To help illustrate the impact of each key assumption, a sensitivity analysis is provided below, which has been determined based on reasonably possible changes of each significant assumption on the retirement benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

a. Sureste

	Effect on Present Value of Obligation
Discount rate	
Actual + 1.00%	(₱4,757,929)
Actual - 1.00%	5,827,674
Salary increase rate	
Actual + 1.00%	6,003,335
Actual - 1.00%	(4,965,449)

b. BRHI

	Effect on Present Value of Obligation
Discount rate	
Actual + 1.00%	(₱23,453,098)
Actual - 1.00%	28,507,088
Salary increase rate	
Actual + 1.00%	29,457,292
Actual - 1.00%	(24,561,510)

c. G&L

	Effect on Present Value of Obligation
Discount rate	
Actual + 1.00%	(₱12,049,116)
Actual - 1.00%	13,922,685
Salary increase rate	
Actual + 1.00%	13,689,203
Actual - 1.00%	(12,088,923)



d. Solaire Korea

	Effect on Present Value of Obligation
Discount rate	
Actual + 1.00%	(₱143,746)
Actual - 1.00%	169,929
Salary increase rate	
Actual + 1.00%	169,255
Actual - 1.00%	(145,867)

The latest actuarial valuation report is as of December 31, 2018.

15. Equity

Capital Stock

Capital stock consists of:

	2018		2017	
	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	11,010,495,000	10,907,806,076

Stock Incentive Plan

The Stockholders of the Group 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:

	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	18,986,490	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

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

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

Movements in the stock awards granted (number of shares) follow:

	2018	2017	2016
Balance at beginning of year	36,520,911	21,885,389	7,962,017
Stock awards granted	22,204,383	26,748,522	19,544,779
Stock awards vested	(22,756,055)	(11,396,590)	(4,546,197)
Stock awards of resigned/terminated employees	(390,596)	(716,410)	(1,075,210)
	35,578,643	36,520,911	21,885,389

Total compensation expense on the stock awards recognized in 2018, 2017 and 2016 as part of “Salaries and benefits” under “Operating costs and expenses” in the consolidated statements of comprehensive income amounted to ₱220.7 million, ₱145.8 million and ₱84.5 million, respectively. Reduction in share-based payment plan and treasury shares arising from the issuance of treasury shares for vested stock awards amounted to ₱154.1 million and ₱128.8 million, respectively, in 2018; ₱64.4 million and ₱89.4 million, respectively, in 2017; and ₱54.5 million and ₱49.5 million, respectively, in 2016. Such issuance of treasury shares resulted to increase in APIC amounting to ₱25.3 million in 2018, decrease in APIC amounting to ₱25.0 million in 2017 and increase in APIC amounting to ₱5.0 million in 2016.

The stock incentive obligation recognized as “Share-based payment plan” in the consolidated statements of financial position amounted to ₱226.3 million and ₱159.7 million as of December 31, 2018 and 2017, respectively.

Treasury Shares

The movement in treasury shares follows:

	2018		2017		2016	
	Shares	Amount	Shares	Amount	Shares	Amount
Balance at beginning of year	22,503,225	₱125,192,149	33,899,815	₱214,589,978	24,446,012	₱216,422,356
Acquisition	19,539,900	189,006,694	—	—	14,000,000	47,677,001
Issuance for share-based payments	(22,756,055)	(128,792,668)	(11,396,590)	(89,397,829)	(4,546,197)	(49,509,379)
Balance at end of year	19,287,070	₱185,406,175	22,503,225	₱125,192,149	33,899,815	₱214,589,978



In 2018, 2017 and 2016, a total of 22,756,055; 11,396,590 and 4,546,197 treasury shares, respectively, were reissued for vested stock awards.

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

Date of Approval	Number of Shares		Issue/ Offer Price
	Authorized	Issued/ Subscribed	
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 December 31, 2018 and 2017, Bloomberg has total shareholders of 98 and 97, respectively, 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 includes 863,900 Bloomberg shares owned by BRHI amounting to ₱9.3 million as of December 31, 2018. BRHI purchased a total of 3,229,900 shares at ₱10.73 per share and issued 2,366,000 shares in 2018.

Dividend Declaration

On April 10, 2018, the Parent Company's BOD approved the declaration of cash dividend of ₱0.10 per share or an aggregate amount of ₱1,103.3 million to stockholders on record date of April 24, 2018 payable on April 30, 2018. As of December 31, 2018, outstanding dividends payable amounted to ₱1.5 million.

16. Revenues

Disaggregated Revenue Information

The table below shows the disaggregation of revenues of the Group by major sources for the years ended December 31:

	2018	2017 (As restated - see Note 2)	2016 (As restated - see Note 2)
Types of goods or services:			
Gaming	₱31,605,445,445	₱27,041,155,050	₱23,118,609,481
Hotel, food and beverage	3,760,663,461	3,727,286,239	3,023,610,171
Retail and others*	2,325,260,940	1,867,872,059	1,260,199,337
Total revenue from contracts with customers	₱37,691,369,846	₱32,636,313,348	₱27,402,418,989

*Excluding rent income amounting to ₱528.9 million, ₱385.4 million and ₱187.8 million in 2018, 2017 and 2016, respectively.



	2018	2017 (As restated - see Note 2)	2016 (As restated - see Note 2)
Geographical segments:			
Philippines	₱37,084,376,237	₱32,027,820,318	₱27,087,902,051
Korea	606,993,609	608,493,030	314,516,938
Total revenue from contracts with customers	₱37,691,369,846	₱32,636,313,348	₱27,402,418,989

Performance Obligations

Information about the Group's performance obligations are summarized below:

Gaming revenue

The performance obligation to provide gaming services is satisfied at a point in time which is upon the conclusion of the play and usually occur within a single gaming day.

Hotel, food and beverage, retail and other operating revenues

Hotel, food and beverage, retail and other operating revenues are recognized when services are performed or the retail goods are sold.

Contract Balances

	December 31, 2018	December 31, 2017	January 1, 2017
Trade receivables:			
Gaming (see Note 5)	₱2,776,947,415	₱2,290,513,611	₱4,198,751,920
Hotel (see Note 5)	151,791,746	132,109,525	260,478,488
Contract liabilities:			
Outstanding chips liabilities (see Note 11)	7,524,020,175	2,501,532,525	2,289,515,069
Customers' deposits (see Note 11)	2,401,292,297	1,958,429,353	1,451,598,609

Gaming receivables are noninterest-bearing and are normally collected within 90 days.

Hotel receivables are noninterest-bearing and are normally collected within one month.

The Group has no contract assets as of December 31, 2018 and 2017; and January 1, 2017.

The Group identified its outstanding chips liabilities and customers' deposits as contract liabilities as of December 31, 2018 and 2017; and January 1, 2017. These represent the Group's obligation to provide gaming services to the patrons for which the Group has received consideration from the patrons. Outstanding chips are expected to be recognized as revenue or redeemed for cash within one year of being purchased. Customer deposits are expected to be recognized as revenue or refunded to the patrons within one year of the date the deposit was recorded.



The following table summarizes the liability activity related to contracts with customers:

	December 31, 2018	December 31, 2017	Increase	December 31, 2017	January 31, 2017	Increase
Outstanding chips liabilities	₱7,524,020,175	₱2,501,532,525	₱5,022,487,650	₱2,501,532,525	₱2,289,515,069	₱212,017,456
Customers' deposits	2,401,292,297	1,958,429,353	442,862,944	1,958,429,353	1,451,598,609	506,830,744
	₱9,925,312,472	₱4,459,961,878	₱5,465,350,594	₱4,459,961,878	₱3,741,113,678	₱718,848,200

17. Income and Expenses

a. Operating Costs and Expenses

This account consists of:

	2018	2017 (As restated - see Note 2)	2016 (As restated - see Note 2)
Taxes and licenses (see Notes 13 and 19)	₱11,052,836,019	₱9,583,935,124	₱6,687,879,131
Salaries and benefits (see Notes 14 and 15)	4,267,167,292	3,829,214,503	3,703,033,689
Depreciation and amortization (see Notes 9 and 10)	3,629,437,211	4,353,852,334	4,855,041,542
Cost of sales (see Notes 2 and 6)	2,679,529,314	2,217,833,501	1,626,167,395
Outside services and charges	1,523,103,106	1,160,822,955	956,956,628
Office expenses	1,086,908,423	1,033,615,386	1,039,716,434
Utilities	902,798,592	852,772,486	823,686,103
Advertising and promotions (see Notes 2, 3, 18 and 19)	461,862,589	482,947,632	514,180,583
Repairs and maintenance	395,334,641	402,837,572	324,346,006
Rent (see Note 18)	332,361,060	531,393,781	510,748,156
Communication and transportation (see Note 13)	200,183,581	212,290,929	189,168,928
Provision for (reversal of) allowance for doubtful accounts (see Note 5)	29,050,229	(32,873,711)	203,752,624
Others	535,620,181	465,528,757	456,088,126
	₱27,096,192,238	₱25,094,171,249	₱21,890,765,345

Office expenses mainly consist of supplies amounting to ₱545.4 million, ₱550.7 million and ₱522.1 million; team member expenses amounting to ₱332.6 million, ₱309.8 million and ₱322.4 million; and insurance expense amounting to ₱90.5 million, ₱88.4 million and ₱101.0 million in 2018, 2017 and 2016, respectively.



b. Interest Income

Sources of the Group's interest income are as follows:

	2018	2017	2016
Cash and cash equivalents (see Note 4)	₱136,477,340	₱37,758,430	₱31,231,942
Receivables from officers and employees (see Note 5)	1,509,153	1,832,566	2,727,180
Restricted cash (see Note 8)	3,089,603	26,584,268	10,071,451
	₱141,076,096	₱66,175,264	₱44,030,573

c. Interest Expense

Sources of the Group's interest expense are as follows:

	2018	2017	2016
Short-term borrowing (see Note 11)	₱17,556,964	₱22,938,015	₱32,573,482
Long-term debt (see Note 12)	4,553,093,008	2,120,251,416	2,189,334,849
Amortization of tenants' security deposit (see Note 18)	11,277,081	8,359,154	1,404,713
	₱4,581,927,053	₱2,151,548,585	₱2,223,313,044

d. Other Income (Expenses) - Others

This account consists of:

	2018	2017	2016
Mark-to-market loss (see Note 12)	(₱1,554,869)	(₱7,613,277)	(₱20,408,783)
Impairment loss (see Note 10)	—	(271,574,086)	—
Loss on sale/write-off of property and equipment (see Note 9)	—	(149,947,080)	—
	(₱1,554,869)	(₱429,134,443)	(₱20,408,783)

18. Lease Agreements

As a Lessee

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



On May 20, 2011, BRHI and Sureste entered into a deed of assignment whereby BRHI assigned to Sureste all its rights and interest as a lessee under the contract of lease with PAGCOR. Such deed of assignment was approved by PAGCOR on May 26, 2011. Pursuant to the deed of assignment, Sureste undertakes and commits that it will faithfully observe and fully comply with (a) all of the representations, covenants and undertakings of BRHI contained in the contract of lease and (b) the rules and regulations of PAGCOR, to the extent that such representations, covenants, undertakings, rules and regulations are, or may be, applicable to the lessee under the contract of lease. BRHI shall remain solidarily liable to PAGCOR for Sureste's compliance with all the obligations and liabilities of the lessee under the contract of lease.

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

On April 27, 2018, Sureste received a Notice of Award from PAGCOR, awarding the purchase of the 16 hectares of land in Entertainment City where Solaire and its expansion area is located. The purchase price was ₱37,333.1 million as approved by PAGCOR Board on April 18, 2018. On June 4, 2018, Sureste fully paid the purchase price and signed the Deed of Absolute Sale with PAGCOR for the purchase of two parcels of land in Entertainment City 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 ₱221.5 million, ₱462.8 million and ₱459.2 million was recognized as part of "Rent expense" account under operating costs and expenses in the 2018, 2017 and 2016 consolidated statements of comprehensive income (see Note 17).

Accrued rent on the original lease contract and sublease agreement and prepaid rent on the addendum to the lease contract arising from straight-line amortization amounted to ₱3.3 million and nil, respectively, as of December 31, 2018; and ₱43.8 million and ₱384.9 million, respectively, as of December 31, 2017 (see Notes 7 and 11).

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

	2018	2017
Within one year	₱2,647,707	₱497,473,303
Beyond one year but not later than five years	11,982,537	1,868,352,962
Beyond five years	14,564,853	4,397,361,045
	₱29,195,097	₱6,763,187,310

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 patrons, amounting to ₱19.0 million, ₱21.6 million and ₱21.3 million, was recognized as part of "Advertising and promotions" account under operating costs and expenses in the 2018, 2017 and 2016 statements of comprehensive income, respectively (see Note 17).

Future minimum lease payment under this operating lease which is due within one year amounted to ₱19.0 million and ₱21.6 million as of December 31, 2018 and 2017, respectively.



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

Rental charges related to these leases, presented as part of “Rent expense” account under operating costs and expenses in the 2018, 2017 and 2016 consolidated statements of comprehensive income amounted to ₱110.9 million, ₱68.6 million and ₱51.5 million, respectively (see Note 17).

Security deposits related to the leases discussed above amounted to ₱16.6 million and ₱12.6 million as of December 31, 2018 and 2017, respectively (see Note 7).

As a Lessor

The Group entered into operating leases with various premium brand boutiques in The Shoppes (see Note 1) and a BPO company in the parking building. These leases have terms between 1 to 6 years. Rent income amounting to ₱528.9 million and ₱385.4 million was recognized as part of “Retail and others” account in the 2018 and 2017, respectively.

Rent receivable on these operating leases arising from straight-line amortization amounting to ₱8.0 million and ₱5.8 million as of December 31, 2018 and 2017, respectively (see Note 5).

Tenants’ security deposits classified as noncurrent, presented under “Other noncurrent liabilities”, amounted to ₱327.5 million and ₱285.4 million as of December 31, 2018 and 2017. These are carried at amortized cost using the EIR method. Discount amortization, included as part of the “Interest expense” account in the consolidated statement of comprehensive income, amounted to ₱11.3 million, ₱8.4 million and ₱1.4 million in 2018, 2017 and 2016, respectively. Tenants’ security deposit classified as current amounting to ₱26.4 million and ₱16.8 million as of December 31, 2018 and 2017, respectively, is presented under “Payables and other current liabilities” in the consolidated statements of financial position (See Note 11).

Unearned rent amounting to ₱11.0 million and ₱16.4 million as of December 31, 2018 and 2017, respectively, 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 ₱11.1 million and ₱9.1 million was recognized as part of “Retail and others” account in the 2018 and 2017 consolidated statement of comprehensive income, respectively.

Future minimum lease payments under these operating leases as of December 31, 2018 and 2017 are as follows:

	2018	2017
Within one year	₱535,964,618	₱300,121,206
Beyond one year but not later than five years	2,370,813,692	573,421,724
Beyond five years	331,500	—
	₱2,907,109,810	₱873,542,930

19. 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 "Taxes and licenses" account amounted to ₱521.4 million, ₱386.2 million, ₱343.8 million in 2018, 2017, and 2016, respectively. Outstanding amount payable to BCF as of December 31, 2018 and 2017, presented as part of "Gaming taxes payable", amounted to ₱49.3 million and ₱32.2 million, respectively. Furthermore, the Group has made advances to BCF amounting to ₱0.3 million and ₱14.2 million as of December 31, 2018 and 2017, respectively, presented as part of "Others" under "Prepayments and other current assets" account in the consolidated statements of financial position (see Note 7).
- 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) has become bankrupt, insolvent; (d) delay in construction of more than 50% of the schedule; and (e) if debt-to-equity ratio is more than 70:30. As of December 31, 2018 and 2017, BRHI has complied with the required debt-to-equity ratio.

Total PAGCOR license fee recognized (including the amount due to BCF), shown as part of "Taxes and licenses" account, amounted to ₱10,873.4 million, ₱9,396.1 million and ₱6,534.0 million for the years ended December 31, 2018, 2017 and 2016, respectively (see Note 17). Outstanding amount payable to PAGCOR and BCF, presented as "Gaming taxes payable", amounted to ₱1,074.8 million and ₱778.0 million as of December 31, 2018 and 2017 (see Note 11).



- b. BRHI and G&L entered into junket operator agreements with junket operators who have the primary responsibility of directing gaming patrons to the casino. Based on these agreements, these junket operators are compensated based on a certain percentage of the wins or rolling chips. Gaming promoters' expense for the years ended December 31, 2018, 2017 and 2016 amounted to ₱9,873.9 million, ₱9,837.4 million and ₱9,045.8 million, respectively. Receivable from junket operators as of December 31, 2018 and 2017 amounted to ₱2,075.6 million and ₱1,086.7 million, respectively (see Note 5).
- c. On September 9, 2011, Sureste and BRHI jointly entered into a Management Services Agreement ("MSA") with Global Gaming Philippines LLC ("GGAM") for the technical assistance on all aspects of planning, design, layout, and construction of 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 the option, from the date of execution of the MSA, to purchase up to 921.2 million shares, equivalent to 9.91% of Bloomberg's outstanding shares (prior to Bloomberg'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 Bloomberg 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 BRHI's and PMHI's application for measures of protection for the Bloomberg in the form of writs of preliminary attachment and preliminary injunction to restrain GGAM from disposing the Bloomberg shares to maintain the status quo. GGAM has filed a petition for review on certiorari with the Court of Appeals against the decision of the MRTC.

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

Following the order of the arbitral tribunal, GGAM filed a Manifestation with the MRTC informing the order of the arbitral tribunal and seeking assistance in the enforcement thereof. BRHI, Sureste and PMHI filed a Counter-Manifestation stating among others, the impropriety of the Manifestation given its non-compliance with requirements of the Special Rules of Court and Alternative Dispute Resolution (Special ADR Rules) for enforcement of judgement/interim measures of protection. GGAM also filed a Manifestation and Motion with the Court of Appeals seeking the same relief as that filed with the MRTC. BRHI, Sureste and PMHI filed a



Comment/Opposition arguing against the grant of the Motion with the Court of Appeals for non-compliance with the Special ADR Rules as well as for forum-shopping. In a resolution dated May 29, 2015 and affirmed on November 27, 2015, the Court of Appeals remanded back the case to the MRTC for further proceedings.

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

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

On December 21, 2017, BRHI and Sureste filed a petition in the High Court of Singapore to set aside the June 20, 2017 judgment of the Court and to either remit the partial award to the tribunal for correction, or otherwise set aside the partial award based 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 then filed a petition for review with the Court of Appeals to question this MRTC order. The Court of Appeals has denied this petition, and GGAM has 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 in 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, clarifying 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 December 31, 2018 and 2017, the balance of this bank account amounting to ₱110.9 million and ₱110.7 million, respectively, is presented as “Fund held in trust” under the “Prepayments and other current assets” account in the statements of financial position (see Note 7).

In February 2019, newspapers have reported that 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. The lawyer of Bangladesh Bank has sent by courier the summons for the case to BRHI. 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.

20. Income Taxes

- a. Provision for income tax consists of:

	2018	2017	2016
Current	₱40,317,130	₱1,597,045	₱1,481,815,523
Deferred	(166,806,346)	231,035,458	177,267,625
	(₱126,489,216)	₱232,632,503	₱1,659,083,148



In 2018, provision for current income tax represents Bloomberg's MCIT and Sureste's 5% Gross Income Tax ("GIT"). The provision for current income tax in 2017 and 2016 pertains to Bloomberg's MCIT and BRHI's RCIT (for 2016). In 2016, BRHI's RCIT pertains to the tax due prior to the promulgation of the Supreme Court decision confirming BRHI's income tax exemption (see Note 19).

The reconciliation of provision for income tax computed at the statutory income tax rate to provision for income tax as shown in the consolidated statements of comprehensive income is summarized as follows:

	2018	2017	2016
Provision for tax at statutory tax rate of 30%	₱2,111,802,082	₱1,888,575,086	₱1,194,644,575
Tax effects of:			
Income subject to final tax, non-taxable income and non-deductible expenses	641,069,033	253,398,788	(414,097,546)
Net movement in unrecognized deferred income tax assets and other adjustments	(2,879,360,331)	(1,909,341,371)	878,536,119
	(₱126,489,216)	₱232,632,503	₱1,659,083,148

- b. The components of the Group's recognized net deferred tax liabilities are as follows:

	2018	2017
Deferred tax assets:		
NOLCO	₱409,537,621	₱435,474,539
Retirement liability	9,704,235	13,579,460
Capitalized interest on option	2,022,559	2,160,224
Points accrual	1,311,482	729,052
Accrued rent under PAS 17	718,240	1,904,238
MCIT	–	2,798,675
Unrealized foreign exchange loss	–	269,831
Prepayment option	–	26,791
	423,294,137	456,942,810
Deferred tax liabilities:		
Excess of fair value over carrying value of net assets acquired in business combination	(528,453,427)	(527,548,483)
Capitalized rent	(87,636,500)	(90,000,048)
Capitalized interest	(48,533,119)	(51,919,151)
Unrealized gain on investment in club shares	(3,450,000)	(855,000)
Unrealized forex exchange gain	(381,445)	(187,999,075)
	(₱245,160,354)	(₱401,378,947)

- c. Temporary differences arising from NOLCO and carryforward benefits of excess MCIT for which no deferred tax assets have been recognized since management believes that it is not probable that sufficient future taxable income will be available against which these can be utilized are summarized as follows:

	2018	2017
NOLCO	₱10,800,769,819	₱8,793,623,837
MCIT	4,739,579	703,827
	₱10,805,509,398	₱8,794,327,664



- d. As of December 31, 2018, the NOLCO of Bloomberry and Sureste that can be carried forward and claimed as deduction from regular taxable income are as follows:

Year Incurred	Expiry Year	Amount	Applied	Expired	Balance
2018	2021	₱1,685,779,285	₱—	₱—	₱1,685,779,285
2017	2020	2,635,726,995	—	—	2,635,726,995
2016	2019	3,091,221,294	—	—	3,091,221,294
2015	2018	3,419,198,579	—	3,419,198,579	—
		₱10,831,926,153	₱—	₱3,419,198,579	₱7,412,727,574

As of December 31, 2018, the NOLCO of Solaire Korea and G&L that can be carried forward and claimed as deduction from regular taxable income are as follows:

Year Incurred	Expiry Year	Amount	Applied	Expired	Balance
2018	2028	₱696,522,243	₱—	₱—	₱696,522,243
2017	2027	316,568,081	—	—	316,568,081
2016	2026	1,188,550,333	60,883,815	—	1,127,666,518
2015	2025	1,631,643,075	570,172,151	—	1,061,470,924
2013	2023	4,631,654	—	—	4,631,654
2011	2021	699,476,148	—	—	699,476,148
2010	2020	686,003,409	—	—	686,003,409
2009	2019	649,887,650	—	—	649,887,650
		₱5,873,282,593	₱631,055,966	₱—	₱5,242,226,627

- e. As of December 31, 2018 and 2017, the Group's unused MCIT that can be carried forward and used as deduction from income tax due are as follows:

Year Incurred	Expiry Year	Amount	Applied	Expired	Balance
2018	2021	₱1,940,904	₱—	₱—	₱1,940,904
2017	2020	1,597,045	—	—	1,597,045
2016	2019	1,201,630	—	—	1,201,630
2015	2018	703,827	—	703,827	—
		₱5,443,406	₱—	₱703,827	₱4,739,579

- f. Sureste is registered with the PEZA as an Ecozone Tourism Enterprise. The scope of registered activity is limited to the construction, development, management and operation of a hotel and entertainment complex at the Bagong Nayong Pilipino – Entertainment City Manila, to take over and undertake the project originally approved by the PEZA Board for BRHI and the importation of raw materials, machinery, equipment, tools, goods, wares, articles or merchandise directly used in its registered operations.

Under the PEZA Registration Agreement, Sureste is entitled to:

- Four-year income tax holiday (“ITH”) on income solely derived from servicing foreign clients for its operations limited to accommodation and other special interest and attraction activities/ establishments. Upon expiry of the ITH period, Sureste shall pay 5% Gross Income Tax (“GIT”), in lieu of all national and local taxes; and
- Tax and duty-free importation of capital equipment required for the technical viability and operation of the registered facilities/activities.

Any income from activities of Sureste outside of the PEZA-registered activities is subject to regular corporate income tax.



On December 6, 2013, Sureste decided to waive the ITH incentive and be subjected instead to GIT (with exemption from real property tax). Sureste has obtained confirmation of the said waiver with PEZA and therefore now subject to GIT.

21. Financial Assets and Liabilities and Financial Risk Management Objectives and Policies

Fair Value

The carrying values of cash and cash equivalents, receivables, security deposits classified as current and payables and other current liabilities (except statutory payables) approximate their fair values at reporting date due to the relatively short-term nature of the transactions.

The carrying value of restricted cash and long-term debt (excluding fixed rate Corporate Syndicated Loan Facility, Original Facility and Corporate Notes) approximates fair value because of regular repricing based on market conditions. The Group's variable rate long-term debt is repriced on a quarterly basis.

The table below set forth the carrying values and the estimated fair values of the Group's financial assets and liabilities for which fair values are determined for measurement and/or disclosure as of December 31, 2018 and 2017:

	2018		2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Financial assets at amortized cost -				
Security deposits classified as noncurrent ⁽¹⁾	₱80,719,348	₱180,820,483	₱66,684,841	₱150,817,801
Equity instrument designated at fair value through OCI -				
Investment in club shares	25,000,000	25,000,000	16,350,000	16,350,000
	105,719,348	205,820,483	83,034,841	167,167,801
Financial Liabilities				
Other financial liabilities:				
Long-term debt	71,186,919,686	75,051,397,711	19,449,467,306	20,720,913,243
Tenants' security deposit ⁽³⁾	327,455,374	316,865,580	285,384,995	264,750,020
	71,514,375,060	75,368,263,291	19,734,852,301	20,985,663,263
	(₱71,408,655,712)	(₱75,162,442,808)	(₱19,651,817,460)	(₱20,818,495,462)

⁽¹⁾ Presented under "Intangible asset and other noncurrent assets" account.

⁽²⁾ Included under "Prepayments and other current assets" account.

⁽³⁾ Included under "Other noncurrent liabilities" account.

Security Deposits classified as Noncurrent. The fair value of security deposit is the estimated future cash flows, discounted to present value using a credit-adjusted discount rate.

Derivative Asset. The fair value of derivative asset is determined using Binomial Option Pricing Model which allows for the specification of points in time until the option expiry date. This valuation incorporates inputs such as interest rates and volatility.

Fixed Rate Long-term Debt. The estimated fair value is based on the discounted value of future cash flows using the applicable BVAL rate of 7.07% and PDST-R1 rate of 2.7% as of December 31, 2018 and 2017, respectively.

Tenants' Security Deposits. The estimated fair value is based on the discounted value of future cash flows using the applicable BVAL rates ranging from 5.4% to 7.5% and PDST-R2 rates ranging from 3.2% to 5.7%, as of December 31, 2018 and 2017, respectively.



Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by source of inputs:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 - Unobservable inputs for the asset or liability.

The table below summarizes the classification of the Group's financial assets and liabilities as of December 31, 2018 and 2017 based on fair value measurement hierarchy.

		Level 1	Level 2	Level 3	Total
Asset measured at fair value -					
Derivative asset	2017	₱—	₱1,554,870	₱—	₱1,554,870
Investment in club shares	2018	25,000,000	—	—	25,000,000
	2017	16,350,000	—	—	16,350,000
Assets and liabilities for which fair value is disclosed:					
Security deposits classified as noncurrent	2018	—	180,820,483	—	180,820,483
	2017	—	150,817,801	—	150,817,801
Long-term debt	2018	—	—	75,051,397,711	75,051,397,711
	2017	—	—	20,720,913,243	20,720,913,243
Tenants' security deposits	2018	—	—	316,865,580	316,865,580
	2017	—	—	264,750,020	264,750,020

In 2018 and 2017, there were no transfers between Level 1 and Level 2 fair value measurements and transfers into and out of the Level 3 fair value measurement.

Financial Risk Management Objectives and Policies

The Group's principal financial instruments consist mainly of borrowings from local financial institutions, proceeds of which were used for financing the Group's capital expenditures and operations. The Group has other financial assets and financial liabilities such as cash and cash equivalents, receivables, restricted cash, payables and other accrued liabilities which arise directly from the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign exchange risk, liquidity risk and credit risk. The BOD reviews and approves policies for managing each of these risks and they are summarized below.

Interest Rate Risk

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

Variable or floating rate debt is subject to cash flow interest rate risk. Repricing of variable rate debt is done on quarterly intervals.



The following table demonstrates the sensitivity of the Group's income (loss) before income tax (through the impact on floating rate borrowings) in 2018, 2017 and 2016 to a reasonably possible change in interest rates, with all other variables held constant.

There is no impact on the Group's equity other than those already affecting the net income (loss).

	2018	2017	2016
Increase by 2%	₱92,064,829	₱43,030,972	₱44,466,261
Decrease by 2%	(92,064,829)	(43,030,972)	(44,466,261)

Foreign Exchange Risk

Foreign exchange risk is the risk that the value of the Group's financial instrument will fluctuate due to changes in foreign exchange rates. The Group has recognized in the consolidated statements of comprehensive income net foreign exchange gains of ₱357.7 million, ₱882.2 million and ₱482.4 million in 2018, 2017 and 2016, respectively, on the revaluation of its foreign currency-denominated cash and cash equivalents, receivables, restricted cash, payables and accrued expenses.

In the revaluation of its foreign currency-denominated financial assets and liabilities, the Group used the following exchange rates as of December 31, 2018, 2017 and 2016:

Currency	2018	2017	2016
USD	52.600	49.930	49.720
HKD	6.734	6.388	6.421
EUR	60.311	59.613	51.840
SGD	38.471	37.323	34.354
AUD	37.070	38.905	35.776
JPY	0.475	0.442	0.425
GBP	66.733	—	—

The Group's foreign currency-denominated monetary assets and liabilities as of December 31, 2018, 2017 and 2016, and their Philippine peso equivalent follow:

	Original Currency							Peso
	USD	HKD	EUR	SGD	AUD	JPY	GBP	Equivalent
December 31, 2018								
Financial assets:								
Cash and cash equivalents	7,100,027	803,484,385	287,892	13,818,156	21,220	1,704,063,646	—	₱7,143,303,460
Receivables	—	54,039,162	—	—	—	—	—	363,899,715
Financial liabilities -								
Payables and other current								
liabilities	(1,192,317)	(83,534,185)	(2,999)	(12,631)	—	—	(76,900)	(631,033,644)
Net foreign currency -denominated								
financial assets	5,907,710	773,989,362	284,893	13,805,525	21,220	1,704,063,646	(76,900)	₱6,876,169,531
December 31, 2017								
Financial assets:								
Cash and cash equivalents	6,303,409	882,829,379	49,293	12,898,692	534,838	1,648,409,146	—	₱7,188,004,384
Receivables	—	34,295,170	—	—	—	—	—	219,077,546
Financial liabilities -								
Payables and other current								
liabilities	(1,284,759)	(78,142,868)	—	—	(1,125)	—	—	(563,368,426)
Net foreign currency -denominated								
financial assets	5,018,650	838,981,681	49,293	12,898,692	533,713	1,648,409,146	—	₱6,843,713,504
December 31, 2016								
Financial assets:								
Cash and cash equivalents	5,912,059	771,801,036	49,230	10,030,853	534,838	1,294,004,101	—	₱6,165,920,140
Receivables	—	57,497,651	—	—	—	—	—	369,192,417
Financial liabilities -								
Payables and other current								
liabilities	(10,937,971)	(75,699,357)	—	—	—	—	—	(1,029,901,489)
Net foreign currency -denominated								
financial assets	(5,025,912)	753,599,330	49,230	10,030,853	534,838	1,294,004,101	—	₱5,505,211,068



The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange rates, with all other variables held constant, of the Group's income or loss before income tax at December 31, 2018, 2017 and 2016. There is no other impact on the Group's equity other than those affecting other income or loss before income tax.

	USD	HKD	EUR	SGD	AUD	JPY	GBP
December 31, 2018							
Increase by 3%	₱9,322,366	₱156,361,331	₱515,465	₱15,933,371	₱23,599	₱24,282,907	(₱153,953)
Decrease by 3%	(9,322,366)	(156,361,331)	(515,465)	(15,933,371)	(23,599)	(24,282,907)	153,953
December 31, 2017							
Increase by 3%	₱7,517,436	₱160,782,449	₱88,155	₱14,442,536	₱622,923	₱21,857,905	—
Decrease by 3%	(7,517,436)	(160,782,449)	(88,155)	(14,442,536)	(622,923)	(21,857,905)	—
December 31, 2016							
Increase by 3%	(₱7,496,650)	₱145,165,839	₱76,562	₱10,337,998	₱574,031	₱16,498,552	—
Decrease by 3%	7,496,650	(145,165,839)	(76,562)	(10,337,998)	(574,031)	(16,498,552)	—

The change in currency rate is based on the Group's best estimate of expected change considering historical trends and experiences. Positive change in currency reflects a stronger peso against foreign currency. On the other hand, a negative change in currency rate reflects a weaker peso against foreign currency.

Liquidity Risk

Liquidity risk is the potential 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 ₱36,465.8 million and ₱21,961.4 million as of December 31, 2018 and 2017, respectively, that are allocated to meet the Group's liquidity needs.

The table below summarizes the maturity profile of the Group's financial assets and liabilities as of December 31, 2018 and 2017 based on contractual undiscounted payments.

	2018					Total
	Within 1 Year	1–2 Years	2–3 Years	3–4 Years	More than 4 Years	
Financial assets:						
Cash and cash equivalents:						
Cash on hand	₱2,181,713,440	₱—	₱—	₱—	₱—	₱2,181,713,440
Cash in banks	20,387,668,654	—	—	—	—	20,387,668,654
Temporary cash investments	10,450,472,138	—	—	—	—	10,450,472,138
Debt collateral accounts	3,445,993,725	—	—	—	—	3,445,993,725
Receivables:						
Gaming	2,776,947,415	—	—	—	—	2,776,947,415
Hotel	151,791,746	—	—	—	—	151,791,746
Receivables from officers and employees	116,750,740	—	—	—	—	116,750,740
Others	75,655,021	—	—	—	—	75,655,021
Security deposits	31,774,336	80,719,348	—	—	—	112,493,684
	₱39,618,767,215	₱80,719,348	₱—	₱—	₱—	₱39,699,486,563
Financial liabilities:						
Other gaming liabilities:						
Junket program rebates	₱745,601,800	₱—	₱—	₱—	₱—	₱745,601,800
Liability for customer loyalty	452,417,537	—	—	—	—	452,417,537
Progressive jackpot liability	125,375,223	—	—	—	—	125,375,223
Slot payout voucher and tickets liability	24,013,198	—	—	—	—	24,013,198
Customers' deposits	98,297,035	—	—	—	—	98,297,035
Payable to contractors and suppliers	1,117,261,592	—	—	—	—	1,117,261,592
Retention payable	476,206,183	—	—	—	—	476,206,183
Holdback liability	378,225,323	—	—	—	—	378,225,323
Short-term borrowing	130,467,000	—	—	—	—	130,467,000

(Forward)



2018						
	Within 1 Year	1-2 Years	2-3 Years	3-4 Years	More than 4 Years	Total
Accrued expenses:						
Interest	₱1,006,857,315	₱—	₱—	₱—	₱—	₱1,006,857,315
Outside services and charges	418,730,943	—	—	—	—	418,730,943
Advertising and promotions	403,683,987	—	—	—	—	403,683,987
Utilities	54,704,288	—	—	—	—	54,704,288
Salaries and benefits	45,469,266	—	—	—	—	45,469,266
Repairs and maintenance	32,717,590	—	—	—	—	32,717,590
Rent	12,532,490	—	—	—	—	12,532,490
Communication and transportation	12,094,394	—	—	—	—	12,094,394
Others	302,794,493	—	—	—	—	302,794,493
Long-term debt						
Principal	2,205,000,000	2,205,000,000	2,205,000,000	2,205,000,000	63,577,500,000	72,397,500,000
Interest	5,421,990,201	5,284,310,414	5,074,015,027	4,920,851,031	18,752,940,477	39,454,107,150
	₱13,464,439,858	₱7,489,310,414	₱7,279,015,027	₱7,125,851,031	₱82,330,440,477	₱117,689,056,807
2017						
	Within 1 Year	1-2 Years	2-3 Years	3-4 Years	More than 4 Years	Total
Financial assets:						
Cash and cash equivalents:						
Cash on hand	₱1,776,561,344	₱—	₱—	₱—	₱—	₱1,776,561,344
Cash in banks	17,583,055,499	—	—	—	—	17,583,055,499
Temporary cash investments	963,002,888	—	—	—	—	963,002,888
Debt collateral accounts	1,638,787,247	—	—	—	—	1,638,787,247
Receivables:						
Gaming	2,290,513,611	—	—	—	—	2,290,513,611
Hotel	132,109,525	—	—	—	—	132,109,525
Receivables from officers and employees	117,241,378	—	—	—	—	117,241,378
Others	83,806,686	—	—	—	—	83,806,686
Security deposits	66,000,864	66,684,841	—	—	—	132,685,705
Restricted cash	—	—	2,250,906,354	—	—	2,250,906,354
Derivative asset	1,554,870	—	—	—	—	1,554,870
	₱24,652,633,912	₱66,684,841	₱2,250,906,354	₱—	₱—	₱26,970,225,107
Financial liabilities:						
Other gaming liabilities:						
Junket program rebates	₱283,790,507	₱—	₱—	₱—	₱—	₱283,790,507
Liability for customer loyalty	353,594,359	—	—	—	—	353,594,359
Progressive jackpot liability	77,905,359	—	—	—	—	77,905,359
Slot payout voucher and tickets liability	26,763,785	—	—	—	—	26,763,785
Customers' deposits	93,542,516	—	—	—	—	93,542,516
Payable to contractors and suppliers	688,558,899	—	—	—	—	688,558,899
Retention payable	239,898,757	—	—	—	—	239,898,757
Holdback liability	364,865,130	—	—	—	—	364,865,130
Short-term borrowing	207,815,000	—	—	—	—	207,815,000
Accrued expenses:						
Interest	364,817,203	—	—	—	—	364,817,203
Outside services and charges	360,963,736	—	—	—	—	360,963,736
Advertising and promotions	237,267,595	—	—	—	—	237,267,595
Utilities	58,261,736	—	—	—	—	58,261,736
Salaries and benefits	41,539,287	—	—	—	—	41,539,287
Repairs and maintenance	26,813,874	—	—	—	—	26,813,874
Rent	50,203,192	—	—	—	—	50,203,192
Communication and transportation	10,081,980	—	—	—	—	10,081,980
Others	292,410,750	—	—	—	—	292,410,750
Long-term debt						
Principal	2,815,152,500	4,260,515,000	8,228,765,000	11,836,705,000	5,212,230,000	32,353,367,500
Interest	1,964,611,649	1,813,792,593	1,404,976,054	452,291,181	909,543,081	6,545,214,558
	₱8,558,857,814	₱6,074,307,593	₱9,633,741,054	₱12,288,996,181	₱6,121,773,081	₱42,677,675,723

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.



The table below shows the maximum exposure to credit risk for the components of the consolidated statements of financial position as of December 31, 2018 and 2017 for which the net maximum exposure is not equal to the gross maximum exposure.

	Gross Maximum Exposure		Net Maximum Exposure*	
	2018	2017	2018	2017
Cash and cash equivalents:				
Cash in banks	₱20,387,668,654	₱17,583,055,499	₱20,340,965,812	₱17,536,105,407
Temporary cash investments	10,450,472,138	963,002,888	10,449,472,138	962,002,889
Debt collateral accounts	3,445,993,725	1,638,787,247	3,443,241,936	1,636,035,458
	₱34,284,134,517	₱20,184,845,634	₱34,233,679,886	₱20,134,143,754

*Net financial assets after taking into account insurance on bank deposits.

The following table shows the aging analysis of past due but not impaired receivables per class that the Group held as of December 31, 2018 and 2017. A financial asset is past due when a counterparty has failed to make a payment when contractually due.

		2018			
		Past due but not impaired			Total
		Neither Past Due nor Impaired	Less than 30 Days	30 Days but less than 90 Days	
Trade receivables:					
Gaming	₱1,430,815,504	₱168,005,289	₱862,940,196	₱315,186,426	₱2,776,947,415
Hotel	142,856,399	—	8,935,347	—	151,791,746
Receivables from officers and employees	116,750,740	—	—	—	116,750,740
Others	75,655,021	—	—	—	75,655,021
	₱1,766,077,664	₱168,005,289	₱871,875,543	₱315,186,426	₱3,121,144,922

		2017			
		Past due but not impaired			Total
		Neither Past Due nor Impaired	Less than 30 Days	30 Days but less than 90 Days	
Trade receivables:					
Gaming	₱687,303,342	₱1,159,602,202	₱104,175,940	₱339,432,127	₱2,290,513,611
Hotel	91,515,242	38,063,872	1,715,086	815,325	132,109,525
Receivables from officers and employees	117,241,378	—	—	—	117,241,378
Others	83,806,686	—	—	—	83,806,686
	₱979,866,648	₱1,197,666,074	₱105,891,026	₱340,247,452	₱2,623,671,200

The evaluation of the credit quality of the Group's financial assets considers the payment history of the counterparties.

- High grade - counterparties that have good paying history and are not expected to default in settling their obligations. Credit exposure from these financial assets is considered to be minimal. This normally includes deposits and placements with top tier banks and counterparties with good credit rating.
- Standard grade - counterparties for which sufficient credit history has not been established.

As of December 31, 2018 and 2017, all financial assets are viewed by management as 'high grade', except for impaired financial assets, considering the collectability of the receivables and the credit history of the counterparties.

Capital Management

The primary objective of the Group's capital management is to ensure that the Group has sufficient funds in order to support its business, pay existing obligations and maximize shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To manage or adjust the capital structure, the Group may obtain advances from stockholders, return capital to shareholders or issue new shares.



The Group considers equity attributable to equity holders of the Parent Company as its capital, which amounted to ₱36,552.1 million and ₱30,256.4 million as of December 31, 2018 and 2017, respectively.

The Group monitors capital on the basis of debt-to-equity ratio in order to comply with PAGCOR requirement and loan debt covenant (see Notes 12 and 18).

The Group's strategy is to maintain a sustainable debt-to-equity ratio.

22. Basic/Diluted Earnings Per Share on Net Income Attributable to Equity Holders of the Group

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

	2018	2017	2016
(a) Net income attributable to equity holders of the Parent Company	₱7,188,233,443	₱6,070,718,652	₱2,357,140,560
(b) Weighted average number of issued shares	11,032,998,225	11,032,998,225	11,032,998,225
Treasury shares at beginning of year	(22,503,225)	(33,899,815)	(24,446,012)
Weighted average number of:			
Treasury shares acquired in 2018	(7,085,484)	—	(14,000,000)
Treasury shares issued for vested stock awards in 2018	17,559,043	—	1,726,982
Treasury shares issued for vested stock awards in 2017	—	10,699,867	—
Treasury shares acquired in 2016	—	—	—
Treasury shares issued for vested stock awards in 2016	—	—	—
(c) Weighted average number of treasury shares	(12,029,666)	(23,199,948)	(36,719,030)
(d) Weighted average number of issued shares, net of treasury shares [(b)+(c)]	₱11,020,968,559	₱11,009,798,277	₱10,996,279,195
Unvested stock awards at beginning of year	13,374,260	22,949,388	6,071,218
Weighted average number of:			
Stock awards granted in 2018	13,903,805	—	—
Stock awards granted in 2017	—	17,832,368	284,498
Stock awards granted in 2016	—	—	16,878,170
(e) Weighted average number of stock awards granted	27,278,065	40,781,756	23,233,886
Basic earnings per share (a)/(d)	₱0.652	₱0.551	₱0.214
Diluted earnings per share (a)/[(d)+(e)]	₱0.651	₱0.549	₱0.214

Basic and diluted earnings per share in 2016 are stated at the same amount as the effect of the vesting of stock awards under the SIP is anti-dilutive.

23. Note to Consolidated Statements of Cash Flows

The Group had no material non-cash investing nor non-cash financing activity-related transactions for the years ended December 31, 2018, 2017 and 2016, except for the following:

- The Group recognized share-based payment accruals amounting to ₱220.7 million, ₱145.8 million and ₱84.5 million in 2018, 2017 and 2016, respectively (see Note 15).
- Treasury shares were reissued for vested stock awards amounting to ₱128.8 million, ₱89.4 million and ₱49.5 million in 2018, 2017 and 2016, respectively (see Note 15).



The changes in the Group's liabilities arising from financing activities are as follows:

	January 1, 2018	Cash Flows	Reclassification from Current to Non-current	Interest Expense	Amortization of Debt Discount	Translation Adjustment	December 31, 2018
Current portion of long-term debt	₱2,727,330,526	(₱829,909,783)	₱-	₱-	₱170,728,511	₱-	₱2,068,149,254
Long-term debt - net of current portion	29,373,489,070	39,580,095,839	-	-	165,185,523	-	69,118,770,432
Interest payable	364,817,203	(3,604,051,545)	-	4,581,927,053	(335,914,034)	-	1,006,778,677
Short-term borrowing	207,815,000	(80,451,753)	-	-	-	3,103,753	130,467,000
Total liabilities from financing activities	₱32,673,451,799	₱35,065,682,758	₱-	₱4,581,927,053	₱-	₱3,103,753	₱72,324,165,363

	January 1, 2017	Cash Flows	Reclassification from Current to Non-current	Interest Expense	Amortization of Debt Discount	Translation Adjustment	December 31, 2017
Current portion of long-term debt	₱1,713,578,275	(₱1,807,002,500)	₱2,815,152,500	₱-	₱5,602,251	₱-	₱2,727,330,526
Long-term debt - net of current portion	32,112,401,811	-	(2,815,152,500)	-	76,239,759	-	29,373,489,070
Interest payable	343,708,469	(2,048,597,842)	-	2,151,548,585	(81,842,010)	-	364,817,203
Short-term borrowing	251,943,000	(74,892,394)	-	-	-	30,764,394	207,815,000
Total liabilities from financing activities	₱34,421,631,555	(₱3,930,492,736)	₱-	₱2,151,548,585	₱-	₱30,764,394	₱32,673,451,799

24. Segment Information

For management purposes, the Group is organized into two geographical segments (i.e., Philippines and Korea). Both segments derive its revenues from operating a casino-hotel business.

Management monitors the operating results of its geographical segment separately for making decisions about resource allocation and performance assessment. The Group evaluates segment performance based on contributions to EBITDA, which is not a measure of operating performance or liquidity defined by PFRS and may not be comparable to similarly titled measures presented by other entities. The Group's EBITA is computed as the Group's consolidated net income/loss before interest expense, provision for/benefit from income tax, net foreign exchange gains/losses, mark-to-market gain/loss, depreciation and amortization and non-recurring expense such as impairment loss.



The results of the Group's reportable geographical segments for the years ended December 31, 2018, 2017 and 2016 are as follows:

	Philippines			Korea			Eliminations			Consolidated		
	2018	2017	2016	2018	2017	2016	2018	2017	2016	2018	2017	2016
Consolidated EBITDA	₱15,229,735,360	₱12,681,384,898	₱11,231,404,358	(₱240,015,782)	(₱258,759,794)	(₱575,366,755)	(₱95,172,426)	(₱75,074,929)	(₱57,518,586)	₱14,894,547,152	₱12,347,550,175	₱10,598,519,017
Depreciation and amortization (see Note 17)	(3,437,910,407)	(4,174,509,563)	(4,681,364,583)	(191,526,804)	(179,342,771)	(173,676,959)	—	—	—	(3,629,437,211)	(4,353,852,334)	(4,855,041,542)
Interest expense (see Note 17)	(4,564,370,089)	(2,128,610,570)	(2,190,739,561)	(112,711,094)	(97,649,314)	(90,092,069)	95,154,130	74,711,299	57,518,586	(4,581,927,053)	(2,151,548,585)	(2,223,313,044)
Foreign exchange gains (losses) - net (see Note 21)	738,513,857	34,649,063	692,795,424	(380,801,602)	847,586,409	(210,402,489)	—	—	—	357,712,255	882,235,472	482,392,935
Other income (expense) (see Note 17)	(1,554,869)	(157,560,357)	(20,408,783)	—	(271,574,086)	—	—	—	—	(1,554,869)	(429,134,443)	(20,408,783)
Benefit from (provision for) income tax (see Note 20)	89,227,666	14,491,274	(1,571,754,022)	37,261,550	(247,123,777)	(87,329,126)	—	—	—	126,489,216	(232,632,503)	(1,659,083,148)
Consolidated net income (loss)	₱8,053,641,518	₱6,269,844,745	₱3,459,932,833	(₱887,793,732)	(₱206,863,333)	(₱1,136,867,398)	(₱18,296)	(₱363,630)	₱—	₱7,165,829,490	₱6,062,617,782	₱2,323,065,435

	Philippines			Korea			Eliminations			Consolidated		
	2018	2017	2016	2018	2017	2016	2018	2017	2016	2018	2017	2016
Revenue	₱37,613,303,605	₱32,413,200,796	₱27,275,695,309	₱606,922,478	₱608,493,030	₱314,516,938	₱—	₱—	₱—	₱38,220,226,083	₱33,021,693,826	₱27,590,212,247
Operating costs and expenses	(26,057,656,043)	(24,045,159,774)	(20,826,915,771)	(1,038,536,195)	(1,049,011,475)	(1,063,849,574)	—	—	—	(27,096,192,238)	(25,094,171,249)	(21,890,765,345)
Other income (expenses):												
Interest expense	(4,564,370,089)	(2,128,610,570)	(2,190,739,561)	(112,711,094)	(97,649,314)	(90,092,069)	95,154,130	74,711,299	57,518,586	(4,581,927,053)	(2,151,548,585)	(2,223,313,044)
Foreign exchange gains (losses) - net	738,513,857	34,649,063	692,795,424	(380,801,602)	847,586,409	(210,402,489)	—	—	—	357,712,255	882,235,472	482,392,935
Interest income	236,177,391	138,834,313	101,260,237	71,131	2,415,880	288,922	(95,172,426)	(75,074,929)	(57,518,586)	141,076,096	66,175,264	44,030,573
Others	(1,554,869)	(157,560,357)	(20,408,783)	—	(271,574,086)	—	—	—	—	(1,554,869)	(429,134,443)	(20,408,783)
Benefit from (provision for) income tax	89,227,666	14,491,274	(1,571,754,022)	37,261,550	(247,123,777)	(87,329,126)	—	—	—	126,489,216	(232,632,503)	(1,659,083,148)
Consolidated net income (loss)	₱8,053,641,518	₱6,269,844,745	₱3,459,932,833	(₱887,793,732)	(₱206,863,333)	(₱1,136,867,398)	(₱18,296)	(₱363,630)	₱—	₱7,165,829,490	₱6,062,617,782	₱2,323,065,435

The assets and liabilities of the Group's reportable geographical segments as of December 31, 2018 and 2017 are as follows:

	Philippines		Korea		Total		Eliminations		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Assets:										
Segment assets	₱292,205,159,353	₱180,997,246,620	₱7,568,496,225	₱7,566,872,029	₱299,774,163,007	₱188,564,118,649	(₱174,125,184,615)	(₱115,777,667,124)	₱125,648,978,392	₱72,786,451,525
Deferred tax assets - net	—	—	309,557,804	237,318,261	309,557,804	237,318,261	(309,557,804)	(237,318,261)	—	—
Total assets	₱292,205,159,353	₱180,997,246,620	₱7,878,054,029	₱7,804,190,290	₱300,083,720,811	₱188,801,436,910	(₱174,434,742,419)	(₱116,014,985,385)	₱125,648,978,392	₱72,786,451,525
Liabilities:										
Segment liabilities	₱94,214,120,662	₱48,493,392,673	₱9,036,702,475	₱8,160,029,136	₱103,250,823,137	₱56,653,421,809	(₱14,408,108,926)	(₱14,553,699,943)	₱88,842,714,211	₱42,099,721,866
Deferred tax liabilities - net	71,035,934	151,628,952	—	—	71,035,934	151,628,952	174,124,420	249,749,995	245,160,354	401,378,947
Total liabilities	₱94,285,156,596	₱48,645,021,625	₱9,036,702,475	₱8,160,029,136	₱103,321,859,071	₱56,805,050,761	(₱14,233,984,506)	(₱14,303,949,948)	₱89,087,874,565	₱42,501,100,813



25. Subsequent Events

On February 11, 2019, SPI and BRHI signed an Omnibus Loan and Security Agreement (“OLSA”) for a 10-year combined loan facility in the principal amount of ₱40,000.0 million 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 SPI 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.

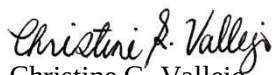


INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Bloomberry Resorts Corporation
The Executive Offices, Solaire Resort & Casino
1 Asean Avenue, Entertainment City, Tambo
Parañaque City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Bloomberry Resorts Corporation and its subsidiaries as at December 31, 2018 and 2017 and for each of the three years in the period ended December 31, 2018, included in this Form 17-A, and have issued our report thereon dated March 4, 2019. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Christine G. Vallejo

Partner

CPA Certificate No. 99857

SEC Accreditation No. 1402-AR-1 (Group A),

March 2, 2017, valid until March 1, 2020

Tax Identification No. 206-384-906

BIR Accreditation No. 08-001998-105-2017,

January 31, 2017, valid until January 30, 2020

PTR No. 7332623, January 3, 2019, Makati City

March 4, 2019

SGVFS032986

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*These schedules, which are required by Part II of SRC Rule 68, As Amended (2011) are either not required, not applicable or the information required to be presented is included in the Company's consolidated financial statements or the notes to consolidated financial statements.

BLOOMBERRY RESORTS CORPORATION

Schedule A. Financial Assets
December 31, 2018

Name of Issuing Entity and Description of Each Issue	Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Balance Sheet	Value Based on Market Quotations at Balance Sheet Date	Unrealized mark-to-market gain
		Not Applicable			

BLOOMBERRY RESORTS CORPORATION

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
For the Year Ended December 31, 2018

Name and Designation of Debtor	Beginning Balance	Additions	Deductions			Current	Non-current	Ending Balance
			Amount Collected	Amount Written-Off	Others			
Bloomberry Resorts Corporation	P60,030,707	P-	(P8,550,413)	P-	P-	P51,480,294	P-	P51,480,294
Sureste Properties, Inc.	20,906,306	64,955,483	(62,889,907)	-	-	22,971,882	-	22,971,882
Bloomberry Resorts and Hotels Inc.	36,304,365	65,996,594	(60,002,395)	-	-	42,298,564	-	42,298,564
	P117,241,378	P130,952,077	(P131,442,715)	P-	P-	P116,750,740	-	P116,750,740

BLOOMBERRY RESORTS CORPORATION

Schedule C. Amounts of Receivable from Related Parties, which are Eliminated During the Consolidation of Financial Statements
For the Year Ended December 31, 2018

Name and Designation of Debtor	Beginning Balance	Additions	Deductions			Current	Non-current	Ending Balance
			Amount Collected	Amount Written-Off	Others			
Solaire Korea Co., Ltd.	P6,059,885,915	P461,841,293	P-	P-	P	P-	P6,521,727,208	P6,521,727,208
G&L Co., Ltd.	1,058,978,300	436,078,528	-	(1,398,988,226)	-	-	96,068,602	96,068,602
Bloomberry Capital B.V	8,909,809	640,961	-	-	-	9,550,770	-	9,550,770
	P7,127,774,024	P898,560,782	P-	(P1,398,988,226)	P-	P9,550,770	P6,617,795,810	P6,627,346,580

BLOOMBERRY RESORTS CORPORATION

Schedule E. Long-term Debt
December 31, 2018

Name of Issuer and Type of Obligation	Amount Authorized by Indenture	Amount Shown as Current	Amount Shown as Long-term	Remarks
BRHI - Philippine peso-denominated term loans	72,397,500,000	2,205,000,000	70,192,500,000	See Note 12 to the Audited
Less: Unamortized Debt Issue Cost	(1,210,580,314)	(136,850,746)	(1,073,729,568)	Consolidated Financial Statements
	₱71,186,919,686	₱2,068,149,254	₱69,118,770,432	

BLOOMBERRY RESORTS CORPORATION

Schedule F. Indebtedness to Related Parties (Long-term Loans from Related Companies)
December 31, 2018

Name of Related Party	Beginning Balance	Ending Balance
NONE		

BLOOMBERRY RESORTS CORPORATION

Schedule G. Guarantees of Securities of Other Issuers
December 31, 2018

Name of Issuing Entity of Securities Guaranteed by the Company for which Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by the Company for which Statement is Filed	Nature of Guarantee
		NONE		

BLOOMBERRY RESORTS CORPORATION

Schedule H. Capital Stock
December 31, 2018

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Share Reserved for Options, Warrants, Conversions and Other Rights	Number of Shares Held By		
				Parent and Affiliates	Directors, Officers and Employees	Others
Shares	15,000,000,000	11,013,711,155*	-	7,082,156,500	43,950,830	3,887,603,825

*Net of treasury shares.

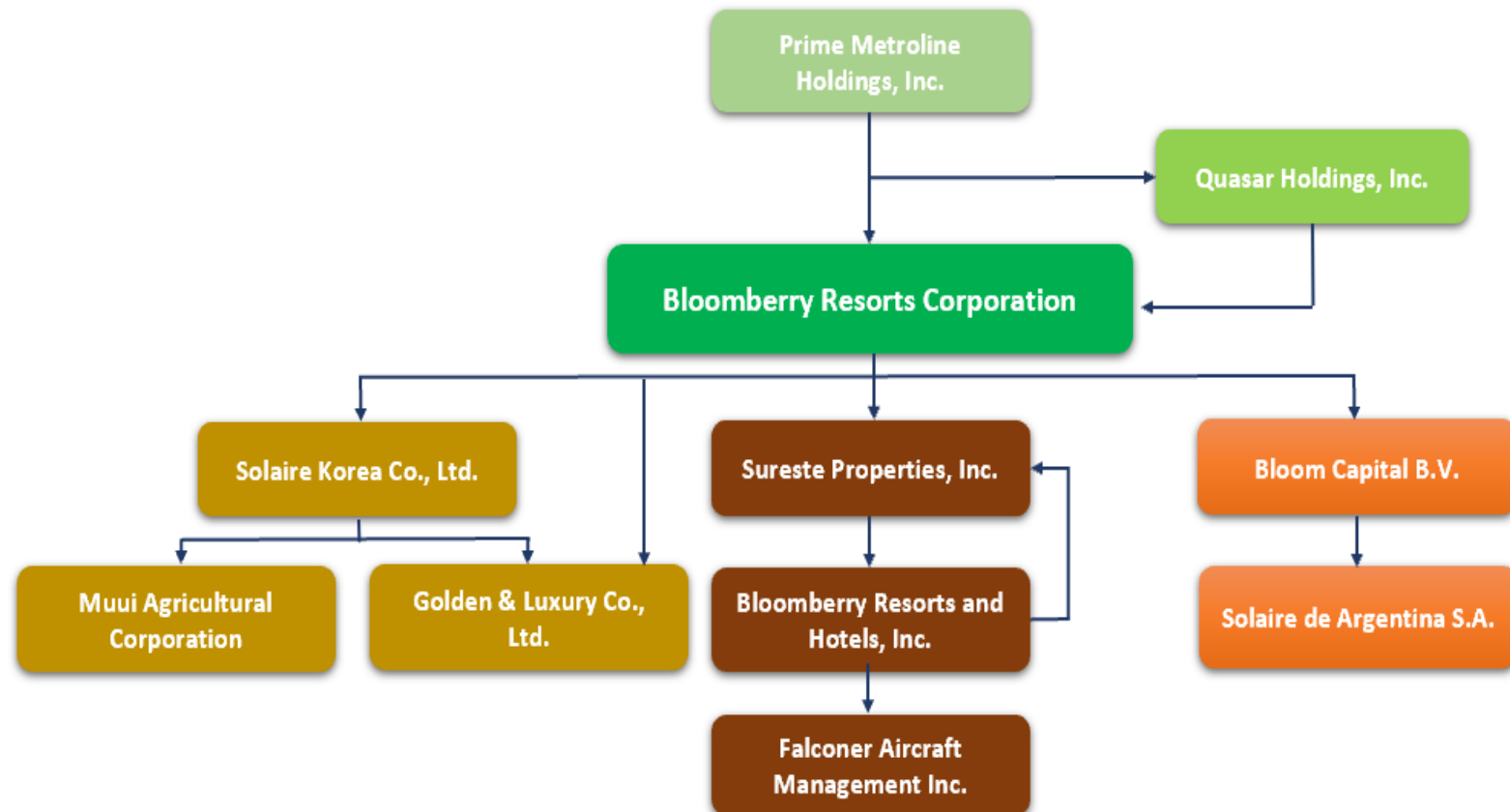
BLOOMBERRY RESORTS CORPORATION

Schedule I. Retained Earnings Available for Dividend Declaration
December 31, 2018

		Amount
Unappropriated retained earnings, beginning		₱5,364,842,247
Adjustments: (see adjustments in previous year's Reconciliation)		(796,575,381)
Unappropriated retained earnings, as adjusted to available for dividend distribution, beginning		₱4,568,266,866
Add: Net income actually earned/realized during the period		
Net income during the year closed to retained earnings	(1,088,623,320)	
Benefit from deferred income tax recognized during the year	-	
Unrealized foreign exchange gain – net	(265,996,485)	
Net income actually earned/realized during the period		(1,354,619,805)
Add: Treasury Shares (acquisition and issuance during the year)		(60,214,026)
Less: Dividend declaration		(1,103,299,823)
Unappropriated retained earnings available for dividend, as adjusted, ending		₱2,050,133,212

BLOOMBERRY RESORTS CORPORATION

Schedule J. Map of Relationships
December 31, 2018



BLOOMBERRY RESORTS CORPORATION

Schedule K. Proceeds of Placing and Subscription Transaction
December 31, 2018

	Offering Circular	Actual
Gross Proceeds		
Net Proceeds		
Use of Net Proceeds:	NONE	
Investment in Sureste Properties, Inc.		
Balance as of December 31, 2018		

BLOOMBERRY RESORTS CORPORATION AND SUBSIDIARIES

SCHEDULE OF ALL THE EFFECTIVE STANDARDS

AND INTERPRETATIONS

DECEMBER 31, 2018

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary			✓	
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendment to PFRS 1: Borrowing Costs			✓
	Amendment to PFRS 1: Meaning of Effective PFRSs			✓
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✓		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	✓		
	Amendment to PFRS 2: Definition of Vesting Condition	✓		
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions	✓		
PFRS 3 (Revised)s	Business Combinations	✓		
	Amendments to PFRS 3: Accounting for Contingent Consideration in a Business Combination	✓		
	Amendments to PFRS 3: Scope Exceptions for Joint Arrangements	✓		
	Amendments to PFRS 3, Business Combination and PFRS 11, Joint Arrangements, Previously Held Interest in a Joint Operation	Not early adopted		
	Amendments to PFRS 3: Definition of a business	Not early adopted		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Changes in Method of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Amendments to PFRS 7: Servicing Contracts	✓		
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements	✓		
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
PFRS 9	Financial Instruments	✓		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Amendments to PFRS 9: Prepayment Features with Negative Compensation	Not early adopted		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10: Applying the Consolidation Exception			✓
	Amendments to PFRS 10: Sale or Contribution of Assets Between and Investor and its Associate of Joint Venture	Not early adopted		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PFRS 11	Joint Arrangements			✓
	Amendment to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Investment Entities			✓
	Amendments to PFRS 12: Applying the Consolidation Exception			✓
	Amendment to PFRS 12: Disclosure of Interests in Other Entities, Clarification of the Scope of the Standard (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)	✓		
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term Receivables and Payables	✓		
	Amendment to PFRS 13: Portfolio Exception	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
PFRS 16	Leases	Not early adopted		
PFRS 17	Insurance Contracts	Not early adopted		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of the requirements of comparative information	✓		
	Amendments to PAS 1, Presentation of Financial Statements and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material	Not early adopted		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Statement of Cash Flows, Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12: Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12: Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses	✓		
	Amendments to PAS 12: Income Tax Consequences of Payments on Financial Instruments Classified as Equity	Not early adopted		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of Servicing Equipment	✓		
	Amendment to PAS 16: Revaluation Method – Proportionate Restatement of Accumulated Depreciation			✓
	Amendment to PAS 16: Clarification of Acceptable Methods of Depreciation	✓		
	Amendment to PAS 16: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contribution	✓		
	Amendments to PAS 19: Regional Market Issue Regarding Discount Rate	✓		
	Amendments to PAS 19, Employee Benefits, Plan Amendment, Curtailment or Settlement	Not early adopted		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
	Amendments to PAS 23: Borrowing Costs, Borrowing Costs Eligible for Capitalization	Not early adopted		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27	Consolidated and Separate Financial Statements	✓		
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10: Sale or Contribution of Assets Between and Investor and its Associate of Joint Venture			✓
	Amendments to PAS 28: Applying the Consolidation Exception			✓
	Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)	✓		
	Amendments to PAS 28: Long-term Interests in Associates and Joint Ventures			
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Amendments to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities	✓		
	Amendments to PAS 34: Disclosure of Information Elsewhere in the Interim Financial Report	✓		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Clarification of acceptable methods of amortization	✓		
	Amendments to PAS 38: Revaluation Method – Proportionate Restatement of Accumulated Amortization			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property	✓		
	Amendments to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-Occupied Property	✓		
	Amendments to PAS 40, Investment Property, Transfers of Investment Property			✓
PAS 41	Agriculture			✓
	Amendment to PAS 41: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
IFRIC 9	Reassessment of Embedded Derivatives	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	✓		
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 11	PFRS 2 - Group and Treasury Share Transactions	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes	✓		
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement	✓		
IFRIC 15	Agreements for the Construction of Real Estate*			✓
IFRIC 16	Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement			✓
	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners	✓		
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
IFRIC 22	Foreign Currency Transactions and Advance Consideration			✓
IFRIC 23	Uncertainty over Income Tax Treatments			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases – Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

B	L	O	O	M	B	E	R	R	Y		R	E	S	O	R	T	S		C	O	R	P	O	R	A	T	I	O	N
A	N	D		S	U	B	S	I	D	I	A	R	I	E	S														

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

T	h	e		E	x	e	c	u	t	i	v	e		O	f	f	i	c	e	s	,		S	o	l	a	i	r	e
R	e	s	o	r	t		&		C	a	s	i	n	o	,		1		A	s	e	a	n		A	v	e	n	u
e	,		E	n	t	e	r	t	a	i	n	m	e	n	t		C	i	t	y	,		T	a	m	b	o	,	
P	a	r	a	ñ	a	q	u	e		C	i	t	y																

Form Type

1	7	-	Q
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Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

N	A
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COMPANY INFORMATION

Company's Email Address

investorrelations@bloomberry.ph

Company's Telephone Number

8888-8888

Mobile Number

-

No. of Stockholders

95

Annual Meeting (Month / Day)

Every third Thursday of April

Fiscal Year (Month / Day)

December 31

CONTACT PERSON INFORMATIONThe designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

Gerard Angelo Emilio J. Festin

Email Address

gerardfestin@solaireresort.com

Telephone Number/s

8883-8920

Mobile Number

-

CONTACT PERSON'S ADDRESS

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

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

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarter ended 30 September 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) 883-8920
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 Issued and Outstanding
Unclassified Shares, P1.00 par value	11,027,125,401 Shares
11. Are any or all of these securities listed on a Stock Exchange.
Yes ☒ 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 ☒ No ☐
(b) has been subject to such filing requirements for the past ninety (90) days.
Yes ☒ No ☐

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

The unaudited condensed consolidated financial statements as of September 30, 2019 and for the three months and nine months ended September 30, 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 58.

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
September 30, 2019 (Unaudited) and December 31, 2018 (Audited)
and For the Three Months and Nine Months Ended September 30, 2019
and 2018 (Unaudited)

BLOOMBERRY RESORTS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2019 AND DECEMBER 31, 2018

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	P40,713,459,841	P36,465,847,957
Receivables	3,951,390,796	2,805,958,496
Inventories	304,408,730	291,573,331
Prepayments and other current assets	891,313,649	902,684,435
Total Current Assets	45,860,573,016	40,466,064,219
Noncurrent Assets		
Property and equipment	81,870,240,405	82,699,866,703
Intangible assets	1,800,991,358	1,959,046,027
Other noncurrent assets	1,266,312,768	524,001,443
Total Noncurrent Assets	84,937,544,531	85,182,914,173
	P130,798,117,547	P125,648,978,392
LIABILITIES AND EQUITY		
Current Liabilities		
Payables and other current liabilities	P16,999,563,779	P16,928,855,982
Current portion of long-term debt	2,064,938,855	2,068,149,254
Income tax payable	3,708,659	3,597,310
Total Current Liabilities	19,068,211,293	19,000,602,546
Noncurrent Liabilities		
Long-term debt - net of current portion	67,570,245,309	69,118,770,432
Deferred tax liabilities - net	257,036,977	245,160,354
Retirement liability	433,039,958	384,884,739
Other noncurrent liabilities	329,497,387	338,456,494
Total Noncurrent Liabilities	68,589,819,631	70,087,272,019
Total Liabilities	87,658,030,924	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	13,153,521,805	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	(68,667,495)	(185,406,175)
Share-based payment plan	210,777,758	226,349,792
Other comprehensive income (loss)	(406,304,915)	18,065,308
Retained earnings	19,267,829,556	12,329,630,590
Total Equity Attributable to Equity Holders of the Parent Company	43,157,491,659	36,552,124,621
Equity Attributable to Non-controlling Interests	(17,405,036)	8,979,206
Total Equity	43,140,086,623	36,561,103,827
	P130,798,117,547	P125,648,978,392

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 SEPTEMBER 30		FOR THE NINE MONTHS ENDED SEPTEMBER 30	
	2019	2018	2019	2018
NET REVENUES				
Gaming	₱11,231,432,506	₱7,230,879,242	₱29,690,158,165	₱23,943,346,705
Hotel, food and beverage	1,097,568,094	846,167,459	3,131,244,640	2,718,625,124
Retail and others	903,204,368	803,715,387	2,641,919,017	2,111,905,522
	13,232,204,968	8,880,762,088	35,463,321,822	28,773,877,351
OPERATING COSTS AND EXPENSES	7,878,253,717	6,586,611,678	22,639,214,841	20,138,452,397
INCOME BEFORE OTHER INCOME (EXPENSE) AND INCOME TAX	5,353,951,251	2,294,150,410	12,824,106,981	8,635,424,954
OTHER INCOME (EXPENSES)				
Interest expense	(1,398,118,484)	(1,433,067,131)	(4,172,823,511)	(3,147,327,787)
Foreign exchange gain (loss) - net	(59,488,926)	230,730,117	(253,787,475)	878,236,738
Interest income	78,344,724	39,021,657	233,723,107	71,256,494
Others	(57,462,238)	—	(57,462,238)	(1,554,869)
	(1,436,724,924)	(1,163,315,357)	(4,250,350,117)	(2,199,389,424)
INCOME BEFORE INCOME TAX	3,917,226,327	1,130,835,053	8,573,756,864	6,436,035,530
PROVISION FOR (BENEFIT FROM) INCOME TAX	4,669,145	(3,399,205)	7,969,140	(4,689,015)
NET INCOME	3,912,557,182	1,134,234,258	8,565,787,724	6,440,724,545
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will not be reclassified to profit or loss in subsequent period:				
Exchange difference on translation of foreign operations	(31,332,275)	(62,714,785)	(425,770,223)	(108,781,355)
Unrealized gain on equity instrument designated at fair value through other comprehensive income, net of tax	4,000,000	5,000,000	2,000,000	7,650,000
Income tax effect	(1,200,000)	—	(600,000)	—
TOTAL OTHER COMPREHENSIVE LOSS	(28,532,275)	(57,714,785)	(424,370,223)	(101,131,355)
TOTAL COMPREHENSIVE INCOME	₱3,884,024,907	₱1,076,519,473	₱8,141,417,501	₱6,339,593,190
Net Income (Loss) Attributable To				
Equity holders of the Parent Company	₱3,921,592,117	₱1,133,551,669	₱8,592,171,966	₱6,466,931,647
Non-controlling interests	(9,034,935)	682,589	(26,384,242)	(26,207,102)
	₱3,912,557,182	₱1,134,234,258	₱8,565,787,724	₱6,440,724,545
Total Comprehensive Income (Loss) Attributable To				
Equity holders of the Parent Company	₱3,893,059,842	₱1,075,836,884	₱8,167,801,743	₱6,365,800,292
Non-controlling interests	(9,034,935)	682,589	(26,384,242)	(26,207,102)
	₱3,884,024,907	₱1,076,519,473	₱8,141,417,501	₱6,339,593,190
Earnings Per Share on Net Income Attributable to Equity Holders of the Parent Company				
Basic	₱0.356	₱0.103	₱0.780	₱0.588
Diluted	₱0.354	₱0.103	₱0.778	₱0.585

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

BLOOMBERRY RESORTS CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

	Equity Attributable to Equity Holders of the Parent Company								Equity		
	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	Attributable to Non-controlling Interests	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 (loss)	-	-	-	-	-	-	-	8,592,171,966	8,592,171,966	(26,384,242)	8,565,787,724
Exchange difference on translation of foreign operations	-	-	-	-	-	-	(425,770,223)	-	(425,770,223)	-	(425,770,223)
Unrealized gain on equity instrument designated at fair value through other comprehensive income	-	-	-	-	-	-	1,400,000	-	1,400,000	-	1,400,000
Total comprehensive income (loss)	-	-	-	-	-	-	(424,370,223)	8,592,171,966	8,167,801,743	(26,384,242)	8,141,417,501
Dividend declaration	-	-	-	-	-	-	-	(1,653,973,000)	(1,653,973,000)	-	(1,653,973,000)
Share-based payments	-	-	-	-	-	232,695,448	-	232,695,448	-	-	232,695,448
Purchase of treasury shares	-	-	-	-	(144,902,083)	-	-	-	(144,902,083)	-	(144,902,083)
Issuance of treasury shares for share-based payments	-	(13,373,281)	-	-	261,640,763	(248,267,482)	-	-	-	-	-
Issuance of Bloomberry shares held by a subsidiary	-	-	-	3,744,930	-	-	-	-	3,744,930	-	3,744,930
Balances at September 30, 2019 (Unaudited)	₱11,032,998,225	₱13,153,521,805	(₱27,138,558)	(₱5,524,717)	(₱68,667,495)	₱210,777,758	(₱406,304,915)	₱19,267,829,556	₱43,157,491,659	(₱17,405,036)	₱43,140,086,623
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 (loss)	-	-	-	-	-	-	-	6,466,931,647	6,466,931,647	(26,207,102)	6,440,724,545
Exchange difference on translation of foreign operations	-	-	-	-	-	-	(108,781,355)	-	(108,781,355)	-	(108,781,355)
Unrealized gain on available-for-sale investment	-	-	-	-	-	-	7,650,000	-	7,650,000	-	7,650,000
Total comprehensive income	-	-	-	-	-	-	(101,131,355)	6,466,931,647	6,365,800,292	(26,207,102)	6,339,593,190
Dividends declared	-	-	-	-	-	-	-	(1,103,299,823)	(1,103,299,823)	-	(1,103,299,823)
Share-based payments	-	-	-	-	-	154,096,457	-	154,096,457	-	-	154,096,457
Purchase of treasury shares	-	-	-	-	(125,395,464)	-	-	-	(125,395,464)	-	(125,395,464)
Issuance of treasury shares for share-based payments	-	25,323,108	-	-	128,792,666	(154,115,774)	-	-	-	-	-
Balances at September 30, 2018 (Unaudited)	₱11,032,998,225	₱13,166,895,086	(₱27,138,558)	₱-	(₱121,794,947)	₱159,723,712	(₱119,952,572)	₱11,456,905,231	₱35,547,636,177	₱2,708,893	₱35,550,345,070

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

BLOOMBERRY RESORTS CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱8,573,756,864	₱6,436,035,530
Adjustments for:		
Interest expense	4,172,823,511	3,147,327,787
Depreciation and amortization	2,759,485,708	2,761,073,852
Unrealized foreign exchange losses (gains) - net	202,375,730	(878,236,738)
Share-based payment expense	232,695,448	154,096,457
Interest income	(233,723,107)	(71,256,494)
Net change in retirement liability	48,155,219	65,296,236
Others	57,462,238	1,554,869
Operating income before working capital changes	15,813,031,611	11,615,891,499
Decrease (increase) in:		
Receivables	(1,286,197,450)	(887,331,307)
Inventories	(12,835,399)	5,954,259
Prepayments and other current assets	11,370,786	3,059,427
Increase (decrease) in:		
Payables and other current liabilities	344,262,346	1,982,666,243
Other noncurrent liabilities	(15,408,416)	—
Net cash generated from operations	14,854,223,478	12,720,240,121
Income tax paid	(21,556,157)	(1,597,045)
Interest received	250,300,348	71,256,494
Net cash provided by operating activities	15,082,967,669	12,789,899,570
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(1,928,394,547)	(42,153,343,667)
Decrease (increase) in:		
Other noncurrent assets	(797,773,563)	(323,451,929)
Restricted cash	—	2,250,906,354
Net cash used in investing activities	(2,726,168,110)	(40,225,889,242)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Interest	(4,424,661,155)	(2,150,565,959)
Dividends	(1,653,973,000)	(1,103,299,823)
Long-term debt principal	(1,653,750,000)	(32,904,617,500)
Short-term borrowing	(56,507,383)	—
Purchase of treasury shares	(144,902,083)	(125,395,464)
Proceeds from issuance of Bloomberry's shares held by a subsidiary	3,744,930	—
Proceeds from availment of loan	—	73,500,000,000
Net cash provided by (used in) financing activities	(7,930,048,691)	37,216,121,254
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(179,138,984)	953,016,525
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,247,611,884	10,733,148,107
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	36,465,847,957	21,961,406,978
CASH AND CASH EQUIVALENTS AT END OF PERIOD	₱40,713,459,841	₱32,694,555,085

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, hold, or dispose shares of stock and other securities of any corporation, including those engaged in hotel and/or gaming and entertainment business, 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 September 30, 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 an 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 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 a 94% stake in Solaire de Argentina S.A. Bloom Capital B.V. is currently not in operation. Solaire de Argentina S.A. has started the process of liquidation.

Bloomberry Cruise Terminals, Inc. (BCTI)

BCTI, a wholly-owned subsidiary of Bloomberry, was incorporated in the Philippines and registered with SEC on July 19, 2019. The primary purpose of BCTI is to establish, operate and manage cruise terminals.

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 for another 25 years 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 "Solairé". The Gaming License has the same terms and conditions as the Provisional License.

Solairé is one of the Philippines' first premium/luxury hotel and gaming resorts. It is a gaming and integrated resort complex on 9.2 hectares of 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.

Upon completion of Phase 1 of Solairé, now referred to as the Bay Tower, BRHI and Sureste commenced commercial operations on March 16, 2013. Solairé opened with its main gaming area and initial non-gaming amenities, which included hotel, food and beverage outlets.

On November 22, 2014, Bloomberry opened the Sky Tower, which was previously referred to as Phase 1A development of Solairé. Contiguous to the existing Solairé 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, amplified music and speech events. The Forum is a 2,000 square-meter meeting facility with eight meeting rooms, two boardrooms and a flexible pre-function area. The ballroom is now in the process of being reconfigured into a new gaming area. The Tent at Solairé was established as a temporary versatile function venue with full banquet and catering facilities. Sky Tower also features the Sky Range Shooting Club with 5 rifle shooting bays and 15 pistol bays.

Sky Tower is accessible through a 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 Louis Vuitton, Saint Laurent, Bvlgari, Salvatore Ferragamo, Givenchy, Prada, Tumi, and Lukfook Jewelry. In the first nine months of 2019, new outlets were opened including Versace, Chao Tai Fook, Porsche Design, Univers, Marcelo Burlon and Stefano Ricci.

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 in the Sky Tower has been reconfigured and leased out as office space for BPO businesses.

In 2015, Sureste purchased from the National Housing Authority (NHA) 15,676 square meters of land in Vertis North, Quezon City Central Business District and was issued Transfer Certificates of the Title on June 24, 2016. This property is the site of BRHI's proposed second integrated resort in the Philippines, "Solaire North", under the same PAGCOR license. The Group started the excavation work for the said project in July 2019.

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 Resort 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 operations 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 guests and casino players. 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, restaurants, lobby, building façade, sports bar, gym, sauna, back of the house and a new ballroom for the purpose of securing the 5 Hibiscus rating that is required to keep its gaming license.

BCTI

BCTI was established by Bloomberry to manage and operate the proposed Solaire Cruise Center and Yacht Harbor, a two-berth luxury cruise terminal attached to Solaire and fronting Manila Bay, and a cruise tender terminal being developed in the Port of Salomague, Cabugao, Ilocos Sur in the northern Philippines. The proposed Solaire Cruise Center and Yacht Harbor were designated by the Tourism Infrastructure and Enterprise Zone Authority as a Tourism Enterprise Zone.

Sureste was awarded a 10-year lease from the Philippine Ports Authority which gives Sureste the right to construct, develop, manage and operate cruise passenger facilities at the Port of Salomague.

The construction of the cruise terminal projects will commence once all relevant regulatory approvals are secured.

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. 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 September 30, 2019 and December 31, 2018, subsidiaries of Bloomberry include:

	Effective Percentage of Ownership			
	September 30, 2019		December 31, 2018	
	<i>(Unaudited)</i>		<i>(Audited)</i>	
	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
Bloomberry Cruise Terminal, Inc.	100	–	–	–
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.

Standards Issued But Not Yet Effective

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 and 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.

Current versus Noncurrent Classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as noncurrent.

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

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 September 30, 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 September 30, 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 September 30, 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 September 30, 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 assets as of September 30, 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 either 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 September 30, 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 September 30, 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 September 30, 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 of 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.

Equity

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

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

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

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

Share-based Payment Plan

Certain qualified officers and employees of the Parent Company and subsidiaries receive remuneration for their services in the form of equity shares of the Parent Company ("equity-settled transactions").

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

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

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

Taxes

Current income tax

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

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

Deferred income tax

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

Deferred tax liabilities are recognized for all taxable temporary differences except: (1) when the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and (2) 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 complimentary 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 September 30, 2019 and 2018 amounted to ₱53.1 million and nil million, respectively, and for the nine months ended September 30, 2019 and 2018 amounted to ₱136.5 million and ₱29.2 million, respectively. The carrying amount of receivables amounted to ₱4.0 billion and ₱2.8 billion as at September 30, 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 ₱81.0 billion and ₱82.0 billion as of September 30, 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 and nine months ended September 30, 2019, and 2018.

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

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Property and equipment	₱81,870,240,405	₱82,699,866,703
Casino license and goodwill	1,800,991,358	1,959,046,027
Advances to contractors	607,073,539	269,000,913
Investment in a joint venture	212,741,127	124,949,998
Operating equipment	9,045,312	15,122,692
	₱84,500,091,741	₱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 ₱433.0 million and ₱384.9 million as of September 30, 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 September 30, 2019 and December 31, 2018.

3. Cash and Cash Equivalents

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Cash on hand	P4,191,170,671	P2,181,713,440
Cash in banks	23,453,600,362	20,387,668,654
Temporary cash investments	9,532,245,890	10,450,472,138
Debt collateral accounts	3,536,442,918	3,445,993,725
	P40,713,459,841	P36,465,847,957

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

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Gaming	P4,007,917,617	P2,776,947,415
Hotel	145,268,753	151,791,746
Receivables from officers and employees	93,427,584	116,750,740
Others	148,816,479	75,655,021
	4,395,430,433	3,121,144,922
Less allowance for doubtful accounts	444,039,637	315,186,426
	P3,951,390,796	P2,805,958,496

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 September 30, 2019 and December 31, 2018, property and equipment includes construction in progress pertaining to the costs related to ongoing construction at Solaire North as well as improvements in Solaire and Jeju Sun property.

Bloomberry through Solaire Korea has purchased a 12.2 hectare property in Muui Island and the entire 20.96 hectare 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-used developments.

In April 2018, the Group purchased two parcels of land where Solaire Resort & Casino and its expansion area is located, previously being leased from PAGCOR for a total acquisition cost of ₱37.3 billion.

The Group has no idle property and equipment as of September 30, 2019 and December 31, 2018.

As of September 30, 2019 and December 31, 2018, BRHI's property and equipment under mortgage has a carrying value of ₱74.2 billion and ₱75.8 billion, respectively.

There were no major disposals or write-downs of property and equipment for the nine months ended September 30, 2019. Additions for the period amounted to ₱1.9 billion. As of September 30, 2019 and December 31, 2018, property and equipment amounted to ₱81.9 million and ₱82.7 billion, respectively.

6. Intangible and Other Noncurrent Assets

a. Intangible Assets

The movements in the goodwill and casino license follows:

	September 30, 2019 <i>(Unaudited)</i>	December 31, 2018 <i>(Audited)</i>
Balance at beginning of year	₱1,959,046,027	₱1,942,408,693
Translation adjustment	(158,054,669)	16,637,334
Balance at end of the period	₱1,800,991,358	₱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:

	September 30, 2019 <i>(Unaudited)</i>	December 31, 2018 <i>(Audited)</i>
Advances to contractors	₱607,073,539	₱269,000,913
Prepaid debt issue costs	383,721,461	—
Investment in a joint venture	155,278,889	124,949,998
Security deposits classified as noncurrent	75,933,252	80,719,348
Investment in club shares	27,000,000	25,000,000
Operating equipment	9,045,312	15,122,692
Others	8,260,315	9,208,492
	₱1,266,312,768	₱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 September 30, 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 minor construction works in the property.

Investment in a joint venture represents the Group's 49% ownership in Falconer Aircraft Management, Inc. In 2019, the share in the net loss of a joint venture amounting to ₱57.5 million was recorded under "Others" account in the statement of comprehensive income. As at December 31, 2018, the Group's share in the profit or loss 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, customers 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 and accrued expense payable.

As of September 30, 2019 and December 31, 2018, payables and other current liabilities amounted to ₱17.0 billion and ₱16.9 billion, respectively.

8. Long-term Debt

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Principal	₱70,743,750,000	₱72,397,500,000
Less unamortized debt discount	1,108,565,836	1,210,580,314
	69,635,184,164	71,186,919,686
Less current portion of long-term debt	2,064,938,855	2,068,149,254
	₱67,570,245,309	₱69,118,770,432

Future repayment of the principal follows:

	September 30, 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	11,576,250,000	9,555,000,000
Beyond five years	56,962,500,000	60,637,500,000
	₱70,743,750,000	₱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
	<u>₱73,500,000,000</u>

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 ₱69.6 billion and ₱71.2 billion as of September 30, 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, "Solaire North", located at the Vertis North Complex in Quezon City, Metro Manila.

As of September 30, 2019, this loan facility has not been drawn. Related prepaid debt issue costs amounting to ₱383.7 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 the 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 September 30, 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 September 30, 2019 and December 31, 2018, the Group’s debt collateral account related to the Syndicated Loan Facility amounted to ₱3.5 billion and ₱3.4 billion, 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

	September 30, 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	11,027,125,401	10,964,330,730	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 is administered by the Stock Incentive Committee ("SIC") composed of three directors or officers to be appointed by the BOD. The SIC determines the number of shares to be granted to a participant and other terms and conditions of the grant.

Unissued shares from the authorized capital stock or treasury shares, 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.

Unless the Stock Incentive Committee determines otherwise, when dividends are declared by the Company, the number of shares subject to an award shall be increased by the number equal in value to the dividends the awardee would have received in respect of an award had the shares awarded to the awardee vested at the time of the dividend declaration. This is designated as the Dividend Re-investment Plan (DRIP).

Stock awards, including DRIP shares, 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

(forward)

Grant Date	Number of Shares Granted	Fair Value per Share at Grant Date
June 28, 2016	558,289	₱5.80
April 18, 2017**	26,914,402	8.38
May 16, 2018**	22,273,374	12.66
June 8, 2018**	89,147	11.40
August 1, 2018**	103,751	9.00
March 18, 2019**	24,933,792	11.62

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

** includes DRIP shares

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 September 30, 2019 and December 31, 2018 follows:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Balance at beginning of period	35,578,643	36,520,911
Stock awards granted	25,361,561	22,204,383
Stock awards vested	(24,166,622)	(22,756,055)
Stock awards of resigned/terminated employees	(818,029)	(390,596)
Balance at end of period	35,955,553	35,578,643

Total compensation expense on the stock awards recognized in 2019 and 2018 as part of "Operating costs and expenses" in the unaudited consolidated statements of comprehensive income amounted to ₱233.0 million and ₱154.1 million, respectively. The stock incentive obligation recognized as "Share-based payment plan" in the unaudited consolidated statements of financial position amounted to ₱210.8 million and ₱226.3 million as of September 30, 2019 and December 31, 2018, respectively.

Treasury Shares

As of September 30, 2019 and December 31, 2018, Bloomberry has a total treasury shares of 5,872,824 and 19,287,070, respectively, with a total cost of ₱68.7 million and ₱185.4 million, respectively.

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

Date of Approval	Number of Shares		Issue/ Offer Price
	Authorized	Issued/ Subscribed	
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 September 30, 2019 and December 31, 2018, Bloomberry has total shareholders of 95 and 98 on record, respectively. 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 September 30, 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 ₱1.7 billion to stockholders on record as of April 5, 2019 and was paid on April 16, 2019.

11. Costs and Expenses

This account consists of:

	<u>Three Months Ended September 30</u>		<u>Nine Months Ended September 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Operating costs and expenses	₱7,878,253,717	₱6,586,611,678	₱22,639,214,841	₱20,138,452,397
Interest expense	1,398,118,484	1,433,067,131	4,172,823,511	3,147,327,787
Foreign exchange losses (gains) - net	59,488,926	(230,730,117)	253,787,475	(878,236,738)
Others	57,462,238	—	57,462,238	1,554,869
	₱9,393,323,365	₱7,788,948,692	₱27,123,288,065	₱22,409,098,315

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 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 ₱37.3 billion. Sureste fully paid the purchase price and PAGCOR signed the Deed of Absolute Sale on June 4, 2018 for 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 ₱2.1 million and ₱197.5 million was recognized under operating costs and expenses in the nine months ended September 30, 2019 and 2018 consolidated statement of comprehensive income.

As of September 30, 2019 and December 31, 2018, accrued rent on PAGCOR lease contract arising from straight-line amortization amounted to ₱2.8 million and ₱3.3 million, respectively.

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

	September 30, 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 ₱14.3 million and ₱14.2 million, was recognized as part of 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 September 30, 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 nine months ended September 30, 2019 and 2018 amounted to ₱119.8 million and ₱60.0 million, respectively.

Security deposits related to the leases discussed above amounted to ₱18.7 million and ₱16.6 million as of September 30, 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 ₱443.2 million and ₱378.4 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 ₱7.0 million and ₱8.0 million as of September 30, 2019 and December 31, 2018 is presented under “Other receivables”, respectively.

Tenants’ security deposits classified as noncurrent, presented under “Other noncurrent liabilities”, amounted to ₱294.5 million and ₱327.5 million as of September 30, 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 ₱13.1 million and ₱8.3 million, respectively. Tenants’ security deposit classified as current amounting to ₱41.5 million and ₱26.4 million is presented under “Payables and other current liabilities” in the consolidated statement of financial position as of September 30, 2019 and December 31, 2018.

Unearned rent amounting to ₱32.3 million and ₱11.0 million as of September 30, 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 ₱17.4 million and ₱8.6 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 September 30, 2019 are as follows:

	Amount
Within one year	₱516,381,868
Beyond one year but not later than five years	1,296,779,317
	<u>₱1,813,161,185</u>

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 in 2016. 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. 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 nine months ended September 30, 2019 and 2018, amounted to ₱404.8 million and ₱399.7 million, respectively. Outstanding amount payable to BCF as of September 30, 2019 and December 31, 2018, presented as part of "Payable and other current liabilities", amounted to ₱54.6 million and ₱47.1 million, respectively. Furthermore, the Group has made advances to BCF amounting to ₱0.3 million of September 30, 2019 and December 31, 2018, 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 September 30, 2019 and December 31, 2018, BRHI has complied with the required debt-to-equity ratio.

Total PAGCOR license fee recognized amounted to ₱9.6 billion and ₱8.1 billion for the nine months ended September 30, 2019 and 2018, respectively. Outstanding amount payable to PAGCOR and BCF amounted to ₱1.1 billion and ₱1.1 billion as of September 30, 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 nine months ended September 30, 2019 and 2018 amounted to ₱7.5 billion and ₱7.0 billion, respectively. Receivable from junket operators as of September 30, 2019 and December 31, 2018 amounted to ₱3.9 billion and ₱2.1 billion, 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 accrued annual fees due to GGAM up to September 12, 2013 only. GGAM denied having breached the MSA and alleged 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 concerning 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 GGAM 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.

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 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.

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

On September 27, 2019, BRHI and Sureste received the Final Remedies Award of the arbitration tribunal in the case filed. The Final Award awarded less than half of the damages sought by GGAM. It provides:

- BRHI and SPI pay US\$85.2 million as damages for lost management fees to GGAM;
- BRHI and SPI pay US\$0.4 million as pre-termination fees and expense to Claimants;

- BRHI and SPI pay ₱10.2 billion for the 921.2 million GGAM shares in Bloomberry in exchange for GGAM turning over the shares after the payment. If BRHI and SPI do not pay for the shares, GGAM may sell the shares in the market and BRHI and SPI are directed to take all steps necessary to facilitate this sale. BRHI and SPI will be liable for the difference in the selling price if it is less than the awarded price;
- BRHI and SPI to take all steps necessary to release to GGAM the cash dividends on the shares (currently subject of the injunction of the RTC Makati);
- BRHI and SPI to pay GGAM cost of US\$15.0 million;
- Post-award interest at the annual rate of 6%, compounded annually, or 50 basis per month for the pre-termination expenses in (b), beginning 30 days after the award.

On November 5, 2019, BRHI and Sureste filed in the Singapore High Court an application to set aside the Final Award on the grounds of fraud and fraudulent concealment among others. This case is pending in Singapore.

BRHI and Sureste were advised by Philippine counsel that an award of the Arbitral Tribunal can only be enforced in the Philippines through an order of a Philippine court of proper jurisdiction after appropriate proceedings taking into account applicable Philippine law and public policy.

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

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

On April 23, 2013, the BIR issued RMC No.33-2013, 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 Anti-Money Laundering Council (AMLC) in relation to their ongoing investigation. The freeze order of the CA on the bank account was lifted on April 14, 2016. Subsequently, on request of the AMLC, the Supreme Court reinstated the freeze order on the account, which contained the amount of ₱109.3 million that was frozen from the accounts of those patrons subject to the investigation. BRHI has moved for the lifting of the freeze order. This motion is still pending with the Supreme Court. As of September 30, 2019 and December 31, 2018, the balance of this bank account amounting to ₱112.5 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.

In February 2019, BRHI received the summons and complaint as one of 17 Philippine companies and individuals that the Bangladesh Bank impleaded in the civil suit that it filed in the US District Court in New York against RCBC for recovery of the US\$81 million allegedly stolen from Bangladesh Bank account with the Federal Reserve Bank in New York that were allegedly laundered through Philippine casinos. BRHI through counsel has filed a motion to dismiss the case for lack of subject matter jurisdiction and for *forum non-conveniens* which is still pending.

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
(a) Net income (loss) attributable to equity holders of the Parent Company	₱3,921,592,117	₱1,133,551,669	₱8,592,171,966	₱6,466,931,647
(b) Weighted Ave. of issued shares	11,032,998,225	11,032,998,225	11,032,998,225	11,032,998,225
(c) Weighted Ave. number of treasury shares	(4,469,901)	(33,264,664)	(11,256,353)	(40,599,592)
(d) Weighted Ave. number of shares, net of treasury shares	11,028,528,324	10,999,733,561	11,021,741,872	10,992,398,633
Weighted average of stock awards granted:				
Unvested stock awards at beginning of year	10,593,992	46,293,301	10,593,992	46,293,301
Weighted average number of:				
Stock awards granted in 2019	25,361,561	–	18,208,300	–
Stock awards granted in 2018	–	11,229,947	–	16,653,288
(e) Weighted Ave. stock awards granted	35,955,553	57,523,248	28,802,292	62,946,589
(f) Weighted Ave. number of shares, net of treasury shares adjusted for dilution	11,064,483,877	11,057,256,809	11,050,544,164	11,055,345,222
Earnings (Loss) Per Share				
Basic (a)/(d)	₱0.356	₱0.103	₱0.780	₱0.588
Diluted (a)/(f)	₱0.354	₱0.103	₱0.778	₱0.585

15. Segment Information

The results of the Group's reportable business segment for the three months and nine months ended September 30, 2019 and 2018 are as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
Consolidated EBITDA	₱6,360,873,933	₱3,182,877,781	₱15,817,315,796	₱11,467,755,300
Depreciation and amortization	(928,577,958)	(849,705,714)	(2,759,485,708)	(2,761,073,852)
Interest expense	(1,398,118,484)	(1,433,067,131)	(4,172,823,511)	(3,147,327,787)
Foreign exchange gains (losses) – net	(59,488,926)	230,730,117	(253,787,475)	878,236,738
Others	(57,462,238)	–	(57,462,238)	(1,554,869)
Benefit from (provision for) income tax	(4,669,145)	3,399,205	(7,969,140)	4,689,015
Consolidated net income	₱3,912,557,182	₱1,134,234,258	₱8,565,787,724	₱6,440,724,545

The assets and liabilities of the Group's reportable business segment as of September 30, 2019 and December 31, 2018 are as follows:

	Philippines	Korea	Total	Eliminations	2019	2018
Assets:						
Segment assets	₱302,388,936,122	₱7,492,428,873	₱309,881,364,995	(₱179,083,247,449)	₱130,798,117,547	₱125,648,978,392
Deferred tax assets - net	–	284,582,865	284,582,865	(284,582,865)	–	–
Total assets	₱302,388,936,122	₱7,777,011,738	₱310,165,947,860	(179,367,830,314)	₱130,798,117,547	₱125,648,978,392
Liabilities:						
Segment liabilities	₱96,233,665,849	₱9,982,969,663	₱106,216,635,512	(₱18,815,641,565)	₱87,400,993,947	₱88,842,714,211
Deferred tax liabilities - net	61,323,600	–	61,323,600	195,713,377	257,036,977	245,160,354
Total liabilities	₱96,294,989,449	₱9,982,969,663	₱106,277,959,112	(18,619,928,188)	₱87,658,030,924	₱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 September 30, 2019 and for the three months and nine months ended September 30, 2019 and 2018 and as of and December 31, 2018.

OVERVIEW

The Parent Company was engaged in the manufacture of printed circuit boards up to 2003. It ceased commercial operations in December 2003 up until 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., Muui Agricultural Corporation and Bloomberry Cruise Terminals Inc. 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 such, 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 a 94% stake in Solaire de Argentina S.A. Bloom Capital B.V. is currently not in operation. Solaire de Argentina S.A. has started the process of liquidation.

Solaire Korea Co., Ltd.

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

Golden & Luxury Co., Ltd.

On April 24, 2015, Solair Korea acquired 77.26% of the outstanding shares of Golden & Luxury Co., Ltd. (G&L). Subsequently on May 22, 2015, it acquired an additional 18.98% of G&L, bringing Solair 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 Solair Korea. G&L is a hotel and casino operator in Jeju Island in the Republic of Korea.

Muui Agricultural Corporation

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

Solaire Resort & Casino

Solaire Resort & Casino ("Solair"), 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.

Upon completion of Phase 1 of Solair, now referred to as the Bay Tower, BRHI and Sureste commenced commercial operations on March 16, 2013. Solair opened with its main gaming area and initial non-gaming amenities, which included hotel, food and beverage outlets.

Phase 1 of Solair consists of a casino with an aggregate gaming floor area of approximately 18,500 square meters (including approximately 6,000 square meters of exclusive VIP gaming areas), with approximately 1,653 slot machines, 295 gaming tables and 88 electronic table games. Phase 1 has 488 hotel rooms, suites and bayside villas, and 15 specialty restaurants and F&B outlets including (the number of seats are approximations): 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 spa and fitness center, a bayview promenade, and multilevel parking building with approximately 1,500 parking slots.

On November 22, 2014, Bloomberry opened the Sky Tower, which was previously referred to as Phase 1A development of Solair. Contiguous to the existing Solair 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, amplified music and speech events. The Forum is a 2,000 square-meter meeting facility with eight meeting rooms, two boardrooms and a flexible pre-function area. The ballroom is now in the process of being reconfigured into a new gaming area. The Tent at Solair was established as a temporary versatile function venue with full banquet and catering facilities. Sky Tower also features the Sky Range Shooting Club with 5 rifle shooting bays and 15 pistol bays. Sky Tower is accessible

through a 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 Louis Vuitton, Saint Laurent, Bvlgari, Salvatore Ferragamo, Givenchy, Prada, Tumi, and Lukfook Jewelry. In the first half of 2019, new outlets were opened including Versace, Chao Tai Fook, Porsche Design, Univers, Marcelo Burlon and Stefano Ricci.

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 in the Sky Tower has been reconfigured and leased out as office space for BPO businesses.

Solaire North

In 2015, Sureste purchased from the National Housing Authority (NHA) 15,676 square meters of land in Vertis North, Quezon City Central Business District and was issued Transfer Certificates of the Title on June 24, 2016. This property is the site of BRHI's proposed second integrated resort in the Philippines, "Solaire North", under the same PAGCOR license. The Group started the excavation work for the said project in July 2019.

Bloomberry Cruise Terminals Inc.

Bloomberry established a new company named Bloomberry Cruise Terminals Inc. to manage and operate the proposed Solaire Cruise Center and Yacht Harbor, a two-berth luxury cruise terminal attached to Solaire and fronting Manila Bay, and a cruise tender terminal being developed in the Port of Salomague, Cabugao, Ilocos Sur in the northern Philippines. The proposed Solaire Cruise Center and Yacht Harbor were designated by the Tourism Infrastructure and Enterprise Zone Authority as a Tourism Enterprise Zone.

Sureste was awarded a 10-year lease from the Philippine Ports Authority which gives Sureste the right to construct, develop, manage and operate cruise passenger facilities at the Port of Salomague.

The construction of the cruise terminal projects will commence once all relevant regulatory approvals are secured.

Solaire Korea

Solaire Korea owns 20.96 hectares and 12.2 hectares in the South Korean islands of Silmi and Muui, 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 operations 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 guests and casino players. 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, restaurants, lobby, building façade, sports bar, gym,

sauna, back of the house and a new ballroom for the purpose of securing the 5 Hibiscus rating that is required to keep its gaming license.

OPERATING RESULTS

The following are the key performance indicators of the Group in the third quarter and first nine months of 2019 with comparison for 2018:

Table 2.0 Key Performance Indicators

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
<i>In thousands pesos except for ratios</i>	2019	2018	2019	2018
EBITDA	₱6,360,874	₱3,182,878	₱15,817,316	₱11,467,756
Net Debt to Equity Ratio (D/E)	1.09	1.52	1.09	1.52
Current Ratio	2.41	2.38	2.41	2.38
Total Assets	130,798,118	122,157,872	130,798,118	122,157,872
Return on Equity (ROE)	9.07%	3.19%	19.86%	18.12%

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 and nine months ended September 30, 2019 and 2018 as derived from the accompanying unaudited condensed consolidated financial statements.

Table 2.1 Unaudited Consolidated Statements of Income

	For the Three Months Ended September 30		%	For the Nine Months Ended September 30		%
<i>In thousands, except % change data</i>	2019	2018	Change	2019	2018	Change
Net revenues	₱13,310,549	₱8,919,784	49.2	₱35,697,045	₱28,845,134	23.8
Cost and expenses	9,393,323	7,788,949	20.6	27,123,288	22,409,098	21.0
Provision for (benefit from) income tax	4,669	(3,399)	237.4	7,969	(4,689)	270.0
Net income	3,912,557	1,134,234	245.0	8,565,788	6,440,725	33.0
Earnings per share:						
Basic	0.356	0.103	245.6	0.780	0.588	32.7
Diluted	0.354	0.103	243.7	0.778	0.585	33.0

OPERATING RESULTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2019 COMPARED WITH 2018

The following table shows the geographical segments of the operating results of the Group for the three months ended September 30, 2019 and 2018.

Table 2.2 Unaudited Consolidated Statements of Income

In thousands, except % change data	For the Three Months Ended September 30						% Change 2019 vs. 2018
	2019			2018*			
	Philippines	Korea	Consolidated	Philippines	Korea	Consolidated	
Gross gaming revenues**	₱17,111,061	₱109,262	₱17,220,323	₱11,711,076	₱193,450	₱11,904,526	44.7
PFRS 15 allocation	(1,102,572)	-	(1,102,572)	(885,375)	-	(885,375)	24.5
Contra revenue accounts	(4,839,620)	(46,699)	(4,886,319)	(3,762,250)	(26,022)	(3,788,272)	29.0
Net gaming revenues	11,168,869	62,563	11,231,432	7,063,451	167,428	7,230,879	55.3
Non-gaming & other revenues***	2,039,891	39,226	2,079,117	1,626,778	62,127	1,688,905	23.1
Net revenues	13,208,760	101,789	13,310,549	8,690,229	229,555	8,919,784	49.2
Cash operating expenses	(6,722,126)	(174,400)	(6,896,526)	(5,531,551)	(205,355)	(5,736,906)	20.2
Provisions for doubtful accounts	(53,149)	-	(53,149)	-	-	-	-
EBITDA	6,433,485	(72,611)	6,360,874	3,158,678	24,200	3,182,878	99.8
Depreciation and amortization	(880,301)	(48,277)	(928,578)	(804,219)	(45,487)	(849,706)	9.3
Interest, foreign exchange loss & others	(1,358,326)	(156,744)	(1,515,070)	(1,266,244)	63,907	(1,202,337)	26.0
Benefit from (provision for) income tax	(4,669)	-	(4,669)	3,399	-	3,399	(237.4)
Net profit	₱4,190,189	(₱277,632)	₱3,912,557	₱1,091,614	₱42,620	₱1,134,234	245.0
Basic earnings per share			₱0.356			₱0.103	
Diluted earnings per share			₱0.354			₱0.103	

* Operating results for the three months ended September 30, 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

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 September 30, 2019 and 2018:

Table 2.3 Revenues

	For the Three Months Ended September 30						% Change 2019 vs. 2018
In thousands, except % change data	2019			2018*			
	Philippines	Korea	Consolidated	Philippines	Korea	Consolidated	
Gaming	₱16,008,489	₱109,262	₱16,117,751	₱10,825,701	₱193,450	₱11,019,151	46.3
Hotel, food and beverage	1,063,282	34,286	1,097,568	806,719	39,449	846,168	29.7
Retail and others	898,300	4,904	903,204	781,144	22,571	803,715	12.4
Interest income	78,309	36	78,345	38,915	107	39,022	100.8
Gross revenues**	18,048,380	148,488	18,196,868	12,452,479	255,577	12,708,056	43.2
Less contra revenue accounts	4,839,620	46,699	4,886,319	3,762,250	26,022	3,788,272	29.0
Net revenues	₱13,208,760	₱101,789	₱13,310,549	₱8,690,229	₱229,555	₱8,919,784	49.2

* Operating results for the three months ended September 30, 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 third quarter of 2019, gross gaming revenues (GGR), non-gaming revenues (including hotel, food and beverage, retail and other), and interest income represented 88.6 percent, 11.0 percent and 0.4 percent of gross revenues, respectively. GGR, non-gaming revenues and interest income in the same period last year accounted for 86.7 percent, 13.0 percent and 0.3 percent of gross revenues, respectively.

Contra revenue increased to ₱4.9 billion in the third quarter of 2019, up 29.0 percent year-on-year, mainly due to higher rebates to junket operators and VIP patrons as a result of higher VIP gaming revenue as well as other customer promotions and incentives provided to

mass gaming guests.

Gaming

Philippines

Solaire registered robust growth in mass table drop and slot coin-in in the third quarter of 2019. Mass table drop and slot coin-in grew by 9.9 percent and 23.2 percent to record levels of ₱13.5 billion and ₱66.9 billion, respectively. The VIP segment, on the other hand, posted a decline of 4.7 percent in volume.

Gaming revenues after PFRS 15 allocation in the third quarter of 2019 increased by 47.9 percent or ₱5.2 billion as compared to the same period last year.

Below is the breakdown of gaming revenues:

Table 2.3 Breakdown of GGR

Amounts in millions	Third Quarter of 2019			Third Quarter of 2018			Change in Revenue	
	Volume*	Revenue	Hold	Volume*	Revenue	Hold	Amount	%
VIP tables	₱198,655	₱8,645	4.35%	₱208,497	₱3,983	1.91%	₱4,662	117.0
Mass tables	13,484	4,208	31.2%	12,265	4,140	33.8%	68	1.7
Slots	66,910	4,258	6.4%	54,314	3,589	6.6%	670	18.7
		17,111			11,711		5,400	46.1
PFRS 15 Allocation		(1,103)			(885)		(218)	24.6
Total		₱16,008			₱10,826		₱5,182	47.9

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

VIP revenue was ₱8.6 billion, representing an increase of 117.0 percent as a result of a higher VIP win rate. The VIP hold rate was 4.35 percent, higher than the 1.91 percent in the third quarter of last year and the normal hold of 2.85 percent. On a hold normalized basis, VIP revenue would have decreased by 4.7 percent.

Mass table drop increased by 9.9 percent year-on-year. Mass gaming revenue increased by ₱68.4 million or 1.7 percent partially affected by lower hold percentage. Slot revenue increased by ₱670.0 million or 18.7 percent as compared to the third quarter of last year.

There were 1,693,827 visitors in the third quarter of 2019, higher by 3.3 percent as compared to the same period last year.

Korea

Jeju Sun registered ₱109.3 million of GGR in the third quarter of 2019 which was 43.5 percent lower compared to ₱193.5 million in the third quarter of last year. The decline was due to an unfavorable hold percentage in the property's gaming segment.

Hotel, Food and Beverage

Philippines

Hotel, food and beverage revenue amounted to ₱1.1 billion in the third quarter of 2019, representing an increase of ₱256.6 million or 31.8 percent compared to the third quarter of last year. The increase was primarily due to higher REVPAR which grew by 26.6 percent.

In the third quarter of 2019, hotel cash revenues were 50.0 percent as compared to 56.7 percent in the same period last year, while non-gaming F&B cash revenues accounted for 53.5 percent of F&B revenues as compared to 51.7 percent in the prior year.

Solaire F&B outlets served 481,516 covers in the third quarter of 2019 as compared to 487,744 covers for the comparable period in 2018, representing a decrease of 1.3 percent. The decline was due to the closure of grand ballroom where banquets are held. The grand ballroom was closed to make way for a new gaming area. Average checks increased by 14.1 percent to ₱1,192.

Korea

The hotel and F&B operation of Jeju Sun generated ₱34.3 million of revenue in the third quarter of 2019, 13.1 percent lower than the comparative period in 2018 due to ongoing renovations covering 164 rooms, restaurants, lobby, building façade, sports bar, gym, sauna, back of the house and a new ballroom for the purpose of securing the 5 Hibiscus rating that is required to keep its gaming license. Renovation works are anticipated to be completed by the fourth quarter of 2019.

Retail and Others

Philippines

Retail and other revenues amounted to ₱898.3 million in the third quarter of 2019, an increase of 15.0 percent from ₱781.1 million in the same period last year. The increase was primarily attributable to additional rental revenue earned from new tenants at the Shoppes.

Korea

The retail and other revenues of Jeju Sun generated ₱4.9 million in the third quarter of 2019 which is lower by 78.3 percent compared to the same period in 2018. The retail area was also adversely impacted by renovation works.

Interest Income

Consolidated interest income amounted to ₱78.3 million in the third quarter of 2019, representing an increase of 100.8 percent from consolidated interest income of ₱39.0 million in the third quarter last year, mainly due to higher average consolidated cash balances in the third quarter of 2019.

COST AND EXPENSES

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

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

Table 2.4 Expenses

<i>In thousands, except % change data</i>	For the Three Months Ended September 30,						% Change 2019 vs. 2018
	2019			2018*			
	Philippines	Korea	Consolidated	Philippines	Korea	Consolidated	
Operating costs and expenses	₱7,655,576	₱222,677	₱7,878,253	₱6,335,770	₱250,842	₱6,586,612	19.6
Interest expense	1,395,278	2,840	1,398,118	1,429,276	3,790	1,433,066	(2.4)
Foreign exchange losses (gains) - net	(94,414)	153,904	59,490	(163,032)	(67,697)	(230,729)	(125.8)
Others	57,462	-	57,462	-	-	-	-
Total Cost and Expenses	₱9,013,902	₱379,421	₱9,393,323	₱7,602,014	₱186,935	₱7,788,949	20.6

* Operating results for the three months ended September 30, 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 in the third quarter of 2019 increased by 20.6 percent to ₱9.4 billion due to higher taxes and licenses and foreign exchange losses.

Philippines

Solaire operating costs and expenses increased by 20.8 percent year-on-year, from ₱6.3 billion to ₱7.7 billion. The increase was mainly due to higher gaming taxes which is proportionate to the increase in gaming revenues.

The Philippine peso depreciated against the US dollar and other foreign currencies resulting in net foreign exchange gains of ₱94.4 million in the third quarter of 2019 as compared to the net foreign exchange gain of ₱163.0 million in the same period last year. The Company maintains foreign currency deposits mainly denominated in US and Hong Kong dollars.

Others pertains to share in net loss of a joint venture.

Korea

Solaire Korea registered ₱379.4 million in operating costs and expenses which was ₱192.5 million higher than the third quarter of 2018. The increase was mainly due to ₱153.9 million of foreign exchange loss recognized in the third quarter of 2019 as compared to ₱67.7 million of foreign exchange gains in the same period last year.

EBITDA

Philippines

In the third quarter of 2019, Solaire's EBITDA of ₱6.4 billion was 103.7 percent or ₱3.3 billion higher compared to the same quarter last year. EBITDA margin in the third quarter of 2019 was 48.7 percent as compared to an EBITDA margin of 36.3 percent in the same quarter last year.

Korea

Solaire Korea posted ₱72.6 million negative EBITDA in the third quarter of 2019. EBITDA was impacted by lower VIP hold percentage which resulted to a decrease in gaming revenue, as well as a decrease in hotel, food and beverage and retail revenues due to the ongoing renovations covering 164 rooms, restaurants, lobby, building façade, sports bar, gym, sauna, back of the house and a new ballroom for the purpose of securing the 5 Hibiscus rating that is required to keep its gaming license.

CONSOLIDATED

Below is the consolidated hold-normalized EBITDA highlights:

	For the Three Months Ended September 30		Change
	2019	2018	
<i>In thousands, except % change data</i>			
Net Revenue	13,310,549	8,919,784	49.2%
EBITDA	6,360,874	3,182,878	99.8%
EBITDA Margin	47.8%	35.7%	1,210bps
Hold-Normalized EBITDA*	4,496,753	4,435,273	1.4%
Hold-Normalized EBITDA Margin*	48.8%	41.8%	700bps

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

The reported VIP hold in the third quarter of 2019 was 4.35 percent, 150 basis points higher than the 2.85 percent normalized hold. This resulted in the reported EBITDA being 41.5 percent higher than hold-normalized EBITDA of ₱4.5 billion.

Provision for (Benefit from) Income Tax

In the third quarter of 2019, Solaire recognized ₱4.7 million of provision for income tax, representing a 237.4 percent increase from the prior year's third quarter benefit from income tax of ₱3.4 million.

Net Income (Loss)

In the third quarter of 2019, the Group reported a consolidated net income of ₱3.9 billion or an increase of 245.0 percent from consolidated net income of ₱1.1 billion in the same quarter last year.

The Philippine operations registered net income of ₱4.2 billion, an increase of 283.9 percent from net income of ₱1.1 billion in the third quarter of 2018. The increase was due to higher EBITDA which was partially offset by higher foreign exchange losses and increased interest and depreciation expenses. The Korean operations detracted ₱277.6 million from consolidated net income.

Earnings per Share

The basic earnings per share of ₱0.356 in the third quarter of 2019 was higher than the ₱0.103 reported in the same quarter of last year. The diluted earnings per share in the third quarter of 2019, after considering the shares granted under the stock incentive plan, was ₱0.354 compared to ₱0.103 diluted earnings per share in the third quarter of 2018.

OPERATING RESULTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 COMPARED WITH 2018

The following table shows the geographical segments of the operating results of the Group for the nine months ended September 30, 2019 and 2018.

Table 2.5 Unaudited Consolidated Statements of Income

In thousands, except % change data	For the Nine Months Ended September 30						% Change 2019 vs. 2018
	2019			2018*			
	Philippines	Korea	Consolidated	Philippines	Korea	Consolidated	
Gross gaming revenues**	₱45,348,009	₱497,618	₱45,845,627	₱37,740,740	₱297,036	₱38,037,776	20.5
PFRS 15 allocation	(3,185,743)	-	(3,185,743)	(2,373,857)	-	(2,373,857)	34.2
Contra revenue accounts	(12,733,185)	(236,541)	(12,969,726)	(11,689,479)	(31,093)	(11,720,572)	10.7
Net gaming revenues	29,429,081	261,077	29,690,158	23,677,404	265,943	23,943,347	24.0
Non-gaming & other revenues***	5,930,753	76,134	6,006,887	4,742,671	159,116	4,901,787	22.5
Net revenues	35,359,834	337,211	35,697,045	28,420,075	425,059	28,845,134	23.8
Cash operating expenses	(19,061,108)	(682,149)	(19,743,257)	(16,747,389)	(600,765)	(17,348,154)	13.8
Provisions for doubtful accounts	(136,472)	-	(136,472)	(29,224)	-	(29,224)	367.0
EBITDA	16,162,254	(344,938)	15,817,316	11,643,462	(175,706)	11,467,756	37.9
Depreciation and amortization	(2,614,787)	(144,699)	(2,759,486)	(2,614,460)	(146,614)	(2,761,074)	(0.1)
Interest, foreign exchange loss & others	(4,326,768)	(157,305)	(4,484,073)	(1,967,645)	(303,001)	(2,270,646)	97.5
Benefit from (provision for) income tax	(7,969)	-	(7,969)	4,689	-	4,689	(270.0)
Net profit	₱9,212,730	(646,942)	₱8,565,788	₱7,066,046	(625,321)	₱6,440,725	33.0
Basic Earnings Per Share			₱0.780			₱0.588	
Diluted Earnings Per Share			₱0.778			₱0.585	

* Operating results for the nine months ended September 30, 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

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 nine months ended September 30, 2019 and 2018:

Table 2.6 Revenues

	For the Nine Months Ended September 30						% Change 2019 vs. 2018
In thousands, except % change data	2019			2018*			
	Philippines	Korea	Consolidated	Philippines	Korea	Consolidated	
Gaming	₱42,162,266	₱497,618	₱42,659,884	₱35,366,883	₱ 297,036	₱35,663,919	19.6
Hotel, food and beverage	3,065,153	66,092	3,131,245	2,601,362	117,263	2,718,625	15.2
Retail and others	2,631,984	9,935	2,641,919	2,070,370	41,536	2,111,906	25.1
Interest income	233,616	107	233,723	70,939	317	71,256	228.0
Gross revenues**	48,093,019	573,752	48,666,771	40,109,554	456,152	40,565,706	20.0
Less contra revenue accounts	12,733,185	236,541	12,969,726	11,689,479	31,093	11,720,572	10.7
Net revenues	₱35,359,834	₱337,211	₱35,697,045	₱28,420,075	₱425,059	₱28,845,134	23.8

* Operating results for the nine months ended September 30, 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 nine months of 2019, GGR, non-gaming revenues (including hotel, food and beverage, retail and other), and interest income represented 87.6 percent, 11.9 percent and 0.5 percent of gross revenues, respectively. GGR, non-gaming revenues and interest income in the same period last year accounted for 87.9 percent, 11.9 percent and 0.2 percent of gross revenues, respectively. Contra revenue increased to ₱13.0 billion, up 10.7 percent year-on-year, due to higher rebates to junket operators and VIP patrons as a result of higher VIP gaming revenue as well as other customer promotions and incentives provided to mass gaming guests.

Gaming

Philippines

In the first nine months of 2019, Solaire registered robust growth in mass table drop and slot coin-in which grew by 13.2 percent and 17.2 percent to record levels of ₱37.4 billion and ₱187.1 billion, respectively. The VIP segment, on the other hand, posted a decline of 5.3 percent in volume.

Gaming revenues after PFRS 15 allocation in the first nine months of 2019 increased by 19.2 percent or ₱6.8 billion as compared to the same period last year.

Below is the breakdown of gaming revenues:

Table 2.7 Breakdown of GGR

Amounts in millions	First Nine Months of 2019			First Nine Months of 2018			Change in Revenue	
	Volume*	Revenue	Hold	Volume*	Revenue	Hold	Amount	%
VIP tables	₱561,600	₱20,806	3.70%	₱592,753	₱15,759	2.66%	₱5,047	32.0
Mass tables	37,370	12,282	32.9%	32,998	11,582	35.1%	700	6.0
Slots	187,051	12,260	6.6%	159,543	10,400	6.5%	1,860	17.9
		45,348			37,741		7,607	20.2
PFRS 15 Allocation		(3,186)			(2,374)		(812)	34.2
Total		₱42,162			₱35,367		₱6,795	19.2

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

VIP revenue amounted to ₱20.8 billion, representing an increase of 32.0 percent as a result of a higher VIP win rate. The VIP hold rate was 3.70 percent, higher than the 2.66 percent in the first nine months of last year and the normal hold of 2.85 percent. On a hold normalized basis, VIP revenue would have decreased by 5.3 percent.

The first nine months of 2019 showed strong results in mass table gaming revenues as reflected by a ₱700 million or 6.0 percent increase in revenue. Slot revenue also increased by ₱1.9 billion or 17.9 percent compared to the same period last year.

There were 4,897,015 visitors in the first nine months of 2019, lower by 0.7 percent as compared to the same period last year.

Korea

Jeju Sun registered ₱497.6 million of GGR in the first nine months of 2019, representing an increase of 67.5 percent from ₱297.0 million in the first nine months of 2018. The significant increase was attributable to the increased level of play in VIP and mass segments as a result of the competitive casino programs of Jeju Sun.

Hotel, Food and Beverage

Philippines

Hotel, food and beverage revenue amounted to ₱3.1 billion in the first nine months of 2019, representing an increase of ₱463.8 million or 17.8 percent as compared to the first nine months of 2018. The increase was primarily due to higher REVPAR and average daily room rate which grew by 18.5 percent and 22.7 percent, respectively. The hotel occupancy rate was 89.7 percent in the first nine months of 2019.

In the first nine months of 2019, hotel cash revenues were 51.6 percent as compared to 56.7 percent in the same period last year, while non-gaming F&B cash revenues accounted

for 52.5 percent of F&B revenues as compared to 57.5 percent in the prior year.

Solaire F&B outlets served 1,434,255 covers in the first nine months of 2019 as compared to 1,532,031 covers for the comparable period in 2018, a decrease of 6.4 percent. The decline was due to the closure of grand ballroom where banquets are held. The grand ballroom was closed to make way for a new gaming area. Average checks increased by 8.1 percent to ₱1,145.

Korea

The hotel and F&B operation of Jeju Sun generated ₱66.1 million of revenue in the first nine months of 2019, 43.6 percent lower than the comparative period in 2018 due to ongoing renovations in 80% of the property's hotel rooms, gym, spa, sauna, lobby and all five 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 amounted to ₱2.6 billion in the first nine months of 2019, an increase of 27.1 percent from ₱2.1 billion in the same period last year. The increase was primarily attributable to additional rental revenue earned from new tenants at the Shoppes.

Korea

The retail and other revenues of Jeju Sun generated ₱9.9 million in the first nine months of 2019 which is lower by 76.1 percent compared to the same period in 2018. The retail area was also impacted by renovation works.

Interest Income

Consolidated interest income amounted to ₱233.7 million in the nine months ended September 30, 2019, representing an increase of 228.0 percent from last year's consolidated interest income of ₱71.3 million due to higher average consolidated cash balances so far in 2019.

COST AND EXPENSES

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

The table below shows the breakdown of total expenses for the nine months ended September 30, 2019 and 2018.

Table 2.8 Expenses

<i>In thousands, except % change data</i>	For the Nine Months Ended September 30,						% Change 2019 vs. 2018
	2019			2018*			
	Philippines	Korea	Consolidated	Philippines	Korea	Consolidated	
Operating costs and expenses	₱21,812,367	₱826,848	₱22,639,215	₱19,391,073	₱747,379	₱20,138,452	12.4
Interest expense	4,163,238	9,585	4,172,823	3,134,618	12,709	3,147,327	32.6
Foreign exchange losses (gains) - net	106,068	147,720	253,788	(1,168,528)	290,292	(878,236)	(128.9)
Others	57,462	-	57,462	1,555	-	1,555	3,595.3
Total Cost and Expenses	₱26,139,135	₱984,153	₱27,123,288	₱21,358,718	₱1,050,380	₱22,409,098	21.0

* Operating results for the nine months ended September 30, 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 nine months ended September 30, 2019 increased by 21.0 percent to ₱27.1 billion due to higher: a) taxes and licenses b) interest expense c) cost of sales and d) foreign exchange losses.

Philippines

Solaire operating costs and expenses increased by 12.4 percent from ₱19.4 billion to ₱21.8 billion, mainly due to higher gaming taxes which is consistent with the increase in gaming revenues and the higher cost of sales due to increased promotional merchandise items given to patrons.

Interest expense increased by 32.8 percent from ₱3.1 billion to ₱4.2 billion due to the ₱73.5 billion Syndicated Loan Facility which was secured by the Group in the second quarter of 2018.

The Philippine peso appreciated against the US dollar and other foreign currencies resulting in net foreign exchange loss of ₱106.1 million in the first nine months of 2019 as compared to the net foreign exchange gain of ₱1.2 billion in the same period last year. The Company maintains foreign currency deposits mainly denominated in US and Hong Kong dollars.

Others pertains to share in net loss of a joint venture and market-to-market loss.

Korea

Solaire Korea registered ₱984.2 million in operating costs and expenses which was ₱66.2 million lower than the first nine months of 2018. The decrease was mainly due to ₱147.7 million foreign exchange loss recognized in the first nine months of 2019 as compared to ₱290.3 million of foreign exchange losses in the same period last year.

EBITDA

Philippines

In the first nine months of 2019, Solaire's EBITDA of ₱16.2 billion was 38.8 percent or ₱4.5 billion higher compared to the same period last year. EBITDA margin in the first nine months of 2019 was 45.7 percent as compared to 41.0 percent in the same period last year.

Korea

In the first nine months of 2019, Solaire Korea posted ₱344.9 million negative EBITDA. EBITDA was impacted by an increase in advertising and promotions expense to boost gaming operations as well as a decrease in hotel, food and beverage and retail revenues due to the ongoing renovations in 80% of the property's hotel rooms and all four of its F&B outlets.

CONSOLIDATED

Below is the consolidated hold-normalized EBITDA highlights:

	For the Nine Months Ended September 30		% Change
<i>In thousands, except % change data</i>	2019	2018	
Net Revenue	35,697,045	28,845,134	23.8
EBITDA	15,817,316	11,467,756	37.9
EBITDA Margin	44.3%	39.8%	450
Hold-Normalized EBITDA*	12,811,361	12,033,823	6.5
Hold-Normalized EBITDA Margin*	40.4%	40.5%	(10 bps)

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

The reported VIP hold in the first nine months of 2019 was 3.70 percent, 85 basis points higher than the 2.85 percent normalized hold. This resulted in the reported EBITDA being 23.5 percent higher than hold-normalized EBITDA of ₱12.8 billion.

Provision for (Benefit from) Income Tax

In the first nine months of 2019, Solaire recognized ₱8.0 million of provision for income tax compared to prior year's benefit from income tax of ₱4.7 million.

Net Income (Loss)

In first nine months of 2019, the Group posted a consolidated net income of ₱8.6 billion or an increase of 33.0 percent from last year's consolidated net income of ₱6.4 billion.

Solaire registered a net income of ₱9.2 billion in the third quarter of 2019, an increase of 30.4 percent from last year's net income of ₱7.0 billion. The increase was mainly due to higher revenues and lower foreign exchange losses and interest expense.

Solaire Korea registered net loss of ₱646.9 million in the first nine months of 2019, ₱21.6 million more than the ₱625.3 million net loss incurred in the same period last year.

Earnings per Share

The basic earnings per share of ₱0.780 in the first nine months of 2019 was higher than the ₱0.588 reported in the first nine months of 2018. The diluted earnings per share in the first nine months of 2019, after considering the shares granted under the stock incentive plan, was ₱0.778 compared to ₱0.585 diluted earnings per share in the first nine months of 2018.

TRENDS, EVENTS OR UNCERTAINTIES AFFECTING RECURRING REVENUES AND PROFITS

The Group is exposed to a number of trends, events and uncertainties, which affect the 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 September 30, 2019 and December 31, 2018:

Table 2.9 Consolidated Condensed Balance Sheets

	September 30, 2019	December 31, 2018	% Change 2019 vs. 2018
<i>In thousands, except % change data</i>			
Current assets	45,860,573	40,466,064	13.3
Total assets	130,798,118	125,648,978	4.1
Current liabilities	19,068,211	19,000,603	0.3
Total interest-bearing debt	69,635,184	71,186,920	(2.2)
Total liabilities	87,658,031	89,087,875	(1.6)
Equity ²	43,157,492	36,552,125	18.1
Current assets/total assets	35.06%	32.21%	
Current ratio	2.41	2.13	
Debt-equity ratio ¹	2.03	2.44	
Net debt-equity ratio	1.09	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 13.3 percent to ₱45.9 billion as of September 30, 2019 from ₱40.5 billion as of December 31, 2018, mainly due to higher cash in bank and casino receivables.

Total assets increased by 4.1 percent to ₱130.9 billion as of September 30, 2019 from ₱125.6 billion as of December 31, 2018. The increase was attributable to higher level of cash and cash equivalents, increased casino receivables, prepaid debt issue costs recognized related to the new ₱40.0 billion Syndicated Loan Facility and increased advances to contractors. The increase was partially offset by the decrease in intangible assets and property and equipment due to depreciation expense charged, net of property and equipment acquired in 2019.

Current liabilities were higher by 0.4 percent due to the increase in outstanding chips and other gaming liabilities.

Total liabilities decreased by 1.6 percent from ₱89.1 billion as of December 31, 2018 to ₱87.7 billion as of September 30, 2019 primarily due to scheduled principal repayments.

Total equity as of September 30, 2019 amounted to ₱43.1 billion, 18.0 percent higher as compared to ₱36.6 billion reported as of December 31, 2018. The increase was due to the ₱8.6 billion net income reported in the first nine months 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 September 30, 2019 with variances of plus or minus 5.0 percent against December 31, 2018 balances are discussed, as follows:

Current Assets

1. Cash and cash equivalents increased by 11.6 percent due to higher cash generated by operations.
2. Receivables increased by 40.8 percent, primarily from the increase in casino receivables which is in line with the increase in gross gaming revenues.

Noncurrent Assets

3. Intangible assets decreased by 8.1 percent, mainly due to the impact of foreign exchange translation.
4. Other noncurrent assets increased by 141.7 percent due to the increase in advances to contractors and recognition of prepaid debt issue costs related to the ₱40.0 billion Syndicated Loan Facility which has not been drawn as of September 30, 2019.

Noncurrent Liabilities

5. Retirement liability increased by 12.5 percent to ₱433.0 million due to the accrual of service costs in the first nine months of 2019.

Equity

6. Treasury shares decreased by 63.0 percent as a result of the issuance of treasury shares for vested stock awards, net of Bloomberry shares acquired to cover future maturing SIP shares.
7. Share-based payment plan decreased by 6.9 percent due to the issuance of shares for vested stock awards which was partially offset by the recognition of current period's compensation expense.
8. Other comprehensive income represents the net effect of the translation of the financial statements of Solaire Korea and its subsidiaries.
9. Retained earnings increased by 56.3 percent due to ₱8.6 billion net income earned in the first nine months of 2019, reduced 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 nine months ended September 30, 2019 and 2018:

Table 2.10 Consolidated Cash Flows

<i>In thousands, except % change data</i>	For the Nine Months Ended September 30		% Change 2019 vs. 2018
	2019	2018	
Net cash provided by operating activities	₱15,082,968	₱12,789,900	17.9
Net cash used in investing activities	(2,726,168)	(40,225,889)	(93.2)
Net cash provided by (used in) financing activities	(7,930,049)	37,216,121	(121.3)
Effect of exchange rate changes on cash	(179,139)	953,017	(118.8)
Net increase in cash and cash equivalents	4,247,612	10,733,148	(60.4)
Cash and cash equivalents, beginning	36,465,848	21,961,407	66.0
Cash and cash equivalents, end	₱40,713,460	₱32,694,555	24.5

Cash and cash equivalents increased due to the positive cash flows generated by the operations in Solaire, net of payments made for capital expenditures, interest payment and partial principal repayment relating to the ₱73.5 billion Syndicated Loan Facility.

In the first nine months of 2019, the Group registered positive cash flows from operating activities of ₱15.1 billion. Due to strong operational results from Solaire, operating income before working capital changes increased by 36.1 percent.

Cash used in investing activities in the first nine months of 2019 is due to payments made for additional acquisition of property and equipment and minor construction projects, and payments for other noncurrent assets such as prepaid debt issue cost and advances to contractors.

Net cash used in financing activities in the first nine months of 2019 consists primarily of scheduled principal repayments and interest payments on its outstanding loan facility totaling ₱4.1 billion and for cash dividends paid in April 2019 amounting to ₱1.7 billion.

Capital Resources

The table below shows the Group's capital sources as of September 30, 2019 and December 31, 2018:

Table 2.11 Capital Sources

<i>In thousands, except % change data</i>	September 30, 2019	December 31, 2018	% Change 2019 vs. 2018
Long-term debt	₱69,635,184	₱71,186,920	(2.2)
Equity*	43,157,492	36,552,125	18.1
	₱112,792,676	₱107,739,045	4.7

*Attributable to equity holders of the Parent Company

Total debt and equity increased by 4.7 percent to ₱112.8 billion as of September 30, 2019 from ₱107.7 billion as of December 31, 2018. The increase was attributed to ₱8.6 billion net income earned in the first nine months of 2019, reduced by ₱1.7 billion 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 (losses) of (₱253.8) million and ₱878.2 million in the first nine months of 2019 and 2018, respectively, on the revaluation of its foreign currency denominated cash and cash equivalents, receivables and payables and other current liabilities.

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 ₱40.7 billion and ₱36.5 billion as of September 30, 2019 and December 31, 2018, respectively that are allocated to meet the Group's liquidity and capital expenditure requirements.

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 September 30, 2019:

<i>In thousands</i>	
Current	₱3,123,147
90 Days	172,518
Over 90 Days	1,099,765
Total	₱4,395,430

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: **Bloomerry Resorts Corporation**

By:



Estella Tuason Occena
Chief Finance Officer and Treasurer

November 13, 2019



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

November 13, 2019