



19 June 2019

Dear Stockholder,

Please take notice that a special meeting of the stockholders of BERJAYA PHILIPPINES INC. will be held this year on 10 July 2019 at 9:00 a.m. at the Function Room of the Berjaya Makati Hotel, Philippines located at the corner of Makati Avenue and Eduque Street, Makati City, Metro Manila. The Agenda for the meeting is as follows:

1. Call to Order
2. Certification of Notice and Quorum
3. Ratification of the Minutes of the Annual Stockholders' Meeting held on 4 October 2019.
4. Ratification of the resolutions passed on 15 May 2019 of the Board of Directors to (i) amend the fiscal year of the Corporation to commence on the first day of July of each calendar year and to end on the last day of June of the next calendar year, and (ii) amend Section 1, Article VII of the By-Laws in order to reflect the amendment of the fiscal year.
5. Adjournment



**JOSE A. BERNAS**  
Corporate Secretary

**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 20-IS**

**Information Statement Pursuant to Section 20  
of the Securities Regulation Code**

1. Check the appropriate box:

           Preliminary Information Statement  
  ✓   Definitive Information Statement

2. Name of Registrant as specified in its charter – BERJAYA PHILIPPINES INC.
3. Province, country or other jurisdiction of incorporation or organization - Manila, Philippines
4. SEC Identification Number – pre war 476
5. BIR Tax Identification Code - 001-289-374
6. Address of principal office - 9/F Rufino Pacific Tower, 6784 Ayala Avenue corner V.A. Rufino (formerly Herrera) Street, Makati City, Metro Manila 1229
7. Registrant's telephone number, including area code - (632) 811-0668
8. Date, time and place of meeting of security holders -  
The Special Meeting of the Stockholders of Berjaya Philippines, Inc. (the Corporation) will be held on 10 July 2019, at 9:00 a.m. at the Function Room of the Berjaya Makati Hotel, Philippines located at the corner of Makati Avenue and Eduque Street, Makati City, Metro Manila.
9. Approximate date on which the Information Statement is first to be sent or given to security holders - 19 June 2019
10. *In case of Proxy Solicitations: Not applicable*

Name of Person Filing the  
Statement/Solicitor: \_\_\_\_\_  
Address and Telephone No.: \_\_\_\_\_

11. Securities registered pursuant to 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 Common Stock Outstanding or Amount of Debt Outstanding
<b>COMMON</b>	<b>4,427,009,132</b>

Amount of Debt Outstanding  
as of 30 April 2019 : Php 342,030,901.72

12. Are any or all of registrant's securities listed on the Philippine Stock Exchange?

Yes ☒ No ☐

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

The shares are listed in the Philippine Stock Exchange and are classified either as common or treasury shares.

### **GENERAL INFORMATION**

#### Date, time and place of meeting of security holders

The Special Meeting of the Stockholders of Berjaya Philippines, Inc. (the Corporation) shall be held on 10 July 2019, at 9:00 a.m. at the Function Room of the Berjaya Makati Hotel located at the corner of Makati Avenue and Eduque Street, Makati City, Metro Manila.

The complete mailing address of the principal office of the registrant is 9/F Rufino Pacific Tower, 6784 Ayala Avenue corner V. A. Rufino (formerly Herrera) Street, Makati City, Metro Manila.

The Information Statement will approximately be sent or given first to stockholders of record on 19 June 2019 or at least fifteen (15) business days before the meeting date.

<b>WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.</b>
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### Dissenters' Right of Appraisal

Pursuant to Section 81 of the Corporation Code of the Philippines (the Corporation Code), any stockholder of the Corporation shall have the right to dissent and demand payment of the fair value of his shares in the following instances:

1. In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
2. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets; and
3. In case of merger or consolidation.

The agenda for the Special Stockholders' Meeting on 10 July 2019 does not include any of the foregoing instances.

### Interest of Certain Persons in or Opposition to Matters to be Acted Upon

No current director or officer of the Corporation, or nominee for election as directors of the Corporation, or any associate thereof, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon.

No director has informed the Corporation in writing that he intends to oppose any action to be taken by the registrant at the meeting.

## **CONTROL AND COMPENSATION INFORMATION**

### Voting Securities and Principal Holders Thereof

There are four billion four hundred twenty seven million nine thousand one hundred thirty two (4,427,009,132) issued and outstanding common shares of stock of the Corporation entitled to vote at the Special Stockholders' Meeting, each of which is entitled to one (1) vote.

Foreign membership amounts to 3,836,777,731 shares equivalent to 88.38 % broken down per nationality as follows:

CITIZENSHIP	SUBSCRIBED/ OUTSTANDING	AMOUNT	PAID-UP	PERCENTAGE HOLDINGS	NUMBER OF STOCKHOLDERS
SPANISH	1,834,960	1,834,960.00	1,834,960.00	0.04	18
MALAYSIAN	610,205,316	610,205,316.00	610,205,316.00	13.78	5
OTHER ALIEN	2,859,255	2,859,255.00	2,859,255.00	0.06	7
FILIPINO	504,503,124	504,503,124.00	504,503,124.00	11.40	101
SWISS	2,400	2,400.00	2,400.00	0.00	1
BRITISH	229,920	229,920.00	229,920.00	0.01	2
UNCLASSIF	85,728,277	85,728,277.00	85,728,277.00	1.94	1
AMERICAN	276,000	276,000.00	276,000.00	0.01	5
CHINESE	3,221,369,880	3,221,369,880.00	3,221,369,880.00	72.77	3
TOTALS	4,427,009,132	4,427,009,132.00	4,427,009,132.00	100.00	143

The cut-off date of presented information in this Statement is as of 31 May 2019.

The record date for closing the stock and transfer book of the Corporation in order to determine the stockholders entitled to vote at the Special Stockholders' Meeting is 31 May 2019.

For purposes of the election of directors, all stockholders of record are entitled to cumulative voting rights as provided by the Corporation Code, and there are no conditions precedent to the exercise thereof. Further, no discretionary authority to cumulate votes is being solicited. A stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares, or he may distribute them on the same principle among as many candidates as he shall see fit.

#### Security Ownership of Certain Record and Beneficial Owners

##### Holders

As of 31 May 2019, there are four billion four hundred twenty seven million nine thousand one hundred thirty two (4,427,009,132) issued and outstanding common shares of stock of the Corporation. Out of the issued and outstanding capital, 85,728,277 shares or 0.019% is held by the Berjaya Philippines Inc.

The top twenty (20) stockholders of Berjaya Philippines Inc., including their shares and their percentage of total common shares outstanding held by each as of 31 May 2019 are as follows:

Name	Number of Shares Held	Percentage of Total Shares Held
BERJAYA LOTTERY MANAGEMENT(H.K.), LTD.	3,221,238,280	72.76 %
BERJAYA SPORTS TOTO (CAYMAN) LIMITED	610,205,150	13.78 %
PCD NOMINEE CORPORATION (Filipino)	250,356,385	5.66 %
ABACUS SECURITIES CORP.	92,000,000	2.12 %
ABACUS SECURITIES CORPORATION	8,000,000	0.18 %
PCD NOMINEE CORPORATION (Non-Filipino)	2,127,830	0.05 %
FAR EAST MOLASSES CORPORATION	1,554,880	0.04 %
CONCEPCION TEUS VDA.	650,000	0.01 %
DOLORES TEUS DE M. VARA	552,000	0.01 %
STEINER, NORMA O.	300,320	0.01%
CORPORACION FRANCISCANA	293,920	0.01 %
THE PHIL.-AMERICAN GEN.	226,400	0.01 %
PHIL. REMNANTS CO., INC.	224,160	0.01 %
ELIZALDE, FRANCISCO J.	206,800	0.00 %
ZERNICHOW, CHRISTIAN D.	174,160	0.00 %
ELIZALDE, JOAQUIN M.,	168,800	0.00 %
MA. TERESA VARA DE REY Y TEUS	148,320	0.00 %
MA. DOLORES VARA DE	148,320	0.00 %
ECHEGOYEN, LUIS C.	147,280	0.00 %
LEDESMA, ANITA L. DE		

#### Treasury Shares

As of 31 May 2019 the Issuer holds in its name a total of eighty five million seven hundred twenty eight thousand two hundred seventy seven (85,728,277) treasury shares.

#### Dividends

##### *(a) Dividends declared by Berjaya Philippines Inc.*

On 28 October 2004 the Corporation declared cash dividends to all stockholders on record as of November 17, 2004 or a total of ₱87.14 million.

On 5 January 2012, the Corporation declared cash dividends amounting to ten centavos per share to all stockholders of record as of 19 January 2012.

On 5 October 2015, the Issuer declared stock dividends at a rate of 4 common shares for every common share held to taken from the increase in authorized capital stock. On the same date, the Issuer caused the reversal of previously allocated funds for capex and corporate expansion and appropriated ₱3.47 billion from the Issuer's retained earnings for the distribution of stock dividends.

(b) Dividends Declared by the Issuer's wholly owned subsidiary – PGMC

From 2007 to 2014, the Corporation's subsidiary, PGMC, issued cash dividends amounting to six billion fortysixbillion pesos (₱6.46 billion).

On 16 July 2015, the Corporation declared cash dividends amounting to one hundred million pesos (₱100.0 million).

On 1 September 2015, the Corporation declared cash dividends amounting to one hundred eighty million pesos (₱180.0 million).

On 2 October 2015, the Corporation declared cash dividends amounting to two hundred million pesos (₱ 200.0 million).

On 8 January 2016, the Corporation declared cash dividends amounting to two hundred million pesos (₱ 200.0 million).

On 13 June 2017, the Corporation declared cash dividends amounting to one hundred seventy million pesos (₱170,000,000.00).

On 11 September 2017, the Corporation declared cash dividends amounting to one hundred thirty million pesos (₱ 130,000,000.00).

On 23 January 2018, the Corporation declared cash dividends amounting to one hundred fifty million pesos (₱ 150,000,000.00).

On 5 April 2018, the Corporation declared cash dividends amounting to one hundred fifty million pesos (₱150,000,000.00).

On 30 April 2018, the Corporation declared cash dividends amounting to fifty million pesos (₱ 50,000,000.00).

On 17 August 2018, the Corporation declared cash dividends amounting to one hundred twenty million pesos (₱ 120,000,000.00).

On 28 November 2018, the Corporation declared cash dividends amounting to two hundred twenty million pesos (₱ 220,000,000.00).

(c) Dividends Declared by the Issuer's wholly owned subsidiary – PHPI

In April 2012, the Corporation declared cash dividends amounting to ten million pesos (₱10,000,000.00 million).

In August 2013, the Corporation declared cash dividends amounting to four million pesos (₱ 4,000,000.00).

#### Recent Sales of Unregistered Securities

There were no sales of unregistered securities over the last five (5) fiscal years.

#### Security Ownership of Holders of more than 5%

According to the records of the Issuer's stock and transfer agent, security ownership of holders of more than five percent (5%) of the Company's securities as of 29 August 2018 are as follows:

<b>Name and Address of Record Owner</b>	<b>Name of Beneficial Owner / Relationship with Record Owner</b>	<b>Citizenship</b>	<b>Number of Shares Held</b>	<b>Percentage Held</b>
Berjaya Lottery Management (H.K.) Ltd. Level 54, Hopewell Centre, 183 Queen's Road East, HongKong	Berjaya Lottery Management (H.K.) Ltd. (same as record owner) persons entitled to vote is Messrs.SeowSwee Pin or Tan EngHwa, in the said order of preference	Chinese	3,221,238,280 (common shares)	72.76%
Berjaya Sports Toto (Cayman) Limited 190 Elgin Avenue, George Town, Grand Cayman KYI-9005 Cayman Islands	Berjaya Sports Toto (Cayman) Limited (same as record owner) person entitled to vote is SeowSwee Pin	Malaysian	610,205,150 (common shares)	13.78%
Berjaya Philippines Inc. 9th Floor RufinoPacific Tower 6784 Ayala corner V.A. Rufino (Herrera) St.	Berjaya Philippines Inc. (same as record owner) person entitled to vote is the Acting President of the Corporation, Tan	Filipino	85,728,277	8.98%

Makati City, M.M. Sri Ibrahim Saad

There has been no change in the control of the Corporation since the beginning of its last fiscal year. The transfer price of the Corporation's outstanding common listed shares decreased as can be seen from its posted prices at the Philippine Stock Exchange. The decrease may be due to the general or prevailing economic situation in the country.

### Security Ownership of Management

Security ownership of the directors and officers of the Corporation as of 31 May 2019 are as follows:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Number of Shares Held	Percentage Held
Common	Tan Sri Ibrahim Saad	₱ 14.90	Malaysian	5	0.00%
Common	Wong Ee Coln	₱ 2.98	Malaysian	1	0.00%
Common	Seow Swee Pin	₱ 238.40	Malaysian	80	0.00%
Common	George T. Yang	₱ 238.40	Filipino	80	0.00%
Common	Jaime Y. Ladao	₱ 238.40	Filipino	80	0.00%
Common	Jimmy S. Soo	₱ 223.50	Filipino	75	0.00%
Common	Tan Eng Hwa	₱ 238.40	Malaysian	80	0.00%
Common	Jose A. Bernas	₱ 238.40	Filipino	80	0.00%
Common	Marie Lourdes Bernas	₱ 1,490.00	Filipino	500	0.00%

There are no voting trust holders of five percent (5%) or more of the Corporation's securities. The figures above are based on the last transaction or market price as of 31 May 2019 which is two pesos and ninety eight centavos (₱ 2.98) per share.

There are no arrangements which may result in a change in control of the Corporation.

### Directors and Executive Officers

The current directors and officers of the Corporation are listed below:

Directors / Officers	Designation	Citizenship
1. Tan Sri Ibrahim B Saad	Director / Chairman	Malaysian
2. Wong Ee Coln	Director / President	Malaysian
3. Seow Swee Pin	Director	Malaysian
4. George T. Yang*	Director	Filipino
5. Jaime Y. Ladao *	Director	Filipino
6. Jimmy S. Soo	Director	Filipino
7. Tan Eng Hwa	Director / Treasurer	Malaysian
8. Jose A. Bernas	Corporate Secretary	Filipino
9. Marie Lourdes Bernas	Assistant Corporate Secretary	Filipino

\* The independent directors, Messrs. George T. Yang, and Jaime Y. Ladao are independent minority stockholders who are not employees nor officers of the Corporation, and whose shareholdings are less than two percent (2%) of the Corporation's equity pursuant to Section 38 of the Securities Regulation Code.

Mr. George T. Yang is an independent director of the Issuer. The former treasurer of the Corporation, Mr. Low Siaw Peng, nominated Mr. Yang as independent director. Messrs. Yang and Low are not related to each other.

Mr. Jaime Y. Ladao is the second independent director of the Issuer. Mr. Jose A. Bernas, a stockholder and the Corporate Secretary nominated Mr. Jaime Y. Ladao in a meeting of the Board, to serve the unexpired term of Mr. Val Antonio B. Suarez, Esq. Messrs. Ladao and Bernas are not related to each other.

The members of the Nomination Committee are Messrs. Tan Eng Hwa, Jaime Y. Ladao, and Seow Swee Pin, with Mr. Ladao sitting as Chairman.

Procedures of SRC Rule 38 have been followed in the nomination and qualification of independent directors.

The Corporation will observe the term limits for independent directors imposed by SEC Memorandum Circular No. 4, Series of 2017 which became effective on 31 March 2017, or 15 days after its publication in two newspapers of general circulation on 16 March 2017. The Corporation's two current independent directors may serve as independent directors until the year 2021 in compliance with the cumulative nine-year term reckoned from the year 2012.

In compliance with SEC Memorandum Circular No. 5, Series of 2017, the independent directors' *Certification of Independent Director* on their qualification are attached to this *Information Statement*.

The term of a Director is for one (1) year and Directors are elected annually during the annual stockholders meeting.

The current Board of Directors are as follows:

<b>Name</b>	<b>Age</b>	<b>Positions/Offices/Directorships Held for the past Five (5) years</b>
1. Tan Sri Ibrahim Saad	73	Independent Director, Chairman of the Board: Berjaya Philippines Inc. Former Ambassador of Malaysia to the Philippines Former President (Vice Chancellor) University Kuala Lumpur Former Chairman: Penang Regional Development Authority Former Deputy Transport Minister Former Deputy Chief Minister of the State of Penang

			Former Member of Parliament, Malaysia Chairman of the Governing Board of Directors National University of Malaysia
2.	Seow Swee Pin	62	<p>Director: Berjaya Philippines Inc.</p> <p>Director and Chairman of the Board: Philippine Gaming Management Corporation Cosway Philippines Inc.</p> <p>Director: Neptune Properties Inc. Perdana Land Philippines Inc. Perdana Hotel Philippines Inc. Sanpiro Realty and Development Corporation Berjaya Pizza (Philippines) Inc.</p> <p>Executive Director: Sports Toto Malaysia Sdn. Bhd. Berjaya Sports Toto Berhad</p> <p>Member: Malaysian Institute of Accountants and Certified Practicing Accountants, Australia Malaysian Institute of Accountants and Certified Practicing Accountants, Australia</p>
3.	Dr. George T. Yang	79	<p>Independent Director: Berjaya Philippines Inc. Philippine Gaming Management Corporation</p> <p>Chairman and Founder: Golden Arches Development Corporation (McDonald's Philippines)</p> <p>Chairman of the Board: First Georgetown Ventures, Inc. MDS Call Solutions Inc. Advance Food Concepts Mfg. Inc. Ronald McDonald House Charities of the Phils. Klassikal Music Foundation Inc. Trojan Computer Forms, Inc. Canyon Hills and Marina Inc. Canyon Hills Real Estate and Development Inc. GY Alliance Concepts Inc. Northview Builder and Development Corporation</p> <p>Laurel Lakeside Corp Chairman and President: Golden Arches Realty Corporation</p> <p>Chairman: Paseo Premier Residences Inc. Paseo Dormitories Inc.</p>

Lead Logistics Innovations Inc.  
 Fast Serve Solutions Systems Inc.  
 Clark Mac Enterprises Inc.  
 Creative Gateway Inc.  
 Davao City Food Industries Inc.  
 Golden City Food Industries Inc.  
 First Golden Laoag Ventures Inc.  
 First Creative Arch Restaurant Corporation  
 First Premiere Arches Restaurants Inc.  
 Golden Laoag Foods Corporation  
 Molino First Golden Food Inc.  
 Onzal Development Corporation  
 Prime Arch Creative Restaurants Inc.  
 Retiro Golden Foods Inc.

Vice Chairman:

Oceanfront Properties Inc.  
 TransAire Development Holdings Corporation

Member of the Board of Governors:

Ayala Center Estate Association  
 The Tower Club, Inc.

Member of the Board of Trustees

San Beda College Manila

Former Dean:

Consular Corps of the Philippines (2014)

Doctor of Humanities, *honoris causa*

De La Salle University

Masters Degree in Business Administration

Wharton School, University of Pennsylvania

Former Member of the Asian Executive Board

Wharton School, University of Pennsylvania

Cum Laude, Bachelor of Science in Business Administration

De La Salle University

Consul General *ad honorem*:

State of Eritrea

4. Jaime Y. Ladao 80

Independent Director:

Berjaya Philippines Inc.  
 San Miguel Corporation

Chairman:

Audit Committee, Berjaya Philippines Inc.  
 (2016 to date)

Audit Committee, San Miguel Corporation 1990

Member:

Philippine Dispute Resolution Center, Inc.  
 Exec. Committee, San Miguel Corporation 1989

Director:

Corporate Governance Institute of the Phils.  
 Dun & Bradstreet Philippines. Inc.

Founder and Member:  
     Financial Executive Institute of the Philippines  
 National President (1991-1992) and Member:  
     Boy Scouts of the Philippines  
 Past Board Member and Treasurer:  
     Management Association of the Philippines  
 Member:  
     Philippine Dispute Resolution Inc.  
 Fellow:  
     Australian Institute of Corporate Directors  
 Founder and Executive Chairman:  
     Consumer Credit Score Philippines Inc.  
     licensed to issue FICO Consumer and  
     SME Scores in the Philippines  
 Director, Member of the Executive Committee and  
 Former Chair of the Audit Committee (1990-1991):  
     San Miguel Corporation  
 Founder and Past President  
     Philippine Rating and Services Corporation

5. Jimmy S. Soo      61

Director:  
     Berjaya Philippines Inc.  
     Berjaya Pizza (Philippines) Inc.  
     First Abacus Financial Holdings Corporation  
 Chairman and President:  
     Kailash PMN Management, Inc.  
     Tortola Resources, Inc.  
     Trimante Holdings Phils., Inc.  
 Director and Corporate Secretary:  
     Abacus Capital & Investment Corporation  
     St. Giles Hotel (Manila), Inc.  
     Bagan Resources Pte Inc.  
 Corporate Secretary:  
     Limketkai Manufacturing Corporation  
     Limketkai Sons, Inc.  
     Paramount Life & General Holdings Corp.  
     Paramount Life & General Insurance Corp.  
 Resident Agent:  
     IDP Education Pty Limited  
 Member of the Board of Trustees:  
     Berjaya Foundation Inc.  
 Managing Partner:  
     Soo Gutierrez Leogardo & Lee Law Offices

6. Wong Ee Coln      40

Director and President:  
     Berjaya Philippines Inc.  
 Executive Director:  
     Berjaya Group Bhd.  
 Chartered Financial Analyst (CFA) and member:

			<p>CFA Institute</p> <p>1<sup>st</sup> Class Bachelor of Engineering (Mechanical Engineering) Degree:</p> <p>University of Birmingham</p> <p>Extensive working experience in the field of property development and investment</p>
7. Tan Eng Hwa	49		<p>Director and Treasurer:</p> <p>Berjaya Philippines Inc.</p> <p>Director, Vice President and Treasurer:</p> <p>Philippine Gaming Management Corporation</p> <p>Director and Treasurer:</p> <p>Perdana Hotel Philippines Inc.</p> <p>Perdana Land Philippines Inc.</p> <p>Berjaya Pizza (Philippines) Inc.</p> <p>Bermaz Auto Philippines Inc.</p> <p>Berjaya Auto Asia Inc.</p> <p>Cosway Philippines Inc.</p> <p>Ssangyong Berjaya Motor Philippines</p> <p>Most Pretty Lady Holdings Inc.</p> <p>Sanpiro Realty &amp; Development Corporation</p> <p>Landphil Management and Development Corp.</p> <p>Director:</p> <p>Beautiful Creation Holdings Inc.</p> <p>Floridablanca Enviro Corporation</p> <p>Member of the Board of Trustees and Treasurer:</p> <p>Berjaya Foundation, Inc.</p> <p>Member:</p> <p>Malaysian Institute of Accountants</p> <p>Masters Degree in Business Administration:</p> <p>University of Chicago, USA</p> <p>Masters Degree in Science in Professional</p> <p>Accountancy</p> <p>University of London</p>
8. Jose A. Bernas	59		<p>Corporate Secretary:</p> <p>Berjaya Philippines Inc.</p> <p>Philippine Gaming Management Corporation</p> <p>Berjaya Pizza (Philippines) Inc.</p> <p>Bermaz Auto Philippines Inc.</p> <p>Perdana Hotel Philippines Inc.</p> <p>MOL AccessPortal Inc.</p> <p>Uniwiz Trade Sales Inc.</p> <p>Cosway Philippines Inc.</p> <p>Swift Foods, Inc.</p> <p>Philippine National Construction Corporation</p> <p>Director and President:</p> <p>Discovery Centre Condominium Corporation</p> <p>Chairman of the Board and Director:</p> <p>Automation Specialists &amp; Power Exponents Inc.</p>

Perdana Land Philippines Inc.  
 Director and Corporate Secretary:  
 Florida Enviro Corporation  
 Beautiful Creation Holdings Inc.  
 Most Pretty Lady Holdings Inc.  
 Berjaya Auto Asia Inc.  
 VST-ECS Philippines Inc.  
 Trustee and Corporate Secretary:  
 Berjaya Foundation, Inc.  
 Professorial Lecturer:  
 Ateneo de Manila University School of Law  
 Managing Partner:  
 Bernas Law Offices

9. Marie Lourdes Sia-Bernas 53

Assistant Corporate Secretary:  
 Berjaya Philippines Inc.  
 Philippine Gaming Management Corporation  
 Berjaya Pizza (Philippines) Inc.  
 Berjaya Foundation Inc.  
 Bermaz Auto Philippines Inc.  
 Berjaya Auto Asia Inc.  
 Perdana Land Philippines Inc.  
 Perdana Hotel Philippines Inc.  
 MOL AccessPortal Inc.  
 Uniwiz Trade Sales Inc.  
 Cosway Philippines Inc.  
 Sanpiro Realty & Development Corporation  
 Ssangyong Berjaya Motor Corporation  
 Beautiful Creation Holdings Inc.  
 Most Pretty Lady Holdings Inc.  
 VST-ECS Philippines Inc.  
 Go.Life International Holdings Inc.  
 GK International Holdings Inc.  
 Swift Foods, Inc.  
 Corporate Secretary:  
 Olsen's Food Corporation  
 Automation Specialists & Power Exponents Inc.  
 Juillet Trading Corporation  
 Ultasaurus Philippine Trading Inc.  
 Neptune Holdings Inc.  
 Discovery Centre Condominium Corporation  
 Noblesse Holdings Inc.  
 President:  
 Deux Mille Trading Corporation  
 Silver Giggling Buddha Trading Inc.  
 Sanpiro Realty & Development Corporation  
 Director and Assistant Corporate Secretary:  
 Floridablanca Enviro Corporation  
 Member since October 2012 to date:  
 American Academy of Project Management

Administrative Partner:  
Bernas Law Offices

There are no family relationships between and among the directors and officers of the Corporation, except for the Corporate Secretary Jose A. Bernas and the Assistant Corporate Secretary Marie Lourdes T. Sia-Bernas who are married to each other; and director Jimmy S. Soo who is a brother of Paulino S. Soo, the President of the Corporation's wholly-owned subsidiary Philippine Gaming Management Corporation.

There is no person who is not an officer who is expected by the Corporation to make a significant contribution to the business. Neither is there an arrangement that may result in the change in control of the Corporation.

None of the current directors and officers work in government. Neither does the proposed additional director enumerated below work in government.

Involvement in legal proceedings of directors

None of the directors are involved in any bankruptcy petition, have been convicted by final judgment or are subject to any court order, judgment or decree, including the violation of a securities or commodities law during the past five (5) years up to the filing of this report.

Directors and Executive Officers as a Group

As of 31 May 2019 :

(1) Title of Class	(2) Name of Record/ Beneficial Owner	(3) Amount and Nature of Record/ Beneficial Ownership	(4) Percentage Held
common shares	Directors and Executive Officers As a Group	981	0.001 %
	T o t a l :	981	0.001 %
		=====	=====

Certain Relationships and Related Transactions

There has been no material related transactions during the past two years, nor is any material transaction presently proposed, to which any director, executive officer of the Corporation or security holder of more than five percent (5%) of the Corporation's voting securities, any relative or spouse of any director or executive officer or owner of more than five percent (5%) of the Corporation's voting securities had or is to have direct or indirect material interest.

Seventy Four point Twenty Percent (74.20%) of the equity of the Corporation is owned by Berjaya Lottery Management (H.K.) Limited. Berjaya Lottery Management (H.K.) Limited is one hundred percent (100%) owned by Berjaya Sports Toto (Cayman) Ltd. who is in turn one hundred percent (100%) owned by Magna Mahsuri Sdn Bhd.

No voting trusts or change in control arrangements are recorded in the books of the Corporation.

#### Compensation of Directors and Executive Officers

The members of the Board of Directors of the Corporation are entitled to reasonable per diem for actual attendance of any regular or special meeting of the Board of Directors. The directors as a group, were paid Four Million Three Hundred Fifty Thousand Pesos (₱4,350,000.00) in financial year ended 30 April 2019. No salary, bonuses or other compensation has been stipulated or paid to Executive officers for acting as such.

There is no need to disclose a summary compensation table because the Issuer does not have employees and does not pay out salaries. There are no standard agreements for the compensation of directors and the top four executive officers as there are no salaries paid, except for Tan Sri Dr. Seri Ibrahim Bin Saad who receives a monthly compensation of Ten Thousand Ringgit Malaysia (RM10,000.00) or its equivalent in Philippine pesos. Tan Sri Dr. Seri Ibrahim Bin Saad was paid the same amount in monthly compensation for the past three (3) years. The officers are either directors who receive only their reasonable per diems issued to all directors or are engaged by the corporation on a professional basis like the law firm of the corporate secretary and assistant corporate secretary who are not employees of the Corporation.

There are no warrants or options on re-pricing or employment contracts or termination of employment contracts entered into by the Corporation. , Neither is there a change in the control arrangement between the Corporation and the executive officers.

There is no pending litigation in which the Corporation is involved either directly or indirectly in the past five years. Neither has the Corporation filed a petition for bankruptcy, been subject to any order, judgment or decree or convicted by final judgment.

#### Material Pending Legal Proceedings

There is no material pending legal proceeding to which the Corporation is a party to up to the time of the preparation of this report that undersigned is aware of, except for a suit filed by Philippine Gaming Management Corporation (PGMC), the Corporation's wholly owned subsidiary against the Philippine Charity Sweepstakes (PCSO).

#### Violation of a Securities or Commodities Law

To its knowledge, the Corporation is not in violation of a Securities or Commodities Law.

#### Independent Public Accountants

For professional services rendered on the audit of the financial statements of the Corporation and its subsidiaries, Punongbayan & Araullo was paid the amounts of Php165,000.00 for its audit on the Corporation, Php425,000.00 and Php190,000.00 for its audit on PGMC and PHPI, the wholly owned subsidiaries of the corporation for the financial year ended 30 April 2019. The same amount was paid to Punongbayan & Araullo for its audit on the Corporation for the financial years ended 30 April 2018 and 30 April 2017.

There are no other services other than the audit and review of the Corporation's financial statements rendered by the external auditor for tax accounting, compliance, advice, planning and other form of tax services.

The election, approval or ratification of the registrant's public accountant shall be discussed during the Annual Meeting in October 2019. Punongbayan & Araullo, which is the principal accountant for the fiscal year ending 30 April 2019, was selected during the Annual Meeting held on 4 October 2018 and will be recommended for re-appointment this October 2019 during the annual stockholders' meeting.

Representatives of Punongbayan & Araullo are expected to be present at the Annual Meeting. They will have the opportunity to make a statement if they desire to do so and they are expected to be available to respond to appropriate questions.

As a matter of procedure, Punongbayan & Araullo submits the corporation's Audited Financial Statements to the Audit Committee, which in turn submits the same Audited Financial Statements to the Board of Directors for approval.

There are no changes in or disagreements with accountants on accounting and financial disclosure.

The partner at Punongbayan & Araullo assigned to the Issuer is changed or rotated in compliance with SRC Rule 68 (3) (b) (iv).

#### Recent Sales of Unregistered or Exempt Securities

There is no sale of unregistered or exempt securities including recent issuance of securities constituting an exempt transaction.

#### Audit Committee

The members of the Audit Committee are as follows:

Chairman	-	Jaime Y. Ladao
Member	-	Tan Sri Seri Ibrahim Bin Saad
Member	-	Seow Swee Pin

#### Nomination Committee

The members of the Audit Committee are as follows:

Chairman	-	Jaime Y. Ladao
Member	-	Tan Sri Seri Ibrahim Bin Saad
Member	-	Seow Swee Pin

## Compensation Plans

There are no compensation plans.

## Amendments of Charter, By-Laws and Other Documents

The Special Stockholders' meeting is being held in order to present to the stockholders' and obtain the stockholders' ratification to the resolutions of the Board approving the amendment of Section I Article VII of the Corporation's By-Laws in order for the fiscal year of the Corporation to commence on the first day of July of each year, and to end on the last day of June the following year.

On 15 May 2019, the Board approved to amend the By-laws to read as follows:

### ARTICLE VII

#### FISCAL YEAR, DIVIDENDS AND ACCOUNTS

Section 1. Fiscal Year. The fiscal year of the company shall commence with the opening of business on the first day of July of each calendar year and shall close on the last day of June of the next calendar year. (as amended on 15 May 2019 in a Special Meeting of the Board by all of the members of the Board)

### **OTHER MATTERS**

Other than the request to ratify the Board's resolution to amend the fiscal year of the Corporation from April 30 to June 30, there are no material matters that need approval by the stockholders in the stockholders' meeting.

## Plans to Improve Corporate Governance of the Corporation

The Corporation will continue monitoring compliance with its *Manual on Corporate Governance* to ensure full compliance thereto.

The Corporation shall implement its corporate governance rules in accordance with the Revised Code of Corporate Governance under SEC Memorandum Circular No. 06-2009. The Revised Manual on Corporate Governance is available for inspection by and shareholder at reasonable hours on business days.

## Voting Procedures

The election of the Board of Directors, as well as the appointment of the external auditors shall be decided by the plurality vote of stockholders present in person and entitled to vote thereat by cumulative voting, provided that quorum is present.

The vote of at least two-thirds of the stockholders representing the outstanding capital stock of the Corporation will be required in order to amend the Corporation's Articles of Incorporation or By-Laws.

Voting shall be by ballot unless the number of nominees does not exceed the number of directors to be elected in which case, voting by ballot may be dispensed with. Each ballot shall be signed by the stockholder voting, and shall state the number of shares voted by him. The votes will be counted manually and will be supervised by the transfer agent.

Voting shall be by ballot. Each ballot shall be signed by the stockholder voting, and shall state the number of shares voted by him. The votes will be counted manually and will be supervised by the transfer agent.

The Quarterly Report under SEC Form 17-Q for the quarter ended 31 January 2019 shall be available without charge to stockholders requesting for a copy.

#### **SIGNATURE**

Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned hereunto authorized on 19 June 2019.

**BERJAYA PHILIPPINES INC.**

By:  **MARIE LOURDES T. SIA-BERNAS**  
Assistant Corporate Secretary



## MANAGEMENT REPORT

Dear Stockholders,

### **Business**

Berjaya Philippines, Inc. ("the Corporation") was incorporated on 12 November 1924 as Central Azucarera de Pilar mainly for the purpose of production of sugar. It subsequently changed its primary purpose to a holding corporation and changed its name to Prime Gaming Philippines, Inc. (PGPI) in 1998 and to Berjaya Philippines in 2010.

In 1998, the Corporation completed the acquisition of its subsidiary corporation, Philippine Gaming Management Corporation ("PGMC"), whose principal activity is the leasing of on-line lottery equipment and providing software support to the Philippine Charity Sweepstakes Office ("PCSO").

In December 2009, the Corporation acquired a 232 room hotel, which operated as the Best Western Astor Hotel until 16 March 2010. The acquisition was made by the Corporation's subsidiary, Perdana Hotel Philippines Inc. ("PHPI") under the business name Berjaya Makati Hotel. The Corporation also subscribed to forty percent (40%) of the shares of stock of Perdana Land Philippines Inc. ("PLPI") which owns the land leased by PHPI.

In July 2010, the Corporation invested in Berjaya Pizza Philippines Inc. ("BPPI"), a company engaged in the manufacture, sale and distribution of food and beverages, and to operate, own, franchise, license or deal in restaurant related business operations. In 2017, the Corporation's equity interest in BPPI increased from forty one point forty three percent (41.43%) to forty eight point thirty eight percent (48.38%).

In August 2012, the Corporation invested in Bermaz Auto Philippines Inc. ("BAPI"), formerly Berjaya Auto Philippines Inc., a corporation engaged in the sale and distribution of all types of motor vehicles. On 12 September 2012, BAPI entered into a Distributorship Agreement with Mazda Motor Corporation of Japan for the distribution of vehicles bearing the Mazda brand within the territory of the Philippines. In 2017, the Corporation equity interest in BAPI was diluted from thirty five percent (35%) to twenty five point forty eight percent (25.48%) when the Corporation agreed to take in more investors. In 2018, the Corporation made additional investment in BAPI which resulted to the increase in its effective ownership interest over BAPI to twenty eight point twenty eight percent (28.28%).

In September 2012, the Corporation invested in Cosway Philippines Inc. ("CPI"), primarily to engage in the wholesale of various products. At present, CPI has not yet

started its commercial operations. The Corporation's equity or interest in CPI is equivalent to forty percent (40%).

In 2014, the Corporation obtained control over H.R. Owen Plc ("H.R. Owen"), after a series of cash offers from HR Owen's existing stockholders. Incorporated in England, HR Owen operates a number of vehicle franchises in the prestige and specialist car market for both sales and after sales, predominantly in the London area. In 2015, HR Owen acquired 100% ownership over Bodytechnics in order to enhance its aftersales operations. In 2017, the Corporation acquired shares from Bentley Motor Limited to increase its stake in the profitable business of H.R. Owen. In 2018, the corporation acquired shares from minority shareholders which the Corporation's equity interest in HR Owen is equivalent to ninety nine point thirty percent (99.30%).

In July 2015, the Corporation invested in Ssangyong Berjaya Motor Philippines Inc. ("SBMPI"), a corporation engaged in the sale and distribution of all types of motor vehicles. On 01 May 2016, SBMPI entered into a Distributorship Agreement with Ssangyong Motor Company of Korea for the distribution of vehicles bearing the Ssangyong brand within the territory of the Philippines. At present, the Corporation's equity interest in SBMPI is equivalent to twenty percent (20%).

In May 2016, the Corporation acquired forty one point forty six percent (41.46%) shares of Neptune Properties Inc. ("NPI"), a corporation engaged in the real estate business.

In April 2017, the Corporation incorporated a wholly owned subsidiary under the name of Berjaya Enviro Philippines Inc., a corporation engaged in the service business of protecting, cleaning, and preserving the environment. In December 2017, the Securities and Exchange Commission approved the Corporation's application to amend its name to Floridablanca Enviro Corporation.

In April 2018, the Corporation acquired twenty five percent (25%) of the equity in Chailease Berjaya Finance Corporation, a corporation engaged in leasing and financing business.

As of 30 April 2018, the Corporation does not have employees. Its subsidiaries, PGMC, PHPI, and H.R. Owen have seventy four (74), seventy one (71), and four hundred sixty nine (469) employees, respectively. The Corporation does not anticipate any substantial increase in the number of its employees within the ensuing twelve (12) months. There are no supplemental benefits or incentive arrangements the subsidiaries have or will have with its employees.

## **Financial Statements**

The Audited Financial Statements of the Corporation as of 30 April 2018 is attached.

## **Disagreements with Accountants on Accounting and Financial Disclosures**

There are no disagreements with the accountants on accounting and financial disclosures.

## **Management's Discussion and Analysis of Financial Conditions and Results of Operations**

The Corporation's principal activity is investment holding. Since 1998, it owns 100% equity ownership of Philippine Gaming Management Corporation (PGMC), which operates the business of leasing online lottery equipment and providing software support in the Luzon Region to the Philippine Charity Sweepstakes Office (PCSO), a Philippine government agency responsible for lotteries and sweepstakes; 99.30% equity interest in H.R. Owen Plc. (HR Owen), a luxury motor retailer, which operates a number of vehicle dealerships in the prestige and specialist car market for both sales and aftersales, predominantly in London, UK; and the wholly-owned Perdana Hotel Philippines Inc. (PHPI) which operates Berjaya Makati Hotel in Makati City, Metro Manila.

### **2018 Compared to 2017**

#### **Results of Operations**

The Corporation and its subsidiaries (the Group) generated total revenues from operating sources of about ₱30.83 billion for the year ended 30 April 2018, an increase of ₱2.3 billion (8.2%) over total revenues of ₱28.50 billion in the previous financial year. The increase was primarily due to a higher revenue contribution from H.R. Owen in the financial year under review upon conversion into Philippine Peso.

PGMC recorded revenue of ₱1.64 billion, an increase of ₱40.76 million (2.5%) from ₱1.60 billion in the previous financial year mainly due to an increase in lease rental income as a result of higher jackpots recorded this financial year.

PHPI which operates Berjaya Makati Hotel in Makati City recorded decreased in revenue of ₱129.36 million compared to ₱144.17 million in the previous financial year. The decrease of ₱14.81 million (10.3%) in revenue was mainly due to a decrease in room occupancy level compared to the previous financial year. The hotel industry continued to experience a significant oversupply in guestrooms, thereby making it challenging to increase room rates significantly.

HR Owen recorded revenue of ₱29.05 billion in the financial year under review compared to ₱26.76 billion in the previous financial year, the increase of ₱2.30 billion (8.6%), was mainly due to conversion into Philippine Peso, in spite of decrease in the number of new models sold as well as decrease in used car sold.

The Group's total cost and operating expenses for the year ended 30 April 2018 increased by ₱2.16 billion (7.9%) to ₱29.66billion from ₱27.49billion for the same period in 2017. The increase is attributed to the following: (1) cost of vehicles sold increased by ₱1.01 billion (4.7%) (2) body shop repairs and parts increased by ₱465.78 million (24.7%), (3) salaries and employee benefits increased by ₱149.56 million (8.6%), (4) rental expense increased by ₱35.61million (11.1%), (5) depreciation expense increased by ₱39.20million (17.4%), (6) taxes and licenses increased by ₱1.54 million (0.9%), (7) maintenance of computer equipment increased by ₱21.20 million (18.9%), (8) telecommunication increased by ₱27.67 million (27.6%), (9) communication, light and water increased by ₱20.48 million

(26.0%), (10) transportation and travel expenses increased by ₱56.92 million (216.2%), (11) food and beverage increased by ₱0.91 million (7.4%) and (12) other general and administrative expenses increased by ₱432.70 million (46.4%). These increases were offset by the following decreases of expenses: (1) professional fees decreased by ₱37.30million (10.8%), (2) representation and entertainment decreased by ₱9.58 million (20.1%) and (3) charitable contribution decreased by ₱51.09 million (70%).

Other Charges – net of other income amounted to ₱58.73 million for the financial year 30 April 2018, an increase of ₱35.62 million (154.1%) from ₱23.11 million in the same period in 2017. This increase was mainly due to loss on impairment and loss on sale of available for sale financial asset.

The Group's net income increased by ₱92.27 million (13.1%) to ₱796.36 million in financial year 2018 from ₱704.09 million in financial year 2017 under review.

### **Financial Position**

Total assets of the Group increased by ₱2.74 million (18.6%) to ₱17.50 billion as of 30 April 2018, from ₱14.76 billion as of 30 April 2017.

Trade and other receivables (net) decreased by ₱38.50 million (1.4%) to ₱2.62 billion in 2018 compared to ₱2.66 billion in 2017, mainly due to decrease in deposits.

Inventories (net) increased by ₱935.12 million (22.7%) to ₱5.06 billion in 2018 compared to ₱4.13 billion in 2017, mainly due to additions of vehicle stocks of H.R. Owen.

Advances to associates increased by ₱525.82 million (53.1%) to ₱1.51 million in 2018 compared to ₱990.02 million in 2017.

Prepayments and other current assets increased by ₱87.54 million (18.7%) to ₱555.84 million in 2018 compared to ₱468.29 million in 2017, mainly due to increase in VAT recoverable related to H.R. Owen.

Available-for-sale financial assets increased by ₱297.56 million (33.0%) to ₱1.20billion in 2018 compared to ₱901.81 million in 2017, mainly due to acquisition of equity securities.

Property and equipment (net) decreased by ₱116.79 million (6.2%) to ₱1.77 billion in 2018 compared to ₱1.89 billion in 2017, mainly due to depreciation and amortization for the year.

Investment property increased by ₱318.56 (225%) to ₱460.17 million in 2018 compared to ₱141.61 million in 2017, mainly due to reclassification from property, plant and equipment.

Investments in associates increased by ₱335.71 million (52.2%) to ₱978.44million in 2018 compared to ₱642.73million in 2017.

Intangible assets increased by ₱171.04 million (9.5%) to ₱1.98 billion in 2018 compared to ₱1.81 billion in 2017, primarily due to the translation adjustment of H.R. Owen's intangible assets.

Deferred tax assets increased by ₱70.20 million (46.8%) to ₱113.54 million in 2018 compared to ₱66.72 million in 2017, due to deferred tax assets arising from impairment loss.

Meanwhile, other non-current assets decreased by ₱1.49 million (31.6%) to ₱3.22 million in 2018 compared to ₱4.71 million in 2017 due to refund.

Total liabilities of the Group increased by ₱1.44 billion (19.1%) to ₱8.99 billion as of 30 April 2018, from ₱7.55 billion as of 30 April 2017 mainly due to increase in Trade and other payables and loans payable.

Trade and other payables increased by ₱864.94 million (27.3%) to ₱4.03 billion in 2018 compared to ₱3.17 billion in 2017, mainly due to a increase in trade payables, advances from customers and accrued expenses.

Current Loans payable and borrowings increased by ₱436.60 million (11.3%) to ₱4.30 billion in 2018 compared to ₱3.86 billion in 2017, mainly due to a increase in vehicle stocking loans.

Income Tax Payable increased by ₱21.36 million (26.7%) to ₱101.40 million in 2018 compared to ₱80.04 million in 2017, mainly due to an increase in current tax expense.

Non-current Loans payable and borrowings increased by ₱33.27 million (9.06%) to ₱400.67 million in 2018 compared to ₱367.39 million in 2017 due to increase in bank loans.

Deferred tax liabilities increased by ₱20.42 million (48.8%) to ₱62.24 million in 2018 compared to ₱41.82 million in 2017, mainly due to deferred tax liabilities arising from rolled-over and held over capital gains and post employment benefit obligation.

Post-employment benefit obligation decreased by ₱13.75 million (37%) to ₱23.36 in 2018 compared to ₱37.12 in 2017.

The total stockholders' equity of the Group increased by ₱1.30 billion (18.0%) to ₱8.48 billion as of 30 April 2018, from ₱7.20 billion as of 30 April 2017 under review. The book value per share decreased to ₱1.92 in 2018 from ₱1.63 in 2017.

### **Key Performance Indicators**

The top five key performance indicators (KPIs) of the Group are: (1) to ensure the prompt collection of receivables from the customers, (2) review the annual budget to monitor and explain any material variances above 10% in the overall operating results, (3) scrutinize and monitor all the controllable budgeted expenses and analyze any material variances above 10%, (4) review all capital expenditures in compliance with the approved budget, and (5) to manage the timely placements of

surplus funds to ensure the highest possible bank interest income in view of the appropriate tolerable risks.

	30 Apr 2018	30 Apr 2017
Liquidity Ratio - Current ratio	1.30 : 1.00	1.31 : 1.00
Leverage Ratio - Debt to Equity	1.06 : 1.00	1.05 : 1.00
Activity Ratio - Annualized PPE Turnover	17.43 times	15.12 times
Profitability Ratios		
Return on Equity	9.37%	9.77%
Return on Assets	4.55%	4.77%

The Corporation uses the following computations in obtaining key indicators:

Key Performance Indicator	Formula
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Debt to Equity Ratio	$\frac{\text{Total Long Term Liabilities}}{\text{Stockholders' Equity}}$
PPE Turnover	$\frac{\text{Revenues}}{\text{Property, Plant \& Equipment (Net)}}$
Return on Equity	$\frac{\text{Net Income}}{\text{Equity}}$
Return on Assets	$\frac{\text{Net Income}}{\text{Total Assets}}$

## **2017 Compared to 2016**

### **Results of Operations**

The Corporation and its subsidiaries (the Group) generated total revenues from operating sources of about ₱28.50 billion for the year ended 30 April 2017, an increase of ₱2.0 billion (7.5%) over total revenues of ₱26.50 billion in the previous financial year. The increase was primarily due to a higher revenue contribution from H.R. Owen in the financial year under review.

PGMC recorded a revenue of ₱1.60 billion, an increase of ₱21.21 million (1.3%) from ₱1.58 billion in the previous financial year due to increase in lottery ticket sales.

PHPI which operates Berjaya Makati Hotel in Makati City, recorded a decrease in revenue of ₱144.17 million compared to ₱146.5 million in the previous financial year. The decrease of ₱2.28 million (1.6%) in revenue was mainly due to a decrease in room occupancy compared to the previous financial year.

HR Owen recorded a revenue of ₱26.76 billion in the financial year under review compared to ₱24.77 billion in the previous financial year. The increase of ₱1.98 billion (8.0%) was mainly due to an increase in the number of new models sold as well as aftersales service services rendered.

The Group's total cost and operating expenses for the year ended 30 April 2017 increased by ₱1.94 billion (7.6%) to ₱27.49 billion from ₱25.55 billion for the same period in 2016. The increase is attributed to the following: (1) cost of vehicles sold and body shop repairs and parts increased by ₱1.90 billion (8.8%), (2) salaries and employee benefits increased by ₱106.91 million (6.6%), (3) taxes and licenses increased by ₱26.51 million (17.8%), (4) maintenance of computer equipment increased by ₱33.79 million (43.1%), (5) charitable contribution increased by ₱73.03 million (100.0%), (6) communication, light and water increased by ₱7.3 million (10.2%), and (7) representation and entertainment increased by ₱28.44 million (147.7%). These increases were offset by the following decrease in the following expenses: (1) professional fees decreased by ₱27.87million (7.5%), (2) rental expense decreased by ₱8.60million (2.6%), (3) depreciation expense decreased by ₱9.65million (4.0%), (4) transportation and travel expenses decreased by ₱20.16 million (43.4%), (5) food and beverage decreased by ₱0.44 million (3.4%) and (6) other general and administrative expenses decreased by ₱152.32 million (14.0%)

Other Charges – net of other income amounted to ₱23.11 million for the financial year 30 April 2017, an increase of ₱0.17 thousand (0.08%) from the Other Income (net charges) of ₱23.09 million in the same period in 2016.

The Group's net income decreased by ₱2.23 million (0.32%) to ₱704.09 million in financial year 2017 from ₱706.33 million in financial year 2016 under review.

### **Financial Position**

Total assets of the Group decreased by ₱841.47 million (5.4%) to ₱14.76 billion as of 30 April 2017, from ₱15.60 billion as of 30 April 2016.

Trade and other receivables (net) increased by ₱136.09 million (4.6%) to ₱3.11 billion in 2017 compared to ₱2.97 billion in 2016, mainly due to payments for future acquisition of investments.

Inventories (net) decreased by ₱1.15 billion (21.8%) to ₱4.13billion in 2017 compared to ₱5.28 billion in 2016, mainly due to reduction of vehicle stocks arose from better stock control measurement imposed by H.R. Owen.

Advances to associates increased by ₱29.04 million (17.0%) to ₱199.35 million in 2017 compared to ₱170.31 million in 2016.

Prepayments and other current assets (net) decreased by ₱29.40 million (3.5%) to ₱807.43 million in 2017 compared to ₱836.83 million in 2016, mainly due to decrease in refundable deposits.

Available-for-sale financial assets increased by ₱32.40 million (3.7%) to ₱901.81million in 2017 compared to ₱869.41 billion in 2016, mainly due to acquisition of equity securities.

Property and equipment (net) decreased by ₱116.64 million (5.8%) to ₱1.89 billion in 2017 compared to ₱2.0 billion in 2016, mainly due to translation adjustment of H.R. Owen's property and equipment.

The group acquired certain residential property which is classified as Investment property amounting to ₱141.61 million.

Investments in associates increased by ₱176.01 million (37.7%) to ₱642.73million in 2017 compared to ₱466.71million in 2016.

Intangible assets decreased by ₱107.84 million (5.6%) to ₱1.81 billion in 2017 compared to ₱1.91 billion in 2016, primarily due to the translation adjustment of H.R. Owen's intangible assets.

Deferred tax assets increased by ₱22.12 million (49.6%) to ₱66.72 million in 2017 compared to ₱44.60 million in 2016, due to deferred tax assets arising from unrealized foreign currency losses (net).

Meanwhile, other non-current assets increased by ₱0.35 million (8.1%) to ₱4.71 million in 2017 compared to ₱4.35 million in 2016 due to additional security deposits refundable from various lessors and utility companies.

Total liabilities of the Group decreased by ₱381.20 million (4.8%) to ₱7.55 billion as of 30 April 2017, from ₱7.93 billion as of 30 April 2016 mainly due to a decrease in Trade and other payables and loans payable.

Trade and other payables decreased by ₱409.04 million (11.4%) to ₱3.17 billion in 2017 compared to ₱3.57 billion in 2016, mainly due to a decrease in trade payables, advances from customers and accrued expenses.

Current Loans payable and borrowings decreased by ₱373.41 million (8.8%) to ₱3.86 billion in 2017 compared to ₱4.23 billion in 2016, mainly due to a decrease in vehicle stocking loans.

Income Tax Payable increased by ₱40.49 million (102.4%) to ₱80.04 million in 2017 compared to ₱39.54 million in 2016, mainly due to an increase in current tax expense.

Non-current Loans payable and borrowings amounted to ₱367.39 million due to bank loans.

Deferred tax liabilities decreased by ₱2.9 million (6.6%) to ₱41.82 million in 2017 compared to ₱44.77 million in 2016, mainly due to deferred tax liabilities arising from rolled-over and held over capital gains.

Post-employment benefit obligation decreased by ₱3.68 million (9.0%) to ₱37.12 in 2017 compared to ₱40.80 in 2016.

The total stockholders' equity of the Group decreased by ₱460.27 billion (6.0%) to ₱7.20 billion as of 30 April 2017, from ₱7.67 billion as of 30 April 2016 under review. The book value per share decreased to ₱1.63 in 2017 from ₱8.04 in 2016.

### **Key Performance Indicators**

The top five key performance indicators (KPIs) of the Group are: (1) to ensure the prompt collection of receivables from the customers, (2) review the annual budget to monitor and explain any material variances above 10% in the overall operating results, (3) scrutinize and monitor all the controllable budgeted expenses and analyze any material variances above 10%, (4) review all capital expenditures in compliance with the approved budget, and (5) to manage the timely placements of surplus funds to ensure the highest possible bank interest income in view of the appropriate tolerable risks.

	30 Apr 2017	30 Apr 2016
Liquidity Ratio - Current ratio	1.31 : 1.00	1.31 : 1.00
Leverage Ratio - Debt to Equity	1.05 : 1.00	1.03 : 1.00
Activity Ratio - Annualized PPE Turnover	15.12 times	13.24 times
Profitability Ratios		
Return on Equity	9.77%	9.21%
Return on Assets	4.77%	4.53%

The Corporation uses the following computations in obtaining key indicators:

Key Performance Indicator	Formula
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Debt to Equity Ratio	$\frac{\text{Total Long Term Liabilities}}{\text{Stockholders' Equity}}$

PPE Turnover	<u>Revenues</u> Property, Plant & Equipment (Net)
Return on Equity	<u>Net Income</u> Equity
Return on Assets	<u>Net Income</u> Total Assets

## **2016 Compared to 2015**

### **Results of Operations**

The Corporation and its subsidiaries (the Group) generated total revenues from operating sources of about ₱26.50 billion for the year ended 30 April 2016, an increase of ₱33.67 million (0.1%) over total revenues of ₱26.47 billion in the previous financial year. The increase was primarily due to a higher revenue contribution from H.R. Owen in the financial year under review.

PGMC recorded revenue of ₱1.58 billion, a decrease of ₱30.46 million (1.9%) from ₱1.61 billion in the previous financial year due to net decrease in lease rental income as a result of a revision of equipment lease rate in the equipment lease agreement which was renewed through a supplemental agreement signed on 13 August 2015.

PHPI which operates Berjaya Makati Hotel in Makati City, recorded an increased revenue of ₱146.45 million compared to ₱143.51 million in the previous financial year. The increase of ₱2.94 million (2.0%) in revenue was mainly due to an increase in average room rate compared to the previous financial year.

HR Owen's recorded a revenue of ₱24.77 billion in the financial year under review compared to ₱24.71 billion in the previous financial year. The increase of ₱61.20 million (0.2%) was due to the increase in the number of new and pre-owned prestige cars sold as well as service cars sold during the financial year under review.

The Group's total cost and operating expenses for the year ended 30 April 2016 increased by ₱272.57 million (1.1%) or ₱25.55 billion from ₱25.27 billion for the same period in 2015. The increase is attributed to the following: (i) cost of vehicles sold and body shop repairs and parts increased by ₱126.82 million (0.6%), (ii) salaries and employee benefits increased by ₱60.68 million (3.9%), (iii) rental increased by ₱32.69 million (11.0%), (iv) professional fees increased by ₱101.61 million (37.6%) (v) maintenance of computer equipment increased by ₱1.93 million (2.5%), (vi) transportation and travel increased by ₱7.44 million (19.1%). These increases were offset by the following decreases of expenses: (i) depreciation expense decreased by ₱80.87million (25.3%), (ii) taxes and licenses decreased by ₱12.01 million (7.5%), (iii) telecommunications decreased by ₱13.61 million (11.9%), (iv) communication, light and water decreased by ₱16.24 million (18.5%), (v) representation and entertainment decreased by ₱18.15 million (48.5%).

Other Charges – net of other income amounted to ₱23.09 million for the financial year 30 April 2016, a decrease of ₱68.13 million (151.3%) from the Other Income

(net charges) of ₱45.03 million in the same period in 2015, due to impairment loss recognized on certain investments and net loss on sale of available-for-sale financial assets.

The Group's net income decreased by ₱244.64 million (25.7%) to ₱706.33 million in financial year 2016 from ₱950.97 million in financial year 2015 under review.

### **Financial Position**

Total assets of the Group increased by ₱2.47 billion (18.8%) to ₱15.60 billion as of 30 April 2016, from ₱13.13 billion as of 30 April 2015.

Trade and other receivables (net) increased by ₱804.42 million (37.1%) to ₱2.97 billion in 2016 compared to ₱2.17 billion in 2015, mainly due to payments for future acquisition of investments.

Inventories (net) increased by ₱906.12 million (20.7%) to ₱5.28 billion in 2016 compared to ₱4.37 billion in 2015, mainly due to increase in vehicle stocks of HROwen.

Prepayments and other current assets (net) increased by ₱202.45 million (31.9%) to ₱836.83 million in 2016 compared to ₱634.38 million in 2015, mainly due to increase in prepaid expenses.

Available-for-sale financial assets decreased by ₱261.35 million (23.1%) to ₱869.41million in 2016 compared to ₱1.13 billion in 2015, mainly due to certain investments which were found to be impaired, due to prolonged or significant decline in the fair value of the securities below cost.

Property and equipment (net) increased by ₱569.40 million (39.8%) to ₱2.0 billion in 2016 compared to ₱1.43 billion in 2015, mainly due to additions to workshop equipment, leasehold improvements and renovations.

Investments in associates increased by ₱249.95 million (115.3%) to ₱466.71 million in 2016 compared to ₱216.77million in 2015, mainly due to acquisition of investment in associates.

Intangible assets increased by ₱99.84 million (5.5%) to ₱1.91 billion in 2016 compared to ₱1.81 billion in 2015, primarily due to goodwill and customer relationship arising from acquisition of Bodytechnics.

Deferred tax assets increased by ₱33.13 million (289.0%) to ₱44.60 million in 2016 compared to ₱11.46 million in 2015, mainly due to deferred tax assets arising from impairment loss on certain AFS financial assets.

Meanwhile, Other non-current assets increased by ₱1.29 million (42.2%) to ₱4.35 million in 2016 compared to ₱3.06 million in 2015 due to additional security deposits refundable from various lessors and utility companies.

Total liabilities of the Group increased by ₱1.91 billion (31.6%) to ₱7.93 billion as of 30 April 2016, from ₱6.03 billion as of 30 April 2015 mainly due to increase in Trade and other Payables and Loans payable and Borrowings.

The Group has no long-term debt. Post-employment benefit obligation increased by ₱6.93 million (14.5%) to ₱40.80 in 2016 compared to ₱47.72 in 2015.

Total stockholders' equity of the Group increased by ₱563.04 billion (7.9%) to ₱7.67 billion as of 30 April 2016, from ₱7.10 billion as of 30 April 2015 under review. The book value per share increased to ₱8.04 in 2016 from ₱7.44 in 2015.

### **Key Performance Indicators**

The top five key performance indicators (KPIs) of the Corporation and its subsidiaries are: (1) to ensure the prompt collection of receivables from the customers, (2) review the annual budget to monitor and explain any material variances above 10% in the overall operating results, (3) scrutinize and monitor all the controllable budgeted expenses and analyze any material variances above 10%, (4) review all capital expenditures in compliance with the approved budget, and (5) to manage the timely placements of surplus funds to ensure the highest possible bank interest income in view of the appropriate tolerable risks.

The Corporation uses the following computations in obtaining key indicators:

	30 April 2016	30 April 2015
Liquidity Ratio - Current ratio	1.31 : 1.00	1.41 : 1.00
Leverage Ratio - Debt to Equity	1.03 : 1.00	0.85 : 1.00
Activity Ratio - Annualized PPE Turnover	13.24 times	18.48 times
Profitability Ratios		
Return on Equity	9.21%	13.39%
Return on Assets	4.53%	7.24%

The Corporation uses the following computations in obtaining key indicators:

Key Performance Indicator	Formula
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Debt to Equity Ratio	$\frac{\text{Total Long Term Liabilities}}{\text{Stockholders' Equity}}$
PPE Turnover	$\frac{\text{Revenues}}{\text{Property, Plant \& Equipment (Net)}}$

Return on Equity	$\frac{\text{Net Income}}{\text{Equity}}$
Return on Assets	$\frac{\text{Net Income}}{\text{Total Assets}}$

Barring any unforeseen circumstances, the Corporation's Board of Directors is confident that the operating financial performances of the Corporation and its subsidiaries are expected to be satisfactory in the coming year.

- i) There is no known trend, event or uncertainty that has or is reasonably likely to have an impact on the Corporation's short term or long-term liquidity.
- ii) The liquidity of the subsidiaries would continue to be generated from the collections of revenues from customers. There is no requirement for external funding for liquidity.
- iii) There is no known trend, event or uncertainty that has or that is reasonably expected to have a material impact on the net sales or revenues or income from continuing operations.
- iv) There is no significant element of income or loss that would arise from the Group's continuing operations.
- v) There is no cause for any material change from period to period in one or more of the line items of the Corporation's financial statements.
- vi) There were no seasonal aspects that had a material impact effect on the financial conditions or results of operations.
- vii) There is no event that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation; and
- viii) There is no material off-balance sheet transactions, arrangements, obligations (including contingent liabilities), and other relationships of the company with unconsolidated entities or persons created during the reporting period.

### **Information on Independent Accountant**

For professional services rendered on the audit of the financial statements of the Corporation and its subsidiaries, Punongbayan & Araullo was paid the amounts of Php165,000.00 for its audit on the Corporation, Php425,000.00 and Php190,000.00 for its audit on PGM and PHPI, the wholly owned subsidiaries of the corporation for the financial year ended 30 April 2018. The same amount was

paid to Punongbayan & Araullo for its audit on the Corporation for the financial years ended 30 April 2017 and 30 April 2016.

Punongbayan & Araullo (P&A), the independent auditors of Berjaya Philippines Inc., have affixed their signature on the financial statements of Berjaya Philippines Inc. P&A issued an unqualified opinion on the consolidated financial statements. The audits were conducted in accordance with the Philippine Standards on Auditing.

As part of the audit process, Punongbayan & Araullo made specific inquiries from the Management of the Corporation and its subsidiaries and requested Management's written confirmation concerning representations contained in the financial statements and the effectiveness of the internal control structure. The responses to the inquiries, the written representations, and the results of their audit tests comprised the evidential matter relied upon in forming an opinion on the financial statements.

The income tax return (ITR), other tax returns and the publicly held financial statements (PHFS) and the information contained therein were the responsibilities of the Corporation. Punongbayan & Araullo ascertained that the income and expenses agree with the Corporation's and its subsidiaries' books of accounts.

#### **Discussion on Compliance with leading practice on Corporate Governance**

The Corporation's evaluation system is headed by its Chief Financial Officer Mr. Tan Eng Hwa assisted by the Assistant Corporate Secretary Ms. Marie Lourdes Sia-Bernas in determining the level of compliance of the Board of Directors with its *Manual of Corporate Governance*.

The Corporation shall implement its Corporate Governance Rules in accordance with the Revised Code of Corporate Governance under SEC Memorandum Circular No. 06-2009. The Corporation submitted its Revised *Manual on Corporate Governance* on 31 July 2014, 18 January 2010, and 30 May 2017. The Revised Manual is available for inspection by shareholders at reasonable hours on business days.

The Corporation submitted its Integrated Annual Corporate Governance Report on 30 May 2019. The Integrated Annual Corporate Governance Report is available for inspection by shareholders at reasonable hours on business days.

There is no deviation from the corporation's *Revised Manual on Corporate Governance*.

### Market Price of the Company's Shares of Stock

The shares of stock of Berjaya Philippines Inc. are traded on the Philippine Stock Exchange (PSE). The high and low sales prices for certain dates commencing 3 January 2018 to 31 May 2019 are as follows:

<u>Date</u>	<u>High</u>	<u>Low</u>	<u>Close</u>
03 Jan 2018	₱ 7.50	₱ 4.51	₱ 6.30
22 Jan 2018	₱ 7.50	₱ 4.51	₱ 4.86
07 Feb 2018	₱ 7.50	₱ 4.51	₱ 5.00
28 Feb 2018	₱ 7.50	₱ 4.51	₱ 5.40
09 Mar 2018	₱ 7.50	₱ 4.51	₱ 4.90
04 Apr 2018	₱ 7.50	₱ 4.51	₱ 5.34
30 Apr 2018	₱ 7.50	₱ 4.51	₱ 5.40
02 May 2018	₱ 7.50	₱ 4.51	₱ 5.39
29 May 2018	₱ 6.30	₱ 4.51	₱ 4.98
08 June 2018	₱ 6.30	₱ 4.51	₱ 4.99
27 July 2018	₱ 6.30	₱ 4.51	₱ 5.00
01 Aug 2018	₱ 6.30	₱ 4.51	₱ 5.03
08 Aug 2018	₱ 6.30	₱ 4.51	₱ 4.50
14 Aug 2018	₱ 6.30	₱ 4.22	₱ 4.90
16 Aug 2018	₱ 8.55	₱ 4.22	₱ 5.70
17 Aug 2018	₱ 12.82	₱ 4.22	₱ 8.55
22 Aug 2018	₱ 12.82	₱ 3.00	₱ 3.28
24 Aug 2018	₱ 12.82	₱ 2.80	₱ 3.32
28 Aug 2018	₱ 12.82	₱ 2.80	₱ 2.93
29 Aug 2018	₱ 12.82	₱ 2.80	₱ 2.95
03 Sept 2018	₱ 12.82	₱ 2.79	₱ 2.95
06 Sept 2018	₱ 12.82	₱ 2.79	₱ 2.80
07 Sept 2018	₱ 12.82	₱ 2.79	₱ 2.84
10 Sept 2018	₱ 12.82	₱ 2.42	₱ 2.81
11 Sept 2018	₱ 12.82	₱ 2.26	₱ 2.48
12 Sept 2018	₱ 12.82	₱ 2.13	₱ 2.31
13 Sept 2018	₱ 12.82	₱ 2.07	₱ 2.20
14 Sept 2018	₱ 12.82	₱ 1.99	₱ 2.26
17 Sept 2018	₱ 12.82	₱ 1.90	₱ 2.02
18 Sept 2018	₱ 12.82	₱ 1.90	₱ 2.03
19 Sept 2018	₱ 12.82	₱ 1.82	₱ 1.99
20 Sept 2018	₱ 12.82	₱ 1.82	₱ 1.85
21 Sept 2018	₱ 12.82	₱ 1.82	₱ 1.85
24 Sept 2018	₱ 12.82	₱ 1.82	₱ 1.98
25 Sept 2018	₱ 12.82	₱ 1.82	₱ 1.98
26 Sept 2018	₱ 12.82	₱ 1.82	₱ 2.04
27 Sept 2018	₱ 12.82	₱ 1.82	₱ 1.93
28 Sept 2018	₱ 12.82	₱ 1.82	₱ 1.91
01 Oct 2018	₱ 12.82	₱ 1.82	₱ 1.92
02 Oct 2018	₱ 12.82	₱ 1.82	₱ 1.95
03 Oct 2018	₱ 12.82	₱ 1.82	₱ 1.89
04 Oct 2018	₱ 12.82	₱ 1.82	₱ 1.89
05 Oct 2018	₱ 12.82	₱ 1.82	₱ 1.88
08 Oct 2018	₱ 12.82	₱ 1.82	₱ 1.85
09 Oct 2018	₱ 12.82	₱ 1.67	₱ 1.85

10 Oct 2018	₱ 12.82	₱ 1.60	₱ 1.70
11 Oct 2018	₱ 12.82	₱ 1.59	₱ 1.46
12 Oct 2018	₱ 12.82	₱ 1.46	₱ 1.50
15 Oct 2018	₱ 12.82	₱ 1.46	₱ 1.50
16 Oct 2018	₱ 12.82	₱ 1.46	₱ 1.50
17 Oct 2018	₱ 12.82	₱ 1.46	₱ 1.70
18 Oct 2018	₱ 12.82	₱ 1.46	₱ 1.70
19 Oct 2018	₱ 12.82	₱ 1.46	₱ 1.70
22 Oct 2018	₱ 12.82	₱ 1.46	₱ 1.69
23 Oct 2018	₱ 12.82	₱ 1.46	₱ 1.75
24 Oct 2018	₱ 12.82	₱ 1.46	₱ 1.75
25 Oct 2018	₱ 12.82	₱ 1.46	₱ 1.71
26 Oct 2018	₱ 12.82	₱ 1.46	₱ 1.71
29 Oct 2018	₱ 12.82	₱ 1.46	₱ 1.63
30 Oct 2018	₱ 12.82	₱ 1.46	₱ 1.65
31 Oct 2018	₱ 12.82	₱ 1.46	₱ 1.65
05 Nov 2018	₱ 12.82	₱ 1.46	₱ 1.69
06 Nov 2018	₱ 12.82	₱ 1.46	₱ 1.68
07 Nov 2018	₱ 12.82	₱ 1.46	₱ 1.68
08 Nov 2018	₱ 12.82	₱ 1.36	₱ 1.48
09 Nov 2018	₱ 12.82	₱ 1.36	₱ 1.43
12 Nov 2018	₱ 12.82	₱ 1.36	₱ 1.43
13 Nov 2018	₱ 12.82	₱ 1.36	₱ 1.48
14 Nov 2018	₱ 12.82	₱ 1.36	₱ 1.61
15 Nov 2018	₱ 12.82	₱ 1.36	₱ 1.59
16 Nov 2018	₱ 12.82	₱ 1.36	₱ 1.60
19 Nov 2018	₱ 12.82	₱ 1.36	₱ 1.67
20 Nov 2018	₱ 12.82	₱ 1.36	₱ 1.70
21 Nov 2018	₱ 12.82	₱ 1.36	₱ 1.70
22 Nov 2018	₱ 12.82	₱ 1.36	₱ 1.66
23 Nov 2018	₱ 12.82	₱ 1.36	₱ 1.72
26 Nov 2018	₱ 12.82	₱ 1.36	₱ 1.72
27 Nov 2018	₱ 12.82	₱ 1.36	₱ 1.99
28 Nov 2018	₱ 12.82	₱ 1.36	₱ 2.03
29 Nov 2018	₱ 12.82	₱ 1.36	₱ 1.97
03 Dec 2018	₱ 12.82	₱ 1.36	₱ 2.35
04 Dec 2018	₱ 12.82	₱ 1.36	₱ 2.47
05 Dec 2018	₱ 12.82	₱ 1.36	₱ 2.51
06 Dec 2018	₱ 12.82	₱ 1.36	₱ 2.53
07 Dec 2018	₱ 12.82	₱ 1.36	₱ 2.59
10 Dec 2018	₱ 12.82	₱ 1.36	₱ 2.69
11 Dec 2018	₱ 12.82	₱ 1.36	₱ 2.72
12 Dec 2018	₱ 12.82	₱ 1.36	₱ 2.97
13 Dec 2018	₱ 12.82	₱ 1.36	₱ 3.04
14 Dec 2018	₱ 12.82	₱ 1.36	₱ 3.36
17 Dec 2018	₱ 12.82	₱ 1.36	₱ 3.46
18 Dec 2018	₱ 12.82	₱ 1.36	₱ 3.66
19 Dec 2018	₱ 12.82	₱ 1.36	₱ 3.75
20 Dec 2018	₱ 12.82	₱ 1.36	₱ 3.85
21 Dec 2018	₱ 12.82	₱ 1.36	₱ 3.94
02 Jan 2019	₱ 12.82	₱ 1.36	₱ 4.50
03 Jan 2019	₱ 12.82	₱ 1.36	₱ 3.43
04 Jan 2019	₱ 12.82	₱ 1.36	₱ 3.54
07 Jan 2019	₱ 12.82	₱ 1.36	₱ 3.34

08 Jan 2019	₱ 12.82	₱ 1.36	₱ 3.45
09 Jan 2019	₱ 12.82	₱ 1.36	₱ 3.49
10 Jan 2019	₱ 12.82	₱ 1.36	₱ 3.49
11 Jan 2019	₱ 12.82	₱ 1.36	₱ 3.33
14 Jan 2019	₱ 12.82	₱ 1.36	₱ 3.39
15 Jan 2019	₱ 12.82	₱ 1.36	₱ 3.36
16 Jan 2019	₱ 12.82	₱ 1.36	₱ 3.46
17 Jan 2019	₱ 12.82	₱ 1.36	₱ 3.39
18 Jan 2019	₱ 12.82	₱ 1.36	₱ 3.21
21 Jan 2019	₱ 12.82	₱ 1.36	₱ 3.21
22 Jan 2019	₱ 12.82	₱ 1.36	₱ 3.21
23 Jan 2019	₱ 12.82	₱ 1.36	₱ 3.21
24 Jan 2019	₱ 12.82	₱ 1.36	₱ 3.21
21 Jan 2019	₱ 12.82	₱ 1.36	₱ 3.21
25 Jan 2019	₱ 12.82	₱ 1.36	₱ 2.93
28 Jan 2019	₱ 12.82	₱ 1.36	₱ 2.81
29 Jan 2019	₱ 12.82	₱ 1.36	₱ 2.79
30 Jan 2019	₱ 12.82	₱ 1.36	₱ 2.84
31 Jan 2019	₱ 12.82	₱ 1.36	₱ 2.84
01 Feb 2019	₱ 12.82	₱ 1.36	₱ 2.72
04 Feb 2019	₱ 12.82	₱ 1.36	₱ 3.12
05 Feb 2019	₱ 12.82	₱ 1.36	₱ 3.39
06 Feb 2019	₱ 12.82	₱ 1.36	₱ 3.39
07 Feb 2019	₱ 12.82	₱ 1.36	₱ 3.19
08 Feb 2019	₱ 12.82	₱ 1.36	₱ 3.24
11 Feb 2019	₱ 12.82	₱ 1.36	₱ 3.24
12 Feb 2019	₱ 12.82	₱ 1.36	₱ 3.24
13 Feb 2019	₱ 12.82	₱ 1.36	₱ 3.04
14 Feb 2019	₱ 12.82	₱ 1.36	₱ 3.04
15 Feb 2019	₱ 12.82	₱ 1.36	₱ 3.04
18 Feb 2019	₱ 12.82	₱ 1.36	₱ 3.04
19 Feb 2019	₱ 12.82	₱ 1.36	₱ 3.04
20 Feb 2019	₱ 12.82	₱ 1.36	₱ 3.05
21 Feb 2019	₱ 12.82	₱ 1.36	₱ 3.00
22 Feb 2019	₱ 12.82	₱ 1.36	₱ 2.96
26 Feb 2019	₱ 12.82	₱ 1.36	₱ 2.92
27 Feb 2019	₱ 12.82	₱ 1.36	₱ 2.94
28 Feb 2019	₱ 12.82	₱ 1.36	₱ 3.00
01 Mar 2019	₱ 12.82	₱ 1.36	₱ 2.91
04 Mar 2019	₱ 12.82	₱ 1.36	₱ 2.90
05 Mar 2019	₱ 12.82	₱ 1.36	₱ 2.90
06 Mar 2019	₱ 12.82	₱ 1.36	₱ 2.72
07 Mar 2019	₱ 12.82	₱ 1.36	₱ 2.80
08 Mar 2019	₱ 12.82	₱ 1.36	₱ 2.80
11 Mar 2019	₱ 12.82	₱ 1.36	₱ 2.91
12 Mar 2019	₱ 12.82	₱ 1.36	₱ 2.80
13 Mar 2019	₱ 12.82	₱ 1.36	₱ 2.79
14 Mar 2019	₱ 12.82	₱ 1.36	₱ 2.73
15 Mar 2019	₱ 12.82	₱ 1.36	₱ 2.73
18 Mar 2019	₱ 12.82	₱ 1.36	₱ 2.75
19 Mar 2019	₱ 12.82	₱ 1.36	₱ 2.77
20 Mar 2019	₱ 12.82	₱ 1.36	₱ 2.77
21 Mar 2019	₱ 12.82	₱ 1.36	₱ 2.81
22 Mar 2019	₱ 12.82	₱ 1.36	₱ 2.80

25 Mar 2019	₱ 12.82	₱ 1.36	₱ 2.80
26 Mar 2019	₱ 12.82	₱ 1.36	₱ 2.78
27 Mar 2019	₱ 12.82	₱ 1.36	₱ 2.78
28 Mar 2019	₱ 12.82	₱ 1.36	₱ 2.72
29 Mar 2019	₱ 12.82	₱ 1.36	₱ 2.76
01 Apr 2019	₱ 12.82	₱ 1.36	₱ 2.71
02 Apr 2019	₱ 12.82	₱ 1.36	₱ 2.71
03 Apr 2019	₱ 12.82	₱ 1.36	₱ 2.70
04 Apr 2019	₱ 12.82	₱ 1.36	₱ 2.50
05 Apr 2019	₱ 12.82	₱ 1.36	₱ 2.49
08 Apr 2019	₱ 12.82	₱ 1.36	₱ 2.50
09 Apr 2019	₱ 12.82	₱ 1.36	₱ 2.50
10 Apr 2019	₱ 12.82	₱ 1.36	₱ 2.45
11 Apr 2019	₱ 12.82	₱ 1.36	₱ 2.47
12 Apr 2019	₱ 12.82	₱ 1.36	₱ 2.47
15 Apr 2019	₱ 12.82	₱ 1.36	₱ 2.36
16 Apr 2019	₱ 12.82	₱ 1.36	₱ 2.36
22 Apr 2019	₱ 12.82	₱ 1.36	₱ 2.36
23 Apr 2019	₱ 12.82	₱ 1.36	₱ 2.37
24 Apr 2019	₱ 12.82	₱ 1.36	₱ 2.48
25 Apr 2019	₱ 12.82	₱ 1.36	₱ 2.53
26 Apr 2019	₱ 12.82	₱ 1.36	₱ 2.55
29 Apr 2019	₱ 12.82	₱ 1.36	₱ 2.47
30 Apr 2019	₱ 12.82	₱ 1.36	₱ 2.47
02 May 2019	₱ 12.82	₱ 1.36	₱ 2.61
03 May 2019	₱ 12.82	₱ 1.36	₱ 2.68
06 May 2019	₱ 12.82	₱ 1.36	₱ 2.64
07 May 2019	₱ 12.82	₱ 1.36	₱ 2.64
08 May 2019	₱ 12.82	₱ 1.36	₱ 2.64
09 May 2019	₱ 12.82	₱ 1.36	₱ 2.66
10 May 2019	₱ 12.82	₱ 1.36	₱ 2.60
14 May 2019	₱ 12.82	₱ 1.36	₱ 2.56
15 May 2019	₱ 12.82	₱ 1.36	₱ 2.56
16 May 2019	₱ 12.82	₱ 1.36	₱ 2.47
17 May 2019	₱ 12.82	₱ 1.36	₱ 2.45
20 May 2019	₱ 12.82	₱ 1.36	₱ 2.47
21 May 2019	₱ 12.82	₱ 1.36	₱ 2.53
22 May 2019	₱ 12.82	₱ 1.36	₱ 2.60
23 May 2019	₱ 12.82	₱ 1.36	₱ 2.82
24 May 2019	₱ 12.82	₱ 1.36	₱ 2.83
27 May 2019	₱ 12.82	₱ 1.36	₱ 3.09
28 May 2019	₱ 12.82	₱ 1.36	₱ 2.93
29 May 2019	₱ 12.82	₱ 1.36	₱ 2.93
30 May 2019	₱ 12.82	₱ 1.36	₱ 3.05
31 May 2019	₱ 12.82	₱ 1.36	₱ 2.91

The price as of the last trading date for this report is Two Pesos and Ninety One Centavos (₱ 2.91) on 31 May 2019.


There are no restrictions or limitations on Berjaya Philippines Inc.'s ability to pay dividends on common equity. There are no such likely restrictions or limitations foreseen in the future.

Upon the written request of any stockholder, the Company will provide without charge to the requesting stockholder, a copy of the Company's annual report on SEC Form 17-A.

**ALL REQUESTS MUST BE ADDRESSED TO:**

**JOSE A. BERNAS, Esq.**  
**The Corporate Secretary**  
**Berjaya Philippines Inc.**  
**c/o Bernas Law Offices**  
**8/F Raha Sulayman Building**  
**108 Benavidez Street, Legaspi Village, Makati City**  
**Metro Manila, 1229**

**BERJAYA PHILIPPINES INC.**  
For and on behalf of the  
Board:



**WONG EE COLN**  
President



108132018002954



## SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines  
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

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Company Representative

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Company Information

SEC Registration No. PW00000476  
Company Name BERJAYA PHILIPPINES INC.  
Industry Classification  
Company Type Stock Corporation

### Document Information

Document ID 108132018002954  
Document Type FINANCIAL STATEMENT-ANNUAL  
Document Code FS  
Period Covered April 30, 2018  
No. of Days Late 0  
Department CED/CRMD  
Remarks



108132018002955



## SECURITIES AND EXCHANGE COMMISSION

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Company Information

SEC Registration No. PW00000476

Company Name BERJAYA PHILIPPINES INC.

Industry Classification

Company Type Stock Corporation

### Document Information

Document ID 108132018002955

Document Type Individual/Parent Company FS - Publicly Held

Document Code PHFS1

Period Covered April 30, 2018

No. of Days Late 0

Department CFD

Remarks

# COVER SHEET

P W 0 0 0 0 0 4 7 6

S.E.C. Registration Number

B E R J A Y A P H I L I P P I N E S I N C .

(Company's Full Name)

9 F R U F I N O P A C I F I C T O W E R  
6 7 8 4 A Y A L A A V E . M A K A T I C I T Y

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

Atty. Jose A. Bernas

Contact Person

811-0668

Company Telephone Number

0 4 3 0

Month Day  
Fiscal Year

P H F S

FORM TYPE

1 0 0 4

Month Day  
Annual Meeting

Secondary License Type, If Applicable

S E C

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings (in '000)

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes



## CERTIFICATION

Securities and Exchange Commission  
SEC Building  
EDSA, Greenhills  
Mandaluyong

Gentlemen:

In compliance with Memorandum Circular No. 02 March 12, 2001, issued by Securities and Exchange Commission (SEC), requiring the submission by registered corporations of SEC reportorial requirements, we submit herewith the Audited Financial Statements (AFS) diskette for **BERJAYA PHILIPPINES, INC.** for the years ended **April 30, 2018 and 2017** consisting of the following:

Table 1.	Balance Sheets
Table 2.	Income Statements / (Profit and Loss Statement) and Retained Earnings Statement
Table 2b.	Statement of Cash Flows

I certify that the AFS diskette of the Company contains the basic and material data in the hard copies of the financial statements of the Company for the years ended **April 30, 2018 and 2017**.

TAN ENG HWA  
Treasurer

MAY 30 2018

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of \_\_\_\_\_, 2018, at **MAKATI CITY**, with affiant exhibiting to me his Tax Identification No. 204-172-228

NOTARY PUBLIC

Book No. 54 :  
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Page No. 347 :  
Series of 20 18

RUBEN T. M. RAMIREZ  
NOTARY PUBLIC  
UNTIL DEC 31, 2019  
IBP NO 017527/11 12-17 CY 2019  
ROLL NO 28947/MCLE 4 / 6 19-12  
PTR NO. MKT. 6607723/1-3-18 APPT. NO. M-127

**BERJAYA PHILIPPINES INC.**

9/F Rufino Pacific Tower 6784 Ayala Ave., Cor. V.A. Rufino St., Makati City  
Tel. No.: (632) 811-0668 \* Fax No.: (632) 811-0538

**SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES**

NAME OF CORPORATION: BERJAYA PHILIPPINES INC.

CURRENT ADDRESS: 9F RUFINO PACIFIC TOWER, 6784 AYALA AVE., MAKATI CITY

TEL. NO.: 811-0668

FAX NO.: 811-0538

COMPANY TYPE: INVESTMENT COMPANY OPERATION

PSIC: 66910

*If these are based on consolidated financial statements, please so indicate in the caption.*

**Table 1. Balance Sheet**

FINANCIAL DATA		2018 (in P'000)	2017 (in P'000)
<b>A. ASSETS (A.1 + A.2 + A.3 + A.4 + A.5 + A.6 + A.7 + A.8 + A.9 + A.10)</b>		<b>8,194,541</b>	<b>7,852,974</b>
A.1 Current Assets (A.1.1 + A.1.2 + A.1.3 + A.1.4 + A.1.5)		2,822,644	2,941,598
A.1.1 Cash and cash equivalents (A.1.1.1 + A.1.1.2 + A.1.1.3)		69,751	91,929
A.1.1.1 On hand		1	1
A.1.1.2 In domestic banks/entities		69,750	91,928
A.1.1.3 In foreign banks/entities			
A.1.2 Trade and Other Receivables (A.1.2.1 + A.1.2.2)		496,011	1,129,476
A.1.2.1 Due from domestic entities (A.1.2.1.1 + A.1.2.1.2 + A.1.2.1.3 + A.1.2.1.4)		496,011	1,129,476
A.1.2.1.1 Due from customers (trade)			
A.1.2.1.2 Due from related parties		0	0
A.1.2.1.3 Others, specify (A.1.2.1.3.1 + A.1.2.1.3.2)		496,011	1,129,476
A.1.2.1.3.1 Deposits		395,260	971,940
A.1.2.1.3.2 Payments for future acquisition of investments		91,831	12,200
A.1.2.1.3.3 Others		8,919	145,337
A.1.2.1.4 Allowance for doubtful accounts (negative entry)		0	0
A.1.2.2 Due from foreign entities, specify (A.1.2.2.1 + A.1.2.2.2 + A.1.2.2.3 + A.1.2.2.4)			
A.1.2.2.1			
A.1.2.2.2			
A.1.2.2.3			
A.1.2.2.4 Allowance for doubtful accounts (negative entry)			
A.1.3 Inventories (A.1.3.1 + A.1.3.2 + A.1.3.3 + A.1.3.4 + A.1.3.5 + A.1.3.6)			
A.1.3.1 Raw materials and supplies			
A.1.3.2 Goods in process (including unfinished goods, growing crops, unfinished seeds)			
A.1.3.3 Finished goods			
A.1.3.4 Merchandise/Goods in transit			
A.1.3.5 Unbilled Services (in case of service providers)			
A.1.3.6 Others, specify (A.1.3.6.1 + A.1.3.6.2)			
A.1.3.6.1			
A.1.3.6.2			
A.1.4 Financial Assets other than Cash/Receivables/Equity investments (A.1.4.1 + A.1.4.2 + A.1.4.3 + A.1.4.4 + A.1.4.5 + A.1.4.6)			
A.1.4.1 Financial Assets at Fair Value through Profit or Loss - issued by domestic entities: (A.1.4.1.1 + A.1.4.1.2 + A.1.4.1.3 + A.1.4.1.4 + A.1.4.1.5)			
A.1.4.1.1 National Government			
A.1.4.1.2 Public Financial Institutions			
A.1.4.1.3 Public Non-Financial Institutions			
A.1.4.1.4 Private Financial Institutions			
A.1.4.1.5 Private Non-Financial Institutions			
A.1.4.2 Held to Maturity Investments - issued by domestic entities: (A.1.4.2.1 + A.1.4.2.2 + A.1.4.2.3 + A.1.4.2.4 + A.1.4.2.5)			
A.1.4.2.1 National Government			
A.1.4.2.2 Public Financial Institutions			
A.1.4.2.3 Public Non-Financial Institutions			
A.1.4.2.4 Private Financial Institutions			
A.1.4.2.5 Private Non-Financial Institutions			

**NOTE:**

This special form is applicable to Investment Companies and Publicly-held Companies (enumerated in Section 17.2 of the Securities Regulation Code (SRC), except banks and insurance companies). As a supplemental form to PHFS, it shall be used for reporting Consolidated Financial Statements of Parent corporations and their subsidiaries.

Domestic corporations are those which are incorporated under Philippine laws or branches/subsidiaries of foreign corporations that are licensed to do business in the Philippines where the center of economic interest or activity is within the Philippines. On the other hand, foreign corporations are those that are incorporated abroad, including branches of Philippine corporations operating abroad.

Financial Institutions are corporations principally engaged in financial intermediation, facilitating financial intermediation, or auxiliary financial services. Non-Financial institutions refer to corporations that are primarily engaged in the production of market goods and non-financial services.

## SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES

NAME OF CORPORATION: BERJAYA PHILIPPINES INC.

CURRENT ADDRESS: 9F RUFINO PACIFIC TOWER, 6784 AYALA AVE., MAKATI CITY

TEL. NO.: 811-0668

FAX NO.: 811-0538

COMPANY TYPE: INVESTMENT COMPANY OPERATION

PSIC: 66910

If these are based on consolidated financial statements, please so indicate in the caption.

Table 1. Balance Sheet

FINANCIAL DATA	2018 ( in P'000 )	2017 ( in P'000 )
A.1.4.3 Loans and Receivables - issued by domestic entities: (A.1.4.3.1 + A.1.4.3.2 + A.1.4.3.3 + A.1.4.3.4 + A.1.4.3.5)		
A.1.4.3.1 National Government		
A.1.4.3.2 Public Financial Institutions		
A.1.4.3.3 Public Non-Financial Institutions		
A.1.4.3.4 Private Financial Institutions		
A.1.4.3.5 Private Non-Financial Institutions		
A.1.4.4 Available-for-sale financial assets - issued by domestic entities: (A.1.4.4.1 + A.1.4.4.2 + A.1.4.4.3 + A.1.4.4.4 + A.1.4.4.5)		
A.1.4.4.1 National Government		
A.1.4.4.2 Public Financial Institutions		
A.1.4.4.3 Public Non-Financial Institutions		
A.1.4.4.4 Private Financial Institutions		
A.1.4.4.5 Private Non-Financial Institutions		
A.1.4.5 Financial Assets issued by foreign entities: (A.1.4.5.1 + A.1.4.5.2 + A.1.4.5.3 + A.1.4.5.4)		
A.1.4.5.1 Financial Assets at fair value through profit or loss		
A.1.4.5.2 Held-to-maturity investments		
A.1.4.5.3 Loans and Receivables		
A.1.4.5.4 Available-for-sale financial assets		
A.1.4.6 Allowance for decline in market value (negative entry)		
A.1.5 Other Current Assets (state separately material items) (A.1.5.1 + A.1.5.2 + A.1.5.3)	2,256,883	1,720,193
A.1.5.1 Advances to subsidiaries and associates	2,192,362	1,659,137
A.1.5.2 Prepaid taxes and input VAT	59,607	59,116
A.1.5.3 Other prepayments - net	4,914	1,941
A.2 Property, plant, and equipment (A.2.1 + A.2.2 + A.2.3 + A.2.4 + A.2.5 + A.2.6 + A.2.7 + A.2.8)	2,502	5,003
A.2.1 Land		
A.2.2 Building and improvements including leasehold improvement		
A.2.3 Machinery and equipment (on hand and in transit)		
A.2.4 Transportation/motor vehicles, automotive equipment, autos and trucks, and delivery equipment	2,502	5,003
A.2.5 Others, specify (A.2.5.1 + A.2.5.2 + A.2.5.3 + A.2.5.4 + A.2.5.5)		
A.2.5.1 Property, or equipment used for education purposes		
A.2.5.2 Construction in progress		
A.2.5.3		
A.2.5.4		
A.2.5.5		
A.2.6 Appraisal increase, specify (A.2.6.1 + A.2.6.2 + A.2.6.3 + A.2.6.4 + A.2.6.5)		
A.2.6.1		
A.2.6.2		
A.2.6.3		
A.2.6.4		
A.2.6.5		
A.2.7 Accumulated Depreciation (negative entry)		
A.2.8 Impairment Loss or Reversal (if loss, negative entry)		
A.3 Investments accounted for using the equity method (A.3.1 + A.3.2 + A.3.3 + A.3.4)		
A.3.1 Equity in domestic subsidiaries/affiliates		
A.3.2 Equity in foreign branches/subsidiaries/affiliates		
A.3.3 Others, specify (A.3.3.1 + A.3.3.2 + A.3.3.3 + A.3.3.4 + A.3.3.5)		
A.3.3.1		
A.3.3.2		
A.3.3.3		
A.3.3.4		
A.3.3.5		
A.4 Investment Property		
A.5 Biological Assets		
A.6 Intangible Assets		
A.6.1 Major item/s, specify (A.6.1.1 + A.6.1.2)		
A.6.1.1		
A.6.1.2		
A.6.2 Others, specify (A.6.2.1 + A.6.2.2)		
A.6.2.1		
A.6.2.2		
A.7 Assets Classified as Held for Sale		
A.8 Assets included in Disposal Groups Classified as Held for Sale		

**SPECIAL FORM FOR CONSOLIDATED FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES**

NAME OF CORPORATION: BERJAYA PHILIPPINES INC.  
CURRENT ADDRESS: 9F RUFINO PACIFIC TOWER, 6784 AYALA AVE., MAKATI CITY  
TEL. NO.: 811-0668 FAX NO.: 811-0538  
COMPANY TYPE: INVESTMENT COMPANY OPERATION PSIC: 66910  
*If these are based on consolidated financial statements, please so indicate in the caption.*

**Table 1. Balance Sheet**

<b>FINANCIAL DATA</b>	<b>2018 (in P'000)</b>	<b>2017 (in P'000)</b>
<b>A.9 Long-term receivables (net of current portion) (A.9.1 + A.9.2 + A.9.3)</b>		
A.9.1 From domestic entities, specify (A.9.1.1 + A.9.1.2 + A.9.1.3)		
A.9.1.1		
A.9.1.2		
A.9.1.3		
A.9.2 From foreign entities, specify (A.9.2.1 + A.9.2.2 + A.9.2.3)		
A.9.2.1		
A.9.2.2		
A.9.2.3		
A.9.3 Allowance for doubtful accounts, net of current portion (negative entry)		
<b>A.10 Other Assets (A.10.1 + A.10.2 + A.10.3 + A.10.4 + A.10.5)</b>	<b>5,369,394</b>	<b>4,906,372</b>
A.10.1 Deferred charges - net of amortization		
A.10.2 Deferred Income Tax	0	0
A.10.3 Advance/Miscellaneous deposits		
<b>A.10.4 Others, specify (A.10.4.1 + A.10.4.2 + A.10.4.3 + A.10.4.4 + A.10.4.5)</b>	<b>5,369,394</b>	<b>4,906,372</b>
A.10.4.1 Investment in subsidiaries and associates	4,068,291	3,951,537
A.10.4.2 Available-for-sale financial assets	1,199,369	901,809
A.10.4.3 Advances to an associate	0	0
A.10.4.4 Deferred Tax Assets	101,734	53,026
A.10.4.5		
A.10.5 Allowance for write-down of deferred charges/bad accounts (negative entry)	0	0
<b>B. LIABILITIES (B.1 + B.2 + B.3 + B.4 + B.5)</b>	<b>550,258</b>	<b>859,410</b>
<b>B.1 Current Liabilities (B.1.1 + B.1.2 + B.1.3 + B.1.4 + B.1.5 + B.1.6 + B.1.7)</b>	<b>287,758</b>	<b>626,077</b>
B.1.1 Trade and Other Payables to Domestic Entities (B.1.1.1 + B.1.1.2 + B.1.1.3 + B.1.1.4 + B.1.1.5 + B.1.1.6)	287,758	626,077
B.1.1.1 Loans/Notes Payables	150,000	350,000
B.1.1.2 Trade Payables	24,876	17,729
B.1.1.3 Payables to Related Parties		
B.1.1.4 Advances from Directors, Officers, Employees and Principal Stockholders		
B.1.1.5 Accruals, specify material items (B.1.1.5.1 + B.1.1.5.2 + B.1.1.5.3)		
B.1.1.5.1		
B.1.1.5.2		
B.1.1.5.3		
B.1.1.6 Others, specify (B.1.1.6.1 + B.1.1.6.2 + B.1.1.6.3)		
B.1.1.6.1 Advances from Subsidiary	112,882	258,348
B.1.1.6.2		
B.1.1.6.3		
B.1.2 Trade and Other Payables to Foreign Entities (specify) (B.1.2.1 + B.1.2.2 + B.1.2.3)		
B.1.2.1		
B.1.2.2		
B.1.2.3		
B.1.3 Provisions		
B.1.4 Financial Liabilities (excluding Trade and Other Payables and Provisions) (B.1.4.1 + B.1.4.2 + B.1.4.3 + B.1.4.4 + B.1.4.5)		
B.1.4.1		
B.1.4.2		
B.1.4.3		
B.1.4.4		
B.1.4.5		
B.1.5 Liabilities for Current Tax		
B.1.6 Deferred Tax Liabilities	0	0
B.1.7 Others, specify (If material, state separately; indicate if the item is payable to public/private or financial/non-financial institutions) (B.1.7.1 + B.1.7.2 + B.1.7.3 + B.1.7.4 + B.1.7.5 + B.1.7.6)		
B.1.7.1 Dividends declared and not paid at balance sheet date		
B.1.7.2 Acceptances Payable		
B.1.7.3 Liabilities under Trust Receipts		
B.1.7.4 Portion of Long-term Debt Due within one year		
B.1.7.5 Deferred Income		
B.1.7.6 Any other current liability in excess of 5% of Total Current Liabilities, specify:		
B.1.7.6.1		
B.1.7.6.2		
B.1.7.6.3		

**SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES**

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TEL. NO.: 811-0668

FAX NO.: 811-0538

COMPANY TYPE: INVESTMENT COMPANY OPERATION

PSIC: 66910

*If these are based on consolidated financial statements, please so indicate in the caption.*

**Table 1. Balance Sheet**

<b>FINANCIAL DATA</b>	<b>2018 (in P'000)</b>	<b>2017 (in P'000)</b>
B.2 Long-term Debt - Non-current Interest-bearing Liabilities (B.2.1 + B.2.2 + B.2.3 + B.2.4 + B.2.5)	262,500	233,333
B.2.1 Domestic Public Financial Institutions		
B.2.2 Domestic Public Non-Financial Institutions		
B.2.3 Domestic Private Financial Institutions	262,500	233,333
B.2.4 Domestic Private Non-Financial Institutions		
B.2.5 Foreign Financial Institutions		
B.3 Indebtedness to Affiliates and Related Parties (Non-Current)		
B.4 Liabilities Included in the Disposal Groups Classified as Held for Sale		
B.5 Other Liabilities (B.5.1 + B.5.2)		
B.5.1 Deferred Tax		
B.5.2 Others, specify (B.5.2.1 + B.5.2.2 + B.5.2.3 + B.5.2.4 + B.5.2.5)		
B.5.2.1		
B.5.2.2		
B.5.2.3		
B.5.2.4		
B.5.2.5		
<b>C. EQUITY (C.3 + C.4 + C.5 + C.6 + C.7 + C.8 + C.9 + C.10)</b>	<b>7,644,283</b>	<b>6,993,564</b>
C.1 Authorized Capital Stock (no. of shares, par value and total value; show details) (C.1.1 + C.1.2 + C.1.3)	0	0
C.1.1 Common shares 2,000,000,000 shares, P1 par value	0	0
C.1.2 Preferred Shares		
C.1.3 Others		
C.2 Subscribed Capital Stock (no. of shares, par value and total value) (C.2.1 + C.2.2 + C.2.3)		
C.2.1 Common shares		
C.2.2 Preferred Shares		
C.2.3 Others		
C.3 Paid-up Capital Stock (C.3.1 + C.3.2)	4,427,009	4,427,009
C.3.1 Common shares	4,427,009	4,427,009
C.3.2 Preferred Shares		
C.4 Additional Paid-in Capital / Capital in excess of par value / Paid-in Surplus		
C.5 Minority Interest		
C.6 Others, specify (C.6.1 + C.6.2 + C.6.3)	81,442	(61,532)
C.6.1 Revaluation reserve	81,442	(61,532)
C.6.2		
C.6.3		
C.7 Appraisal Surplus/Revaluation Increment in Property/Revaluation Surplus		
C.8 Retained Earnings (C.8.1 + C.8.2)	4,123,981	3,616,237
C.8.1 Appropriated	2,273,150	2,273,150
C.8.2 Unappropriated	1,850,831	1,343,086
C.9 Head / Home Office Account (for Foreign Branches only)		
C.10 Cost of Stocks Held in Treasury (negative entry)	(988,150)	(988,150)
<b>TOTAL LIABILITIES AND EQUITY (B + C)</b>	<b>8,194,541</b>	<b>7,852,974</b>

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COMPANY TYPE: INVESTMENT COMPANY OPERATION PSIC: 66910

If these are based on consolidated financial statements, please so indicate in the caption.

**Table 2. Income Statement**

FINANCIAL DATA	2018 ( in P'000 )	2017 ( in P'000 )
<b>A. REVENUE / INCOME (A.1 + A.2 + A.3)</b>	<b>592,933</b>	<b>212,074</b>
A.1 Net Sales or Revenue / Receipts from Operations (manufacturing, mining, utilities, trade, services, etc.) (from Primary Activity)	724,297	186,229
A.2 Share in the Profit or Loss of Associates and Joint Ventures accounted for		
A.3 Other Revenue (A.3.1 + A.3.2 + A.3.3 + A.3.4 + A.3.5)		
A.3.1 Rental Income from Land and Buildings		
A.3.2 Receipts from Sale of Merchandise (trading) (from Secondary Activity)		
A.3.3 Sale of Real Estate or other Property and Equipment		
A.3.4 Royalties, Franchise Fees, Copyrights (books, films, records, etc.)		
A.3.5 Others, specify (A.3.5.1 + A.3.5.2 + A.3.5.3 + A.3.5.4 + A.3.5.5 + A.3.5.6 + A.3.5.7 + A.3.5.8)		
A.3.5.1 Rental Income, Equipment		
A.3.5.2		
A.3.5.3		
A.3.5.4		
A.3.5.5		
A.3.5.6		
A.3.5.7		
A.3.5.8		
A.4 Other Income (non-operating) (A.4.1 + A.4.2 + A.4.3 + A.4.4)	(131,364)	25,845
A.4.1 Interest Income	85,527	98,334
A.4.2 Dividend Income		
A.4.3 Gain / (Loss) from selling of Assets, specify (A.4.3.1 + A.4.3.2 + A.4.3.3 + A.4.3.4)	(54,533)	1,181
A.4.3.1 Gain (Loss) on sale of available-for-sale financial assets	(54,533)	1,181
A.4.3.2		
A.4.3.3		
A.4.3.4		
A.4.4 Others, specify (A.4.4.1 + A.4.4.2 + A.4.4.3 + A.4.4.4)	(162,357)	(73,669)
A.4.4.1 Gain / (Loss) on Foreign Exchange	47,881	(72,320)
A.4.4.2 Remeasurement of gain on reclassification of AFS	0	0
A.4.4.3 Impairment loss on financial assets	(210,238)	(2,878)
A.4.4.4 Other Income	0	1,529
<b>B. COST OF GOODS SOLD (B.1 + B.2 + B.3)</b>		
B.1 Cost of Goods Manufactured (B.1.1 + B.1.2 + B.1.3 + B.1.4 + B.1.5)		
B.1.1 Direct Material Used		
B.1.2 Direct Labor		
B.1.3 Other Manufacturing Cost / Overhead		
B.1.4 Goods in Process, Beginning		
B.1.5 Goods in Process, End (negative entry)		
B.2 Finished Goods, Beginning		
B.3 Finished Goods, End (negative entry)		
<b>C. COST OF SALES (C.1 + C.2 + C.3)</b>		
C.1 Purchases		
C.2 Merchandise Inventory, Beginning		
C.3 Merchandise Inventory, End (negative entry)		
<b>D. GROSS PROFIT (A - B - C)</b>	<b>592,933</b>	<b>212,074</b>

NOTE: Pursuant to SRC Rule 68.1 (as amended in Nov. 2005), for fiscal years ending December 31, 2005 up to November 30, 2006, a comparative format of only two (2) years may be filed to give temporary relief for covered companies as the more complex PFRSs will be applied for the first time in these year end periods. After these first time applications, the requirement of three (3) year comparatives shall resume for year end reports beginning December 31, 2006 and onwards.

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CURRENT ADDRESS: 9F RUFINO PACIFIC TOWER, 6784 AYALA AVE., MAKATI CITY  
TEL. NO.: 811-0668 FAX NO.: 811-0538  
COMPANY TYPE: INVESTMENT COMPANY OPERATION PSIC: 66910

If these are based on consolidated financial statements, please so indicate in the caption.

**Table 2. Income Statement**

FINANCIAL DATA	2018 (in P'000)	2017 (in P'000)
<b>E. OPERATING EXPENSES (E.1 + E.2 + E.3 + E.4)</b>	<b>111,989</b>	<b>53,237</b>
E.1 Selling or Marketing Expenses		
E.2 Administrative Expenses		
E.3 General Expenses		
E.4 Other Expenses, specify (E.4.1 + E.4.2 + E.4.3 + E.4.4 + E.4.5 + E.4.6 + E.4.7 + E.4.8 + E.4.9 + E.4.10)	111,989	53,237
E.4.1 Education-related expenditures	0	0
E.4.2 Professional fees	43,425	7,983
E.4.3 Taxes and licenses	11,458	35,742
E.4.4 Depreciation	2,501	2,501
E.4.5 Transportation and travel	2,246	3,226
E.4.6 Sponsorships	220	50
E.4.7 Others	52,139	3,733
E.4.8		
E.4.9		
E.4.10		
<b>F. FINANCE COSTS (F.1 + F.2 + F.3 + F.4 + F.5)</b>	<b>19,702</b>	<b>11,767</b>
F.1 Interest on Short-Term Promissory Notes		
F.2 Interest on Long-Term Promissory Notes		
F.3 Interest on bonds, mortgages and other long-term loans		
F.4 Amortization		
F.5 Other interests, specify (F.5.1 + F.5.2 + F.5.3 + F.5.4 + F.5.5)	19,702	11,767
F.5.1 Interest expense	19,702	11,767
F.5.2		
F.5.3		
F.5.4		
F.5.5		
<b>G. NET INCOME (LOSS) BEFORE TAX (D - E - F)</b>	<b>461,242</b>	<b>147,070</b>
<b>H. INCOME TAX EXPENSE (negative entry)</b>	<b>46,503</b>	<b>20,618</b>
<b>I. INCOME(LOSS) AFTER TAX</b>	<b>507,745</b>	<b>167,689</b>
<b>J. Amount of (i) Post-Tax Profit or Loss of Discontinued Operations; and (ii) Post-Tax Gain or Loss Recognized on the Measurement of Fair Value less Cost to Sell or on the Disposal of the Assets or Disposal Group(s) constituting the Discontinued Operation (if any)</b>		
J.1		
J.2		
<b>K. PROFIT OR LOSS ATTRIBUTABLE TO MINORITY INTEREST</b>		
<b>L. PROFIT OR LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>		
<b>M. EARNINGS (LOSS) PER SHARE</b>		
M.1 Basic	0.117	0.039
M.2 Diluted		

## SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES

NAME OF CORPORATION: BERJAYA PHILIPPINES INC.

CURRENT ADDRESS: 9F RUFINO PACIFIC TOWER, 6784 AYALA AVE., MAKATI CITY

TEL. NO.: 811-0668

FAX NO.: 811-0538

COMPANY TYPE INVESTMENT COMPANY OPERATION

PSIC:

66910

If these are based on consolidated financial statements, please so indicate in the caption.

Table 3. Cash Flow Statements

FINANCIAL DATA	2018 (in P'000)	2017 (in P'000)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income (Loss) Before Tax and Extraordinary Items	461,242	147,070
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Depreciation	2,501	2,501
Amortization, specify:		
Others, specify: Dividend income	(724,297)	(186,229)
Impairment loss on financial assets	210,238	2,878
Remeasurement gain of available-for-sale financial assets	0	0
Net gain (loss) on sale of available-for-sale financial assets	54,533	(1,181)
Interest expense	19,702	11,767
Interest income	(85,527)	(98,334)
Unrealized foreign currency loss (gain)	(47,881)	72,320
Write-down of Property, Plant, and Equipment		
Changes in Assets and Liabilities:		
Decrease (Increase) in:		
Dividend and other receivables	680,256	(84,542)
Inventories		
Prepayments and other current assets	(3,464)	6,965
Others, specify:		
Increase (Decrease) in:		
Trade and Other Payables	4,975	2,275
Income and Other Taxes Payable		
Others, specify: Cash paid for income taxes	(32)	(51)
<b>A. Net Cash Provided by (Used in) Operating Activities (sum of above rows)</b>	<b>572,247</b>	<b>(124,560)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
(Increase) Decrease in Long-Term Receivables		
(Increase) Decrease in Investment		
Reductions/(Additions) to Property, Plant, and Equipment		
Others, specify: Acquisition of available-for-sale financial assets	(578,017)	(184,728)
Cash dividends received	514,297	341,829
Proceeds from sale of available-for-sale financial assets	158,659	115,820
Increase in advances to subsidiaries and associates	(498,887)	(23,200)
Additional investment in a subsidiary and associates	(116,754)	(1,020,555)
Interest received	25,842	55,352
Collections of advances to subsidiaries and associates	25,346	74,350
<b>B. Net Cash Provided by (Used in) Investing Activities (sum of above rows)</b>	<b>(469,514)</b>	<b>(641,102)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from:		
Loans	450,000	700,000
Long-term Debt		
Issuance of Securities		
Others, specify: Advances received from subsidiary	334,319	258,346
Payments of:		
(Loans)	(620,833)	(216,667)
(Long-term Debt)		
(Stock Subscriptions)		
Others, specify (negative entry):		
Interest paid	(19,702)	(10,688)
Advances paid to a subsidiary	(269,786)	0
<b>C. Net Cash Provided by (Used in) Financing Activities (sum of above rows)</b>	<b>(126,002)</b>	<b>730,954</b>
<b>D. Effect of Exchange Rate Changes to Cash and Cash Equivalents</b>	<b>1,091</b>	<b>(12,031)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS (A + B + C)</b>	<b>(22,178)</b>	<b>(46,671)</b>
Cash and Cash Equivalents		
Beginning of year	91,929	138,600
End of year	69,751	91,929

NOTE: Pursuant to SRC Rule 68.1 (as amended in Nov. 2005), for fiscal years ending December 31, 2005 up to November 30, 2006, a comparative format of only two (2) years may be filed to give temporary relief for covered companies as the more complex PFRSs will be applied for the first time in these year end periods. After these first time applications, the requirement of three (3) year comparatives shall resume for year end reports beginning December 31, 2006 and onwards.

SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES

NAME OF CORPORATION: BERJAYA PHILIPPINES INC.

CURRENT ADDRESS: 9F RUFINO PACIFIC TOWER, 6784 AYALA AVE., MAKATI CITY

TEL. NO.: 811-0658

FAX NO.: 811-0538

COMPANY TYPE: INVESTMENT COMPANY OPERATION

PSIC: 66910

If these are based on consolidated financial statements, please so indicate in the caption.

Table 4. Statement of Changes in Equity

FINANCIAL DATA	(Amount in P'000)					TOTAL
	Capital Stock	Treasury Shares	Revaluation Reserve	Retained Earnings		
				Appropriated	Unappropriated	
A. Balance, 2016	953,984	(988,150)	(26,720)	5,746,175	1,175,398	6,860,687
A.1 Correction of Error(s)						
A.2 Changes in Accounting Policy						
B. Restated Balance						
C. Surplus						
C.1 Surplus (Deficit) on Revaluation of Properties						
C.2 Surplus (Deficit) on Revaluation of Investments						
C.3 Currency Translation Differences						
C.4 Other Surplus (specify)						
C.4.1						
C.4.2						
C.4.3						
C.4.4						
C.4.5						
D. Net Income (Loss) for the Period			(34,811)		167,689	132,877
E. Dividends (negative entry)						
F. Appropriation for (specify)						
F.1 Reversal of Appropriation during the year				(3,473,025)	3,473,025	0
F.2 Appropriated for stock dividends distributable						0
F.3						
F.4						
F.5						
G. Issuance of Capital Stock						
G.1 Common Stock						
G.2 Preferred Stock						
G.3 Others	3,473,025				(3,473,025)	0
H. Balance, 2017	4,427,009	(988,150)	(61,532)	2,273,150	1,343,086	6,993,564
H.1 Correction of Error(s)						
H.2 Changes in Accounting Policy						
I. Restated Balance						
J. Surplus						
J.1 Surplus (Deficit) on Revaluation of Properties						
J.2 Surplus (Deficit) on Revaluation of Investments						
J.3 Currency Translation Differences						
J.4 Other Surplus (specify)						
J.4.1						
J.4.2						
J.4.3						
J.4.4						
J.4.5						
K. Net Income (Loss) for the Period			142,974		507,745	650,719
L. Dividends (negative entry)						
M. Appropriation for (specify)						
M.1 Reversal of appropriation during the year				0	0	0
M.2						
M.3						
M.4						
M.5						
N. Issuance of Capital Stock						
N.1 Common Stock						
N.2 Preferred Stock						
N.3 Others	0				0	0
O. Balance, 2018	4,427,009	(988,150)	81,442	2,273,150	1,850,831	7,644,283

## SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES

NAME OF CORPORATION: BERJAYA PHILIPPINES INC.

CURRENT ADDRESS: 9F RUFINO PACIFIC TOWER, 6784 AYALA AVE., MAKATI CITY

TEL. NO.: 811-0668

FAX NO.: 811-0538

COMPANY TYPE: INVESTMENT COMPANY OPERATION

PSIC: 66910

If these are based on consolidated financial statements, please so indicate in the caption.

**Table 5. Details of Income and Expenses, by source**  
 (applicable to corporations transacting with foreign corporations/entities)

FINANCIAL DATA	2018 ( in P'000 )	2017 ( in P'000 )
<b>A. REVENUE / INCOME (A.1 + A.2)</b>	<b>803,171</b>	<b>213,423</b>
A.1 Net Sales or Revenue / Receipts from Operations (manufacturing, mining, utilities, trade, services, etc.) (from Primary Activity) (A.1.1 + A.1.2)	724,297	186,229
A.1.1 Foreign	700,904	170,000
A.1.2 Domestic	23,393	16,229
A.2 Other Revenue (A.2.1 + A.2.2)	78,875	27,194
A.2.1 Domestic	133,408	26,013
A.2.2 Foreign, specify (A.2.2.1+A.2.2.2+ A.2.2.3+ A.2.2.4+ A.2.2.5+ A.2.2.6+ A.2.2.7+ A.2.2.8+A.2.2.9+A.2.2.10)	(54,533)	1,181
A.2.2.1 Gain on sale of available-for-sale financial assets	(54,533)	1,181
A.2.2.2 Remeasurement of gain on reclassification of AFS	-	0
A.2.2.3		
A.2.2.4		
A.2.2.5		
A.2.2.6		
A.2.2.7		
A.2.2.8		
A.2.2.9		
A.2.2.10		
<b>B. EXPENSES (B.1 + B.2)</b>	<b>131,691</b>	<b>65,004</b>
B.1 Domestic	131,691	65,004
B.2 Foreign, specify (B.2.1+B.2.2+B.2.3+B.2.4+B.2.5+B.2.6+B.2.7+B.2.8+B.2.9+B.2.10)	0	0
B.2.1 Expenses incurred in relation to HRO offer	0	0
B.2.2		
B.2.3		
B.2.4		
B.2.5		
B.2.6		
B.2.7		
B.2.8		
B.2.9		
B.2.10		



## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

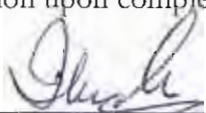
The management of **Berjaya Philippines, Inc.** is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended April 30, 2018 and 2017, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the **Berjaya Philippines, Inc.** 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 **Berjaya Philippines, Inc.** or to cease operations, or has no realistic alternative to do so.

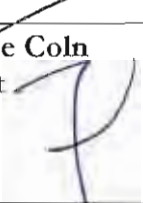
The Board of Directors is responsible for overseeing the **Berjaya Philippines, Inc.** financial reporting process.

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

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has audited the financial statements of the **Berjaya Philippines, Inc.** 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.

  
\_\_\_\_\_  
**Tan Sri Dr. Ibrahim Bin Saad**  
Chairman

  
\_\_\_\_\_  
**Wong Ee Coln**  
President

  
\_\_\_\_\_  
**Tan Eng Hwa**  
Treasurer

### **BERJAYA PHILIPPINES INC.**

9/F Rufino Pacific Tower 6784 Ayala Ave., Cor. V.A. Rufino St., Makati City  
Tel. No.: (632) 811-0668 \* Fax No.: (632) 811-0538

MAY 30 2018

SUBSCRIBED AND SWORN TO BEFORE ME this \_\_\_\_\_ day of \_\_\_\_\_ 2018, by the following who exhibited to me their government issued identification cards during business hours.

Name	Tax Identification No.
Tan Sri Dr Ibrahim Bin Saad	313-386-574
Wong Ee Coln	486-058-206
Tan Eng Hwa	204-172-228

Doc No. 59  
Page No. 13  
Book No. 747  
Series of 204

RUBEN T. M. RAMIREZ  
NOTARY PUBLIC  
UNTIL DEC 31, 2018  
IBP NO 017527/11 12 17 18 2019  
ROLL NO 28947/MCLC 1/1 19 12  
PTR NO. MKT 6609723/1-3-18 APPT NO. M-127



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**FOR SEC FILING**

Financial Statements and  
Independent Auditors' Report

**Berjaya Philippines Inc.**

April 30, 2018 and 2017



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**Punongbayan & Araullo**

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The Enterprise Center  
6766 Ayala Avenue  
1200 Makati City  
Philippines

T +63 2 988 2288

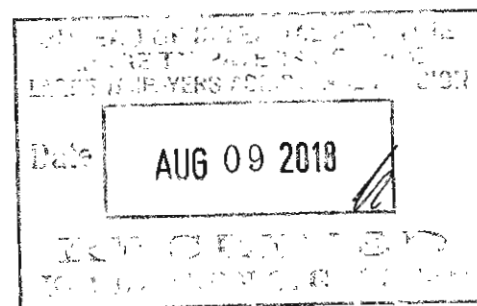
## **Report of Independent Auditors**

**The Board of Directors and Stockholders**

**Berjaya Philippines Inc.**

**[A Subsidiary of Berjaya Lottery Management (HK) Limited]**

9th Floor, Rufino Pacific Tower  
6784 Ayala Avenue, Makati City



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

### **Opinion**

We have audited the financial statements of Berjaya Philippines Inc. (the Company), which comprise the statements of financial position as at April 30, 2018 and 2017, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended April 30, 2018, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2018 and 2017, and its financial performance and its cash flows for each of the three years in the period ended April 30, 2018 in accordance with Philippine Financial Reporting Standards (PFRS).

### **Basis for Opinion**

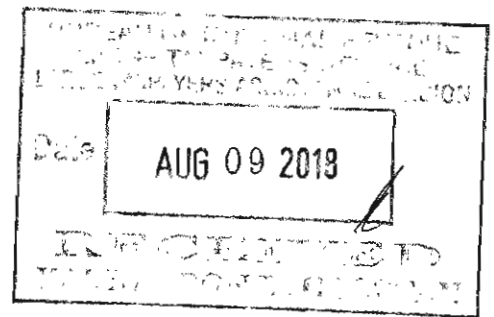
We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the 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.

**Certified Public Accountants**

Punongbayan & Araullo is the Philippine member firm of Grant Thornton International Ltd

Offices in Cavite, Cebu, Davao  
BOA/PRC Cert of Reg. No. 0002  
SEC Accreditation No. 0002-FR-5

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### ***Other Information***

Management is responsible for the other information. The other information comprises the information included in the Company's Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended April 30, 2018, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended April 30, 2018 are expected to be made available to us after the date of this auditors' report.

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

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

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

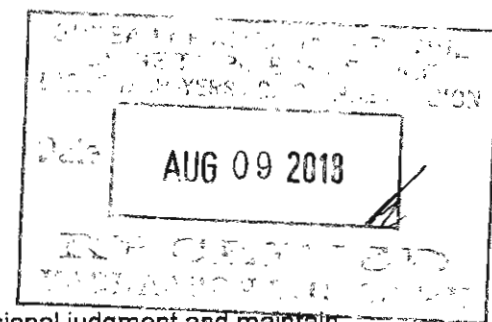
Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud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

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

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

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 PSA 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 financial statements.



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

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

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

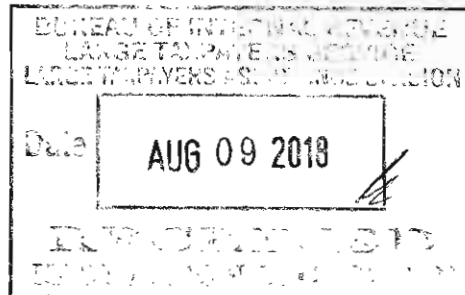
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



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- 4 -



### **Report on Other Legal and Regulatory Requirements**

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended April 30, 2018 required by the Bureau of Internal Revenue as disclosed in Note 22 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PFRS. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditors' report is Romualdo V. Murcia III.

### **PUNONGBAYAN & ARAULLO**

By: **Romualdo V. Murcia III**  
Partner

CPA Reg. No. 0095626  
TIN 906-174-059  
PTR No. 6616014, January 3, 2018, Makati City  
SEC Group A Accreditation  
Partner - No. 0628-AR-3 (until Nov. 29, 2019)  
Firm - No. 0002-FR-5 (until Mar. 26, 2021)  
BIR AN 08-002511-22-2016 (until Oct. 3, 2019)  
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

June 18, 2018



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**Punongbayan & Araullo**

20th Floor, Tower 1  
The Enterprise Center  
6766 Ayala Avenue  
1200 Makati City  
Philippines

T +63 2 988 2288

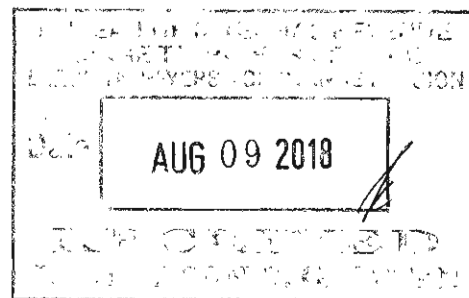
**Supplemental Statement  
of Independent Auditors**

**The Board of Directors and Stockholders**

**Berjaya Philippines Inc.**

**[A Subsidiary of Berjaya Lottery Management (HK) Limited]**

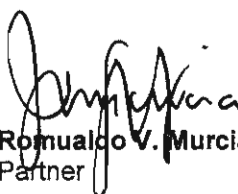
9th Floor, Rufino Pacific Tower  
6784 Ayala Avenue, Makati City



We have audited the financial statements of Berjaya Philippines Inc. (the Company) for the year ended April 30, 2018, on which we have rendered the attached report dated June 18, 2018.

In compliance with the Securities Regulation Code Rule 68, as amended, we are stating that the Company has 126 stockholders owning 100 or more shares each of the Company's capital stock as at April 30, 2018, as disclosed in Note 12 to the financial statements.

**PUNONGBAYAN & ARAULLO**

By:   
**Romualdo V. Murcia III**  
Partner

CPA Reg. No. 0095626

TIN 906-174-059

PTR No. 6616014, January 3, 2018, Makati City

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Partner - No. 0628-AR-3 (until Nov. 29, 2019)

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June 18, 2018

**Certified Public Accountants**

Punongbayan & Araullo is the Philippine member firm of Grant Thornton International Ltd

Offices in Cavite, Cebu, Davao  
BOA/PRC Cert of Reg. No. 0002  
SEC Accreditation No. 0002-FR-5

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**BERJAYA PHILIPPINES INC.**  
**[A Subsidiary of Berjaya Lottery Management (HK) Limited]**  
**STATEMENTS OF FINANCIAL POSITION**  
**APRIL 30, 2018 AND 2017**  
**(Amounts in Philippine Pesos)**

AUG 09 2018

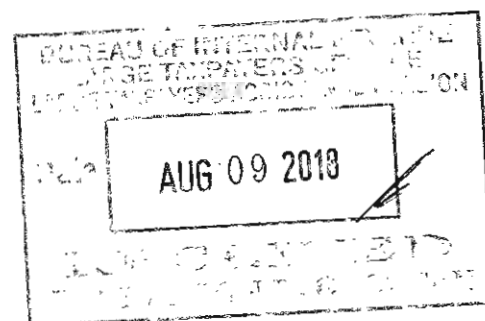
	Notes	2018	2017 (As Restated – see Note 2)
<b><u>ASSETS</u></b>			
<b>CURRENT ASSETS</b>			
Cash	5	P 69,751,045	P 91,928,910
Receivables	6	496,010,507	1,129,476,062
Advances to subsidiaries and associates	15	2,192,361,752	1,659,136,577
Prepayments and other current assets	7	64,520,935	61,056,636
Total Current Assets		2,822,644,239	2,941,598,185
<b>NON-CURRENT ASSETS</b>			
Available-for-sale financial assets - net	8	1,199,369,442	901,808,762
Investments in subsidiaries and associates	9	4,068,291,293	3,951,537,206
Transportation equipment - net	10	2,502,202	5,003,406
Deferred tax assets - net	16	101,733,665	53,026,456
Total Non-current Assets		5,371,896,602	4,911,375,830
<b>TOTAL ASSETS</b>		<b>P 8,194,540,841</b>	<b>P 7,852,974,015</b>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>CURRENT LIABILITIES</b>			
Loans payable	11	P 150,000,000	P 350,000,000
Trade and other payables		24,876,287	17,728,523
Advances from a subsidiary	15	112,881,839	258,348,250
Total Current Liabilities		287,758,126	626,076,773
<b>NON-CURRENT LIABILITY</b>			
Loans payable	11	262,500,000	233,333,333
Total Liabilities		550,258,126	859,410,106
<b>EQUITY</b>			
Capital stock	12	4,427,009,132	4,427,009,132
Treasury shares		( 988,150,025 )	( 988,150,025 )
Revaluation reserve		81,442,363	( 61,531,716 )
Retained earnings		4,123,981,245	3,616,236,518
Total Equity		7,644,282,715	6,993,563,909
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>P 8,194,540,841</b>	<b>P 7,852,974,015</b>

See Notes to Financial Statements.

**BERJAYA PHILIPPINES INC.**  
*[A Subsidiary of Berjaya Lottery Management (HK) Limited]*  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED APRIL 30, 2018, 2017 AND 2016**  
*(Amounts in Philippine Pesos)*

	Notes	2018	2017	2016
<b>DIVIDEND INCOME</b>	8, 15	P 724,296,745	P 186,228,724	P 693,473,677
<b>EXPENSES</b>				
Professional fees		43,425,073	7,983,455	29,819,045
Taxes and licenses	22	11,457,813	35,741,619	10,698,742
Depreciation	10	2,501,204	2,501,204	2,501,204
Transportation and travel		2,246,163	3,227,679	5,307,150
Sponsorships		219,855	50,000	1,249,968
Others	13	52,138,919	3,733,171	9,317,807
		<u>111,989,027</u>	<u>53,237,128</u>	<u>58,893,916</u>
<b>OPERATING INCOME</b>		<u>612,307,718</u>	<u>132,991,596</u>	<u>634,579,761</u>
<b>OTHER INCOME (EXPENSES)</b>				
Impairment loss on financial assets	6, 8	( 210,238,322 )	( 2,877,999 )	( 104,827,207 )
Interest income	14	85,526,722	98,333,508	93,320,803
Net gain (loss) on sale of available-for-sale (AFS) financial assets	8	( 54,533,062 )	1,181,117	( 19,523,036 )
Foreign currency exchange gain (loss) - net		47,880,959	( 72,320,168 )	( 19,260,766 )
Interest expense	11	( 19,701,884 )	( 11,766,565 )	( 3,222,222 )
Other income		-	1,528,706	-
		<u>( 151,065,587 )</u>	<u>14,078,599</u>	<u>( 53,512,428 )</u>
<b>PROFIT BEFORE TAX</b>		<u>461,242,131</u>	<u>147,070,195</u>	<u>581,067,333</u>
<b>TAX INCOME</b>	16	<u>46,502,596</u>	<u>20,618,429</u>	<u>32,761,244</u>
<b>NET PROFIT</b>		<u>507,744,727</u>	<u>167,688,624</u>	<u>613,828,577</u>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
Items that will be reclassified subsequently to profit or loss				
Net unrealized fair value gains (losses) on AFS financial assets	8, 12, 20	73,700,839	( 44,375,819 )	( 163,685,750 )
Reclassification adjustments to profit or loss:				
Due to impairment of AFS financial assets	8, 12	69,273,240	-	5,294,045
Due to disposal of AFS financial assets	8, 12	-	9,564,509	9,212,952
		<u>142,974,079</u>	<u>( 34,811,310 )</u>	<u>( 149,178,753 )</u>
<b>TOTAL COMPREHENSIVE INCOME</b>		<u>P 650,718,806</u>	<u>P 132,877,314</u>	<u>P 464,649,824</u>
<b>Earnings Per Share</b>	17	<u>P 0.12</u>	<u>P 0.04</u>	<u>P 0.14</u>

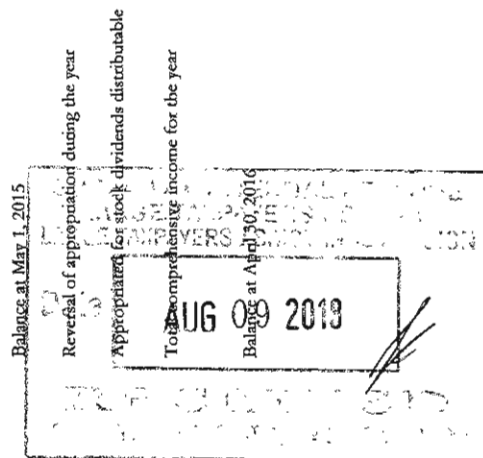
*See Notes to Financial Statements.*



**BERJAYA PHILIPPINES INC.**  
*[A Subsidiary of Berjaya Lottery Management (HK) Limited]*  
**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED APRIL 30, 2018, 2017 AND 2016**  
*(Amounts in Philippine Pesos)*

Note	Capital Stock	Treasury Shares	Revaluation Reserve	Retained Earnings		Total Equity
				Appropriated	Unappropriated	
	P	(P)	(P)	P	P	P
Balance at May 1, 2017	4,427,009,132	988,150,025	61,531,716	2,273,150,025	1,343,086,493	6,993,563,909
Total comprehensive income for the year	-	-	142,974,079	-	507,744,727	650,718,806
Balance at April 30, 2018	4,427,009,132	988,150,025	81,442,363	2,273,150,025	1,850,831,220	7,644,282,715
Balance at May 1, 2016	953,984,448	988,150,025	26,720,406	5,746,174,709	1,175,397,869	6,860,686,595
Reversal of appropriation during the year	-	-	-	(3,473,024,684)	3,473,024,684	-
Declaration of stock dividends and issuance of shares	3,473,024,684	-	-	-	(3,473,024,684)	-
Total comprehensive income for the year	-	-	(34,811,310)	-	167,688,624	132,877,314
Balance at April 30, 2017	4,427,009,132	988,150,025	61,531,716	2,273,150,025	1,343,086,493	6,993,563,909
Balance at May 1, 2015	953,984,448	988,150,025	122,458,347	6,273,150,025	34,593,976	6,396,036,771
Reversal of appropriation during the year	-	-	-	(4,000,000,000)	4,000,000,000	-
Appropriated for stock dividends distributable	-	-	-	3,473,024,684	(3,473,024,684)	-
Total comprehensive income for the year	-	-	(149,178,753)	-	613,828,577	464,649,824
Balance at April 30, 2016	953,984,448	988,150,025	26,720,406	5,746,174,709	1,175,397,869	6,860,686,595

See Notes to Financial Statements.



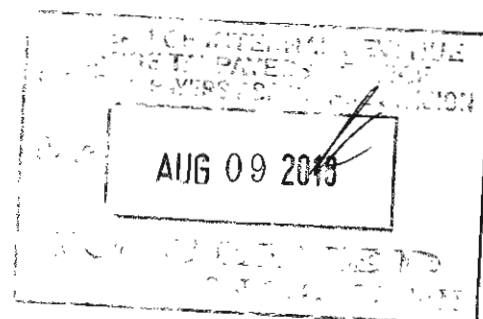
**BERJAYA PHILIPPINES INC.**  
*[A Subsidiary of Berjaya Lottery Management (HK) Limited]*  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED APRIL 30, 2018, 2017 AND 2016**  
*(Amounts in Philippine Pesos)*

	Notes	2018	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before tax	P	461,242,131	P 147,070,195	P 581,067,333
Adjustments for:				
Dividend income	8, 15	( 724,296,745 )	( 186,228,724 )	( 693,473,677 )
Impairment loss on financial assets	6, 8	210,238,322	2,877,999	104,827,207
Interest income	14	( 85,526,722 )	( 98,333,508 )	( 93,320,803 )
Net loss (gain) on sale of available-for-sale (AFS) financial assets	8	54,533,062	( 1,181,117 )	19,523,036
Foreign currency exchange loss (gain) - net		( 47,880,959 )	72,320,168	19,260,766
Interest expense	11	19,701,884	11,766,565	3,222,222
Depreciation	10	2,501,204	2,501,204	2,501,204
Operating loss before working capital changes		( 109,487,823 )	( 49,207,218 )	( 56,392,712 )
Decrease (increase) in receivables		680,256,008	( 84,541,560 )	( 478,816,225 )
Decrease (increase) in prepayments and other current assets		( 3,464,299 )	6,964,826	( 10,702,142 )
Increase in trade and other payables		4,975,342	2,275,139	4,196,827
Cash generated from (used in) operations		572,279,228	( 124,508,813 )	( 541,714,252 )
Cash paid for final taxes	16	( 32,191 )	( 50,981 )	( 37,863 )
Net Cash From (Used in) Operating Activities		572,247,037	( 124,559,794 )	( 541,752,115 )
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisitions of AFS financial assets	8	( 578,017,157 )	( 184,727,645 )	( 18,940,755 )
Cash dividends received	8, 15	514,296,745	341,828,724	537,873,677
Advances granted to subsidiaries and associates	15	( 498,887,000 )	( 23,200,000 )	( 26,700,000 )
Proceeds from sale of AFS financial assets	8	158,659,172	115,820,084	20,435,557
Additional investment in subsidiaries and associates	9	( 116,754,087 )	( 1,020,554,622 )	( 138,180,000 )
Interest received	14	25,842,135	55,381,850	33,788,355
Collections of advances to subsidiaries and associates	15	25,346,412	74,349,587	30,000,000
Net Cash From (Used In) Investing Activities		( 469,513,780 )	( 641,102,022 )	438,276,834
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repayment of loans	11, 21	( 620,833,333 )	( 216,666,667 )	( 100,000,000 )
Proceeds from loans	11, 21	450,000,000	700,000,000	200,000,000
Advances received from a subsidiary	15, 21	334,319,271	258,348,250	-
Advances paid to a subsidiary	15, 21	( 269,785,682 )	-	-
Interest paid	11	( 19,701,884 )	( 10,687,798 )	( 3,222,222 )
Net Cash From (Used In) Financing Activities		( 126,001,628 )	730,993,785	96,777,778
<b>EFFECT OF EXCHANGE RATE CHANGES TO CASH</b>		1,090,506	( 12,003,242 )	4,730,318
<b>NET DECREASE IN CASH</b>		( 22,177,865 )	( 46,671,273 )	( 1,967,185 )
<b>CASH AT BEGINNING OF YEAR</b>		91,928,910	138,600,183	140,567,368
<b>CASH AT END OF YEAR</b>	P	69,751,045	P 91,928,910	P 138,600,183

**Supplemental Information on Non-cash Investing and Financing Activities:**

- (1) In 2017, the Company reclassified advances for stock subscription to an investment in an associate amounting to P82,283,456 (see Note 9). In 2016, the Company reclassified P56,000,000 advances into an investment in an associate.
- (2) In 2016, the Company recognized dividend income amounting to P693,473,677, of which P155,600,000 remained uncollected as of April 30, 2016. The outstanding dividend receivable was fully collected in 2017. There were no uncollected dividends as at April 30, 2018 and 2017.
- (3) On June 6, 2016, the Company's declaration of stock dividends at a rate of 4 common shares for every common share held was approved by the Securities and Exchange Commission and Board of Directors. On July 20, 2016, the Company issued stock dividends of P3,473,024,684 shares at par (see Note 12).

See Notes to Financial Statements.



**BERJAYA PHILIPPINES INC.**  
**[A Subsidiary of Berjaya Lottery Management (HK) Limited]**  
**NOTES TO FINANCIAL STATEMENTS**  
**APRIL 30, 2018, 2017 AND 2016**  
**(Amounts in Philippine Pesos)**

**1. CORPORATE INFORMATION**

Berjaya Philippines Inc. (BPI or the Company) was incorporated in the Philippines on October 31, 1924. The Company is organized as a holding company. The Company's shares of stock were listed in the Philippine Stock Exchange on November 29, 1948.

The Company is 74.20% owned as at April 30, 2018 and 2017, by Berjaya Lottery Management (HK) Limited (the Parent Company). The Company's Ultimate Parent Company is Berjaya Corporation Berhad of Malaysia, a publicly listed company in the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at 9<sup>th</sup> Floor, Rufino Pacific Tower, 6784 Ayala Avenue, Makati City. The Parent Company's registered address is at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong and the Ultimate Parent Company's registered office is at Lot 13-01A, Level 13 (East Wing), Berjaya Times Square, No. 1, Jalan Imbi 55100 Kuala Lumpur, Malaysia.

The financial statements of the Company as at and for the year ended April 30, 2018 (including the comparative financial statements as at and for the years ended April 30, 2017 and 2016) were authorized for issue by the Board of Directors (BOD) on June 18, 2018.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

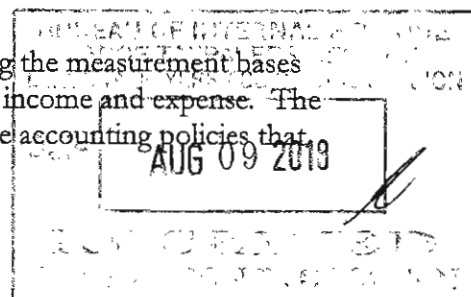
The significant accounting policies that have been used in the preparation of these financial statements are summarized below and in the succeeding pages. These policies have been consistently applied to all the years presented, unless otherwise stated.

**2.1 Basis of Preparation of Financial Statements**

**(a) Statement of Compliance with Philippine Financial Reporting Standards**

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board, and approved by the Philippine Board of Accountancy.

The financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.



(b) *Presentation of Financial Statements*

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Company presents all items of income, expense and other comprehensive income or loss in a single statement of comprehensive income.

The Company presents a third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

In 2018, the Company reclassified its loan receivable from Neptune Properties, Inc. (NPI), an associate beginning in 2017, from Receivables account to Advances to Subsidiaries and Associates account in the statements of financial position. The Company restated its prior period financial statements to conform with the current year presentation. The reclassification has no significant impact on the Company's statements of comprehensive income, statements of changes in equity and statements of cash flows.

The Company did not present a third statement of financial position as of May 1, 2016 since NPI was not yet an associate as of such period. Accordingly, loan receivable from NPI was properly classified under Receivables account.

The effects of reclassification in the statement of financial position as of April 30, 2017 are summarized as follows:

	<u>As Previously Reported</u>	<u>Reclassification</u>	<u>As Restated</u>
<i>Changes in assets:</i>			
Receivables	P 1,920,153,756	(P 790,677,694)	P 1,129,476,062
Advances to subsidiaries and associates	868,458,883	790,677,694	1,659,136,577

(c) *Functional and Presentation Currency*

These financial statements are presented in Philippine pesos, the Company's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the financial statements of the Company are measured using its functional currency, the currency of the primary economic environment in which the Company operates.

## **2.2 *Separate Financial Statements and Investments in Subsidiaries and Associates***

These financial statements are prepared as the Company's separate financial statements. The Company also publishes consolidated financial statements which comprise the financial statements of the Company and its subsidiaries.

Subsidiaries are entities over which the Company has control. The Company controls an entity when (i) it has power over the entity, (ii) it is exposed, or has rights to, variable returns from its involvement with the entity, and, (iii) it has the ability to affect those returns through its power over the entity.

The Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above.

Associates are those entities over which the Company is able to exert significant influence but which are neither subsidiaries nor interests in a joint venture.

The Company's investments in subsidiaries and associates are accounted for in these separate financial statements at cost, less any impairment loss. If there is objective evidence that the investments in subsidiaries and associates will not be recovered, an impairment loss is provided (see Note 2.12). Impairment loss is measured as the difference between the carrying amount of the investment and the present value of the estimated cash flows discounted at the current market rate of return for similar financial asset. The amount of the impairment loss is recognized in profit or loss.

## **2.3 *Adoption of New and Amended PFRS***

### **(a) *Effective in Fiscal Year 2018 that are Relevant to the Company***

The Company adopted for the first time the following amendments and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2017, for its annual reporting period beginning May 1, 2017:

PAS 7 (Amendments)	:	Statement of Cash Flows – Disclosure Initiative
PAS 12 (Amendments)	:	Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses
Annual Improvements to PFRS (2014-2016 Cycle)		
PFRS 12	:	Disclosure of Interests in Other Entities – Scope Clarification on Disclosure of Summarized Financial Information for Interests Classified as Held for Sale

Discussed in the succeeding page are the relevant information about these amendments and improvements.

- (i) PAS 7 (Amendments), *Statement of Cash Flows – Disclosure Initiative*. The amendments are designed to improve the quality of information provided to users of financial statements about changes in an entity's debt and related cash flows (and non-cash changes). The amendments require an entity to provide disclosures that enable users to evaluate changes in liabilities arising from financing activities. An entity applies its judgment when determining the exact form and content of the disclosures needed to satisfy this requirement. Moreover, the amendments suggest a number of specific disclosures that may be necessary in order to satisfy the above requirement, including: (a) changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses; and, (b) a reconciliation of the opening and closing balances of liabilities arising from financing activities in the statement of financial position including those changes identified immediately above.

Management has applied these amendments in the current year and has not disclosed comparative figures as allowed by the transitional provisions. A reconciliation between the opening and closing balances of liabilities arising from financing activities is presented in Note 21.

- (ii) PAS 12 (Amendments), *Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses*. The focus of the amendments is to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost. The amendments provide guidance in the following areas where diversity in practice previously existed: (a) existence of a deductible temporary difference; (b) recovering an asset for more than its carrying amount; (c) probable future taxable profit against which deductible temporary differences are assessed for utilization; and, (d) combined versus separate assessment of deferred tax asset recognition for each deductible temporary difference. The application of these amendments did not have an impact on the Company's financial statements.
- (iii) Annual Improvements to PFRS 2014-2016 Cycle. Among the improvements, PFRS 12, *Disclosure of Interest in Other Entities*, is relevant to the Company. The amendment clarifies that the disclosure requirements of PFRS 12 applies to interest in other entities classified as held for sale with practical concession in the presentation of summarized financial information. The amendment states that an entity need not present summarized financial information for interests in subsidiaries, associates, or joint ventures that are classified as held for sale. The application of these amendments did not have an impact on the Company's financial statements.

(b) *Effective Subsequent to Fiscal Year 2018 but not Adopted Early*

There are new PFRS, interpretations, amendments, and annual improvements to existing standards effective for annual periods subsequent to fiscal year 2018, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have an impact on the Company's financial statements:

- (i) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will replace PAS 39, *Financial Instruments: Classification and Measurement*, and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:
- three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;
  - an expected credit loss (ECL) model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and,
  - a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

In accordance with the financial asset classification principle of PFRS 9 (2014), a financial asset is classified and measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows that represent solely payments of principal and interest (SPPI) on the principal outstanding. Moreover, a financial asset is classified and subsequently measured at fair value through other comprehensive income (FVTOCI) if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. All other financial assets are measured at FVTPL.

In addition, PFRS 9 (2014) allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The standard also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather than in profit or loss.

Based on an assessment of the Company's financial assets and liabilities as at April 30, 2018, which has been limited to the facts and circumstances existing at that date, management has identified the following areas that are expected to be most impacted by the application of PFRS 9 (2014):

- On classification and measurement of the Company's financial assets, since the Company holds most financial assets to collect the associated cash flows, management is currently assessing the underlying types of cash flows to classify financial assets correctly. Management expects the majority of receivables to continue to be accounted for at amortized cost. However, a number of available-for-sale (AFS) financial assets are likely to be measured at FVTOCI as the cash flows are SPPI.
  - Loan stocks classified as AFS financial assets and other financial assets are likely to be measured at FVTPL as the cash flows are not SPPI.
  - The ECL model will apply to the Company's interest-bearing receivables and advances to subsidiaries and associates. For other financial assets, the Company will apply a simplified model of recognizing lifetime ECL as these items do not have a significant financing component.
  - The Company's equity securities, regardless of whether quoted or not, will be measured at fair value with changes in fair value presented either in profit or loss or in other comprehensive income. To present changes in other comprehensive income requires making an irrevocable designation on initial recognition or at the date of transition.
  - Most of the financial liabilities of the Company are measured at amortized cost. Upon application of PFRS 9 (2014), management has assessed that the amortized cost classification for most of the financial liabilities will be retained.
- (ii) PFRS 15, *Revenue from Contracts with Customers* (effective from January 1, 2018). This standard will replace PAS 18, *Revenue*, and PAS 11, *Construction Contracts*, the related Interpretations on revenue recognition: International Financial Reporting Interpretations Committee (IFRIC) 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreement for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and Standing Interpretations Committee 31, *Revenue – Barter Transactions Involving Advertising Services*. This new standard establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle in the said framework is for an entity to recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Management has initially assessed that this new standard has no impact on the Company's financial statements as the Company's main source of income is from dividends and interest.

- (iii) IFRIC 22, *Foreign Currency Transactions and Advance Consideration – Interpretation on Foreign Currency Transactions and Advance Consideration* (effective from January 1, 2018). The interpretation provides more detailed guidance on how to account for transactions that include the receipt or payment of advance consideration in a foreign currency. The interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary asset (arising from advance payment) or liability (arising from advance receipt). If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. Management has initially assessed that this interpretation has no impact on the Company's financial statements.
- (iv) Annual Improvements to PFRS 2014-2016 Cycle. Among the improvements, PAS 28 (Amendment), *Investment in Associates – Clarification on Fair Value through Profit or Loss Classification* (effective from January 1, 2018) is relevant to the Company. The amendment clarifies that the option for venture capital organization, mutual funds and other similar entities to elect the fair value through profit or loss classification in measuring investments in associates and joint ventures shall be made at initial recognition, separately for each associate or joint venture. Management has initially assessed that this amendment has no impact on the Company's financial statements.
- (v) PAS 28 (Amendment), *Investment in Associates – Long-term Interest in Associates and Joint Venture* (effective from January 1, 2019). The amendment clarifies that the scope exclusion in PFRS 9 (2014) applies only to ownership interests accounted for using the equity method. Thus, the amendment further clarifies that long term interests in an associate or joint venture – to which the equity method is not applied – must be accounted for under PFRS 9 (2014), which shall also include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. Management is currently assessing the impact of this amendment on the Company's financial statements.
- (vi) PFRS 9 (Amendment), *Financial Instruments – Prepayment Features with Negative Compensation* (effective from January 1, 2019). The amendment clarifies that prepayment features with negative compensation attached to financial instruments may still qualify under the SPPI test. As such, the financial assets containing prepayment features with negative compensation may still be classified at amortized cost or at FVTOCI. Management is currently assessing the impact of this amendment on the Company's financial statements.
- (vii) PFRS 16, *Leases* (effective from January 1, 2019). The new standard will eventually replace PAS 17, *Leases*.

For lessees, it requires to account for leases “on-balance sheet” by recognizing a “right-of-use” asset and a lease liability. The lease liability is initially measured as the present value of future lease payments. For this purpose, lease payments include fixed, non-cancellable payments for lease elements, amounts due under residual value guarantees, certain types of contingent payments and amounts due during optional periods to the extent that extension is reasonably certain. In subsequent periods, the “right-of-use” asset is accounted for similar to a purchased asset subject to depreciation or amortization. The lease liability is accounted for similar to a financial liability which is amortized using the effective interest method. However, the new standard provides important reliefs or exemptions for short-term leases and leases of low value assets. If these exemptions are used, the accounting is similar to operating lease accounting under PAS 17 where lease payments are recognized as expenses on a straight-line basis over the lease term or another systematic basis (if more representative of the pattern of the lessee’s benefit).

For lessors, lease accounting is similar to PAS 17’s. In particular, the distinction between finance and operating leases is retained. The definitions of each type of lease, and the supporting indicators of a finance lease, are substantially the same as PAS 17’s. The basic accounting mechanics are also similar, but with some different or more explicit guidance in few areas. These include variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures.

Management is currently assessing the impact of this new standard on the Company’s financial statements.

- (viii) IFRIC 23, *Uncertainty over Income Tax Treatments* (effective from January 1, 2019). The interpretation provides clarification on the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates when there is uncertainty over income tax treatments. The core principle of the interpretation requires the Company to consider the probability of the tax treatment being accepted by the taxation authority. When it is probable that the tax treatment will be accepted, the determination of the taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates shall be on the basis of the accepted tax treatment. Otherwise, the Company has to use the most likely amount or the expected value, depending on the surrounding circumstances, in determining the tax accounts identified immediately above. Management is currently assessing the impact of this interpretation on the Company’s financial statements.
- (ix) Annual Improvements to PFRS 2015-2017 Cycle. Among the improvements, the following amendments which are effective from January 1, 2019 are relevant to the Company but have no impact on the Company’s financial statements as these amendments merely clarify existing requirements:
  - PAS 12 (Amendments), *Income Taxes – Tax Consequences of Dividends*. The amendments clarify that all income tax consequence of dividend payments should be recognized in profit or loss.

- PAS 23 (Amendments), *Borrowing Costs – Eligibility for Capitalization*. The amendments clarify that any specific borrowing which remains outstanding after the related qualifying asset is ready for its intended purpose, such borrowing will then form part of the entity's general borrowings when calculating the capitalization rate for capitalization purposes.
- (x) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely). The amendments to PFRS 10 require full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3, *Business Combinations*, between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale or contribution of assets that do not constitute a business. Corresponding amendments have been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.

## 2.4 Financial Assets

Financial assets are recognized when the Company becomes a party to the contractual terms of the financial instrument. Financial assets other than those designated and effective as hedging instruments are classified into the following categories: financial assets at FVTPL, loans and receivables, held-to-maturity investments and AFS financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value plus any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and transaction costs related to it are recognized in profit or loss.

A more detailed description of categories of financial assets relevant to the Company is as follows:

### (a) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period which are classified as non-current assets.

The Company's financial assets categorized as loans and receivables are presented as Cash, Receivables and Advances to Subsidiaries and Associates in the statement of financial position. Cash represents cash on hand and demand deposits maintained in banks that are unrestricted and readily available for use in the operations of the Company. These generally earn interest at rates based on daily bank deposit rates.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any. Impairment loss is provided when there is objective evidence that the Company will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of impairment loss is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows, (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate.

The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date of the impairment is reversed. The amount of the reversal is recognized in profit or loss.

(b) *AFS Financial Assets*

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. All of the Company's AFS financial assets are equity securities.

All financial assets within this category are subsequently measured at fair value. Gains and losses from changes in fair value are recognized in other comprehensive income and are reported as part of the Revaluation Reserve in equity. When the financial asset is disposed of or is determined to be impaired, the cumulative fair value gains or losses recognized in other comprehensive income is reclassified from equity to profit or loss and is presented as reclassification adjustment within other comprehensive income.

When the financial asset is disposed of or is determined to be impaired, that is, when there is a significant or prolonged decline in the fair value of the security below its cost, the cumulative fair value gains or losses recognized in other comprehensive income is reclassified from equity to profit or loss and is presented as reclassification adjustment within other comprehensive income even though the financial asset has not been derecognized.

Reversal of impairment losses is recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

All income and expenses, including impairment losses, relating to financial assets that are recognized in profit or loss are presented as part of Other Income (Expenses) in the statement of comprehensive income.

For investments that are actively traded in organized financial markets, fair value is determined by reference to stock exchange-quoted market bid prices at the close of business at the end of the reporting period. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows (such as dividend income) of the underlying net asset base of the investment.

Non-compounding interest, dividend income and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

The financial assets are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

## ***2.5 Prepayments and Other Assets***

Prepayments and other current assets pertain to other resources controlled by the Company as a result of past events. They are recognized in the financial statements when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Company beyond one year after the end of the reporting period (or in the normal operating cycle of the business, if longer), are classified as non-current assets.

## ***2.6 Transportation Equipment***

Transportation equipment is stated at cost less accumulated depreciation and any impairment in value. The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Depreciation of transportation equipment is computed on the straight-line basis over its estimated useful life of five years.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.12).

The residual values, estimated useful life and method of depreciation of transportation equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

Transportation equipment, including the related accumulated depreciation and impairment losses, if any, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

## ***2.7 Financial Liabilities***

Financial liabilities, which include Loans Payable, Trade and Other Payables [excluding output value-added tax (VAT) and other taxes payable] and Advances from a Subsidiary, are recognized when the Company becomes a party to the contractual terms of the instrument. All interest-related charges incurred on a financial liability are recognized as an expense in profit or loss in the statement of comprehensive income.

Loans payable are raised for support of both short-term and long-term funding needs. Finance charges are charged to profit or loss on an accrual basis using the effective interest method.

Trade and other payables are recognized initially at their fair values and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer), or the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

## ***2.8 Offsetting of Financial Instruments***

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the statement of financial position when the Company currently has legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

## **2.9 Provisions and Contingencies**

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

## **2.10 Revenue and Expense Recognition**

Revenue comprises dividends, interest income and gain on sale of AFS financial assets, is measured by reference to the fair value of consideration received or receivable by the Company for investments sold, excluding VAT, if any.

Revenue is recognized to the extent that the revenue can be reliably measured; it is probable that the economic benefits will flow to the Company; and, the costs incurred or to be incurred can be measured reliably. In addition, the following specific recognition criteria must also be met before revenue is recognized:

- (a) *Dividends* – Revenue is recognized when the Company's right to receive payment is established.
- (b) *Interest income* – Revenue is recognized as the interest accrues taking into account the effective yield on the asset.
- (c) *Gain on sale of AFS financial assets* – Revenue is recognized when the risks and rewards of ownership of the investments have passed to the buyer.

Cost and expenses are recognized in profit or loss upon utilization of goods or services or at the date they are incurred. All finance costs are reported in profit or loss on accrual basis, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset (see Note 2.13).

### ***2.11 Foreign Currency Transactions and Translation***

The accounting records of the Company are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income as part of income or loss from operations.

### ***2.12 Impairment of Non-financial Assets***

The Company's transportation equipment, investments in subsidiaries and associates and other non-financial assets are subject to impairment testing whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors. Impairment loss is charged pro-rata to other assets in the cash-generating unit.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

### ***2.13 Borrowing Costs***

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

## **2.14 Income Taxes**

Tax expense recognized in profit or loss comprises the sum of current tax and deferred tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method, on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets, if any, are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets 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 provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Company has a legally enforceable right to set-off current tax assets against current tax liabilities and the deferred taxes relate to the same taxation authority.

## **2.15 Related Party Transactions and Relationships**

Related party transactions are transfers of resources, services or obligations between the Company and its related parties, regardless whether a price is charged.

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. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company; (b) associates; and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

### ***2.16 Equity***

Capital stock represents the nominal value of shares that have been issued.

Treasury shares are stated at the cost of reacquiring such shares and are deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of.

Revaluation reserve represents unrealized fair value gains or losses on AFS financial assets.

Retained earnings, the appropriated portion of which is not available for dividend declaration, represent all current and prior period results of operations as reported in the profit or loss section of the statement of comprehensive income, reduced by the amounts of dividends declared.

### ***2.17 Earnings Per Share***

Basic earnings per share is determined by dividing the net profit by the weighted average number of common shares subscribed and issued during the year after retroactive adjustment for stock dividend, stock split and reverse stock split declared during the year, if any.

Diluted earnings per share is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares. Currently, the Company does not have potential dilutive shares outstanding, hence, the diluted earnings per share is equal to the basic earnings per share.

### ***2.18 Events After the End of the Reporting Period***

Any post-year-end event that provides additional information about the Company's financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

## **3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

The preparation of the Company's financial statements in accordance with PFRS requires management to make judgments and estimates that affect amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

### ***3.1 Critical Management Judgments in Applying Accounting Policies***

In the process of applying the Company's accounting policies, management has made judgments presented below, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements.

#### ***(a) Impairment of AFS Financial Assets***

The determination when an investment is other-than-temporarily impaired requires significant judgment. In making this judgment, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

Based on the recent evaluation of information and circumstances affecting the Company's AFS financial assets, management has recognized impairment losses on certain AFS financial assets in 2018 and 2017 as disclosed in Note 8. Future changes in those information and circumstances might significantly affect the carrying amount of the assets.

#### ***(b) Recognition of Provisions and Contingencies***

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision and contingencies are discussed in Note 2.9 and disclosure of commitments and contingencies is presented in Note 18.

#### ***(c) Determination of Control, Joint Control or Significant Influence***

Judgment is exercised in determining whether the Company has control, joint control or significant influence over an entity. In assessing each interest over an entity, the Company considers voting rights, representation on the board of directors or equivalent governing body of the investee, participation in policy-making process and all other facts and circumstances, including terms of any contractual arrangement.

### ***3.2 Key Sources of Estimation Uncertainty***

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

#### ***(a) Impairment of Receivables and Advances to Subsidiaries and Associates***

Adequate amount of allowance for impairment is provided for specific and groups of accounts, where objective evidence of impairment exists. The Company evaluates the amount of allowance for impairment based on available facts and circumstances affecting the collectibility of the accounts.

The carrying value of receivables and advances to subsidiaries and associates are shown in Notes 6 and 15, respectively.

(b) *Measurement of AFS Financial Assets*

The Company carries certain financial assets at fair value, which requires the extensive use of accounting estimates and judgment. In cases when active market quotes are not available, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net base of the instrument. The amount of changes in fair value would differ if the Company utilized different valuation methods and assumptions. Any change in fair value of these financial assets would affect comprehensive income. For investments where fair value is not reliably determinable either through reference of similar instruments or valuation techniques, these are carried at cost.

The carrying value of the Company's AFS financial assets and the amount of fair value changes therein are disclosed in Note 8.

(c) *Estimation of the Useful Life of Transportation Equipment*

The Company estimates the useful life of transportation equipment based on the period over which this is expected to be available for use. The estimated useful life of the transportation equipment is reviewed periodically and is updated if expectations differ from previous estimate due to physical wear and tear, commercial obsolescence and legal or other limits on the use of this asset.

The carrying amount of the Company's transportation equipment is analyzed in Note 10. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(d) *Impairment of Non-financial Assets*

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.12). Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

In 2018 and 2017, management has assessed that no impairment loss is required to be recognized on the Company's non-financial assets.

(e) *Determination of Realizable Amount of Deferred Tax Assets*

The Company reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount 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 asset to be utilized. The details of the Company's deferred tax assets are disclosed in Note 16.

#### 4. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's risk management is coordinated with its parent company, in close cooperation with the BOD, and focuses on actively securing the Company's short to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The most significant financial risks to which the Company is exposed to are described below and in the succeeding pages.

##### 4.1 Foreign Currency Risk

Most of the Company's transactions are carried out in Philippine pesos, its functional currency. Exposure to currency exchange rates arises from the Company's cash and receivables denominated in United States Dollar (USD), Malaysian Ringgit (MYR), British Pound (GBP) and European Union Euro (EUR).

To mitigate the Company's exposure to foreign currency risk, non-Philippine peso cash flows are monitored.

Foreign currency-denominated financial assets translated into Philippine pesos at the closing rate follow:

		2018			
		USD	MYR	GBP	EUR
Cash	P	2,992,638	P -	P 27,514,613	P 326,220
Receivables - net		-	6,148,929	479,823,100	945,250
	P	2,992,638	P 6,148,929	P 507,337,713	P 1,271,470
		2017			
		USD	MYR	GBP	EUR
Cash	P	3,931,781	P -	P 5,934,222	P 280,605
Receivables - net		-	11,310,121	1,100,505,935	-
	P	3,931,781	P 11,310,121	P 1,106,440,157	P 280,605

The table presented in the succeeding page illustrates the sensitivity of the Company's profit before tax with respect to changes in Philippine peso against USD, MYR, GBP and EUR exchange rates. These percentages have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months, estimated at 95.00% level of confidence.

The sensitivity analysis is based on the Company's foreign currency financial instruments held at the end of each reporting period with effect estimated from the beginning of the year.

	2018		2017	
	Reasonably possible change in rate	Effect in profit before tax	Reasonably possible change in rate	Effect in profit before tax
PhP - USD	7.82%	P 234,024	7.69%	P 302,493
PhP - MYR	9.80%	602,595	11.95%	1,351,041
PhP - GBP	18.90%	95,886,828	30.14%	333,508,192
PhP - EUR	18.09%	230,009	17.04%	47,803
		<u>P 96,953,456</u>		<u>P 335,209,529</u>

Exposures to foreign exchange rates vary during the year depending on the volume of foreign currency transactions. Nonetheless, the analysis above is considered to be representative of the Company's currency risk.

#### 4.2 Credit Risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Company. The Company is exposed to this risk for various financial instruments arising from granting advances to related parties; placing deposits with banks; and entitlement of dividends from investments.

The Company continuously monitors defaults of its counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Company's policy is to deal only with creditworthy counterparties.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the statements of financial position (or in the detailed analysis provided in the notes to financial statements), as summarized below.

	Notes	2018	2017 (As Restated – see Note 2.1)
Cash	5	P 69,751,045	P 91,928,910
Receivables	6	496,010,507	1,129,476,062
Advances to subsidiaries and associates	15.1	<u>2,192,361,752</u>	<u>1,659,136,577</u>
		<u>P 2,758,123,304</u>	<u>P 2,880,541,549</u>

None of the Company's financial assets are secured by collateral or other credit enhancements.

The credit risk for cash is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in the cash are cash in banks which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P500,000 for every depositor per banking institution.

In respect of receivables and advances to associates, the Company is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Company's receivables are actively monitored to avoid significant concentrations of credit risk.

### 4.3 Liquidity Risk

The ability of the Company to finance increases in assets and meet obligations as they become due is extremely important to the Company's operations. The Company's policy is to maintain liquidity at all times. This policy aims to honor all cash requirements on an ongoing basis to avoid raising funds above market rates or through forced sale of assets.

As at April 30, 2018 and 2017, the Company's financial liabilities pertain to loans payable, trade and other payables, excluding tax-related payables, and advances from a subsidiary. Trade and other payables are considered to be current because these are expected to be settled within 12 months from the end of the reporting period.

The table below summarizes the maturity profile of the Company's financial liabilities as at April 30 reflecting the gross cash flows, which may differ to the carrying values of the liabilities at the end of reporting periods.

		2018		
		Current		Non-current
		Within 6 Months	6 to 12 Months	1 to 3 Years
Notes				
Trade and other payables		P -	P 226,759	P -
Loans payable	11	82,645,205	81,112,329	272,153,427
Advances from a subsidiary	15.2	-	112,881,839	-
		<u>P 82,645,205</u>	<u>P 194,220,927</u>	<u>P 272,153,427</u>
		2017		
		Current		Non-current
		Within 6 Months	6 to 12 Months	1 to 3 Years
Trade and other payables		P -	P 1,355,965	P -
Loans payable	11	186,514,041	182,536,986	237,278,025
Advances from a subsidiary	15.2	-	258,348,250	-
		<u>P 186,514,041</u>	<u>P 442,241,201</u>	<u>P 237,278,025</u>

### 4.4 Other Price Risk

The Company's market price risk arises from its investments carried at fair value (financial assets classified as AFS financial assets). It manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

The observed volatility rates of the fair values of the Company's AFS financial assets held at fair value and their impact on the Company's other comprehensive income (loss) as at April 30, 2018 and 2017 are summarized below and in the succeeding page.

			Impact of Increase on Equity		Impact of Decrease on Equity	
Observed Volatility Rates			Before tax	After tax	Before tax	After tax
Increase	Decrease					
<b>April 30, 2018</b>						
Equity securities:						
Listed in Malaysia	+9.28%	-9.28%	P 84,358,377	P 59,050,864	(P 84,358,377)	(P 59,050,864)
Listed in England	+63.94%	-63.94%	110,819,608	77,573,726	(110,819,608)	(77,573,726)
			<u>P 195,177,985</u>	<u>P 136,624,590</u>	<u>(P 195,177,985)</u>	<u>(P 136,624,590)</u>

	Observed Volatility Rates		Impact of Increase on Equity		Impact of Decrease on Equity	
	Increase	Decrease	Before	After	Before	After
			tax	tax	tax	tax
April 30, 2017						
Equity securities:						
Listed in Malaysia	+22.40%	-22.40%	P 155,994,287	P 109,196,001	(P 155,994,287)	(P 109,196,001)
Listed in England	+58.96%	-58.96%	<u>75,711,549</u>	<u>52,998,084</u>	<u>(75,711,549)</u>	<u>(52,998,084)</u>
			<u>P 231,705,836</u>	<u>P 162,194,085</u>	<u>(P 231,705,836)</u>	<u>(P 162,194,085)</u>

These volatility rates have been determined based on the average volatility in quoted market price, using standard deviation, in the previous 12 months, estimated at 95.00% level of confidence.

## 5. CASH

The breakdown of this account is as follows:

	2018	2017
Cash on hand	P 1,000	P 1,000
Cash in banks	<u>69,750,045</u>	<u>91,927,910</u>
	<u>P 69,751,045</u>	<u>P 91,928,910</u>

Cash in banks are unrestricted and readily available for use in the operations of the Company and generally earn interest at rates based on daily bank deposit rates. Interest income from cash in banks is presented as part of Interest Income under Other Income (Expense) section in the statements of comprehensive income (see Note 14).

## 6. RECEIVABLES

This account consists of the following:

	Notes	2018	2017 (As Restated – see Note 2.1)
Deposits		P 395,260,410	P 971,939,639
Payments for future acquisition of investments	9.2, 15.3	<u>91,831,035</u>	<u>12,199,624</u>
Loans receivable		-	<u>127,676,799</u>
Others	9.3	<u>8,919,062</u>	<u>17,660,000</u>
		<u>P 496,010,507</u>	<u>P 1,129,476,062</u>

Deposits represent amounts provided to a foreign asset management firm engaged in the business of general trading and financial services.

Payments for future acquisition of investments represent deposits made to foreign parties which may be used to acquire investment securities. These include deposits made to Inter-Pacific Securities Sdn Berhad (IPSSB), a related party under common ownership who acts as stockbroker of the Company (see Note 15.3).

In October 2016, the Company granted a loan to H.R. Owen Plc (H.R. Owen), a subsidiary, amounting to 2,000,000GBP (about P127,676,799) for business expansion. The loan is payable in cash on demand subject to interest based on current bank rate. The outstanding balance of the loan as of April 30, 2017 was presented as Loans receivable under Receivables account in the 2017 statement of financial position. Such loan was fully collected in 2018.

Interest income earned from this loan for 2018, 2017 and 2016 is recorded as part of Interest Income under Other Income (Expenses) section in the statements of comprehensive income (see Note 14).

Other receivables pertain to receivables from TF Ventures, Inc. (TF) arising from payment made by the Company on behalf of TF (see Note 9.3).

All of the Company's receivables have been reviewed for indications of impairment. In 2016, certain receivables were found to be impaired; hence, adequate amount of receivable provided with allowance for impairment has been recognized. In 2017, the receivable for which the allowance for impairment was provided was written-off as the counterparty has been dissolved. There were no similar transactions in 2018; hence, no impairment loss was recognized for that period.

#### 7. PREPAYMENTS AND OTHER CURRENT ASSETS

The breakdown of this account is presented below.

	Note	2018	2017
Input VAT	22.1(b)	P 33,666,817	P 31,003,369
Prepaid taxes		25,939,717	28,112,139
Other prepayments		4,914,402	1,941,128
		<u>P 64,520,936</u>	<u>P 61,056,636</u>

#### 8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

This account consists of the following financial assets as at April 30:

	2018	2017
Equity securities		
Quoted	P1,248,845,520	P 814,669,332
Unquoted	116,921,250	77,033,450
Loan stocks	120,346,028	85,321,583
Warrants	14,206,921	15,496,352
	<u>1,500,319,719</u>	<u>992,520,717</u>
Allowance for impairment	( 300,950,277)	( 90,711,955)
	<u>P1,199,369,442</u>	<u>P 901,808,762</u>

Quoted equity securities include those listed in Malaysia and in England.

In 2018 and 2017, certain equity securities with carrying amount of P116,921,250 and P77,033,450, respectively, are carried at cost as the fair values of these unquoted equity securities are not reliably determinable. Management believes that the cost approximates the fair value of such securities as at April 30, 2018 and 2017.

In 2018 and 2017, the Company disposed certain AFS financial assets at a selling price of P158,659,172 and P115,820,084, respectively. Accordingly, the cumulative fair value gains recognized in other comprehensive income amounting to P9,564,509 in 2017 (nil in 2018) were reclassified from equity to profit or loss and are presented as Reclassification Adjustments to Profit or Loss in the 2017 statement of comprehensive income (see Note 12.5). Net realized loss arising from sale of AFS financial assets amounted to P54,533,062 and P19,523,036 in 2018 and 2016, respectively, and net realized gain of P1,181,117 in 2017, are presented as Net Gain (Loss) on Sale of Available-for-sale Financial Assets under Other Income (Expenses) in the statements of comprehensive income.

The movements of AFS financial assets are as follows:

	Notes	2018	2017
Balance at beginning of year		P 901,808,762	P 869,409,393
Additions during the year		578,017,157	184,727,645
Fair value gains (losses)	12.5, 20.2	73,700,839	( 44,375,819)
Disposals during the year		( 213,192,234)	( 105,074,458)
Impairment loss		( 140,965,082)	( 2,877,999)
Balance at end of year		<u>P1,199,369,442</u>	<u>P 901,808,762</u>

Dividend income from these shares amounted to P23,393,052, P16,228,724 and P13,473,677 in 2018, 2017 and 2016, respectively, and are presented as part of Dividend Income in the statements of comprehensive income.

In 2018, 2017 and 2016, management determined that certain investments were found to be impaired, that is, there is a significant or prolonged decline in the fair value of the securities below cost. Accordingly, impairment loss amounting to P210,238,322 in 2018, P2,877,999 in 2017 and P91,158,267 in 2016, of which P69,273,240 in 2018 and P5,294,045 in 2016 (nil in 2017) has been previously accumulated in equity, was recognized in profit or loss.

A reconciliation of the allowance for impairment at the beginning and end of the reporting periods is shown below.

	2018	2017
Balance at beginning of year	P 90,711,955	P 91,158,267
Impairment losses during the year	210,238,322	2,877,999
Write-off of investment	-	( 3,324,311)
Balance at end of year	<u>P 300,950,277</u>	<u>P 90,711,955</u>

The fair values of all of the Company's investments, except for those carried at cost which are categorized under Level 3, are categorized under Level 1 in fair value hierarchy, since these have been determined directly by reference to published prices in active markets while those under Level 3 are retained at cost for having no observable market data (see Note 20.2).

## 9. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

### 9.1 Investments in Subsidiaries and Associates

The components and carrying values of investments in subsidiaries and associates are as follows:

	% Interest Held		Cost of Investment	
	2018	2017	2018	2017
<i>Subsidiaries:</i>				
H.R. Owen	99%	98%	P 2,987,061,398	P 2,958,323,764
Philippine Gaming Management Corporation (PGMC)	100%	100%	520,000,000	520,000,000
Perdana Hotel Philippines Inc. (PHPI)	100%	100%	1,000,000	1,000,000
Floridablanca Enviro Corporation [FEC, formerly Berjaya Enviro Philippines Inc. (BEPI)]	100%	100%	249,993	249,993
<i>Associates:</i>				
Bermaz Auto Philippines Inc. (BAPI, formerly Berjaya Auto Philippines, Inc.)	28%	25%	203,896,453	178,380,000
Berjaya Pizza Philippines Inc. (BPPI)	48%	48%	180,400,000	180,400,000
NPI	42%	42%	82,283,456	82,283,456
Chailease Berjaya Finance Corporation (CBFC)	25%	-	62,500,000	-
Ssangyong Berjaya Motor Philippines, Inc. (SBMPI)	20%	20%	22,500,000	22,500,000
Perdana Land Philippines Inc. (PLPI)	40%	40%	7,999,997	7,999,997
Cosway Philippines, Inc. (CPI)	40%	40%	399,996	399,996
			<b>P 4,068,291,293</b>	<b>P 3,951,537,206</b>

H.R. Owen operates a number of vehicle franchises in the prestige and specialist car market for both sales and aftersales, predominantly in the London area. On September 29, 2016, January 11, 2017 and February 14, 2018, the Company purchased H.R. Owen shares from certain stockholders which amounted to P1,072,654, P956,231,975 and P28,737,634, respectively. The acquisitions resulted to the increase in ownership interest in H.R. Owen. The registered address of H.R. Owen is Melton Court, Old Brompton Road, London SW7 3TD.

PGMC is involved principally in the business of leasing on-line lottery equipment and providing software support. The subsidiary was organized in April 1993 and started commercial operations in February 1995. The registered office and principal place of business of PGMC is located at 9<sup>th</sup> Floor, Rufino Pacific Tower, 6784 Ayala Avenue, Makati City.

The Company's organization of PHPI and subscription of 40% equity in PLPI are part of the Company's strategy of operating a hotel located in Makati City (see Note 9.3). PHPI and PLPI were incorporated on December 11, 2009 and started commercial operations on May 1, 2010. PHPI's registered office is located at 9<sup>th</sup> Floor, Rufino Pacific Tower, 6784 Ayala Avenue, Makati City while its principal place of business is located at 7835 Makati Avenue corner Eduque Street, Makati City.

In 2015, the Company's advances to PLPI amounting to P7,600,000 stock subscription was converted into investment upon approval of the Philippine Securities and Exchange Commission (SEC) of PLPI's application for increase in its authorized capital stock. The Company's ownership interest in PLPI remains at 40%. The registered office of PLPI, which is also its principal place of business, is located at 9<sup>th</sup> Floor, Rufino Pacific Tower, 6784 Ayala Avenue corner V.A. Rufino Street, Makati City.

In April 2017, the Company made a 100% investment in BEPI amounting to P249,993. BEPI was incorporated on April 7, 2017 and is registered to engage in the business of protecting and cleaning the environment. In 2018, BEPI amended its corporate name to FEC as approved by the SEC. As at April 30, 2018, FEC has not yet started commercial operations.

BAPI was incorporated on August 10, 2012. BAPI is presently engaged in purchasing, acquiring, owning, leasing, selling, transferring, encumbering, and generally dealing in all types of new automobiles, trucks, and other motor vehicles and dealing in all types of supplies used by all types of motor vehicles. In April 2016, the Company purchased 5% holdings from an existing stockholder of BAPI resulting to the Company's increase in ownership over BAPI to 35%. In 2017, the Company's effective ownership interest over BAPI decreased to 25% due to issuance of capital stock of BAPI to other stockholders. In 2018, the Company made additional investment in BAPI amounting to P25,516,453 which resulted to the increase in its effective ownership interest over BAPI to 28%.

BPPI was incorporated on July 12, 2010 and started commercial operations on December 10, 2010. BPPI is presently engaged to manufacture, sell, and distribute food and beverages, and to operate, own, franchise, license or deal in restaurant related business operation. In 2017, the Company made additional investment in BPPI amounting to P63,000,000, which resulted to the increase in its effective ownership interest over BPPI from 41% to 48%. BPPI's registered office, which is also its principal place of business, is located at Unit E2902D PSE Center, Exchange Road, Ortigas Complex, Pasig City.

NPI was incorporated on March 8, 1996 to acquire, hold, manage, and dispose of by purchase or sale, exchange, mortgage, lease or in any other manner, conditionally or absolutely, for investment or otherwise, real estate or any interest therein together with or exclusive of their appurtenances. In 2017, the Company's advances to NPI amounting to P82,283,456 for stock subscription was converted into investment upon approval of the SEC of NPI's application for increase in its authorized capital stock. The Company's ownership interest in NPI is 41.46% as at April 30, 2018 and 2017, and considered as an associate starting 2017.

In April 2018, the Company acquired 25% ownership interest in CBFC amounting to P62,500,000. CBFC was incorporated in September 2017 to engage in offering of leasing, installment, factoring, corporate direct loan and other financing services. CBFC started commercial operations in November 2017. CBFC's registered office and principal place of business is located at 5/F San Miguel Building, San Miguel Avenue, Ortigas Center, Pasig City, Metro Manila.

In January 2016, the Company acquired 20% ownership interest in SBMPI. SBMPI was incorporated on July 3, 2015 and is primarily engaged in the sale and distribution of automobiles in the country. SBMPI's registered office and principal place of business is located at 9<sup>th</sup> Floor, Rufino Pacific Tower, 6784 Ayala Avenue corner V.A. Rufino Street, Makati City.

In 2013, the Company acquired 40% ownership interest in CPI. CPI was incorporated in September 2012 and was primarily established to engage in, operate, conduct and maintain the business of manufacturing, importing, exporting or buying, selling or otherwise dealing in such goods as cosmetics, perfumery, toilet preparation and requisites, disinfectants, detergents, cleaning agents, merchandise commodities, and other articles of consumption, supplies used or employed in or related to the manufacturing of such finished products. As at April 30, 2018, CPI has not yet started its commercial operations. The registered office and principal place of business of CPI is located at 9<sup>th</sup> Floor, Rufino Pacific Tower, 6784 Ayala Avenue corner V.A. Rufino Street, Makati City.

The tables below and in the succeeding page present the information on financial position and performance of the Company's subsidiaries and associates as at and for the years ended April 30, 2018 and 2017.

2018				
	Assets	Liabilities	Equity (Capital Deficiency)	Net Profit (Loss)
<i>Subsidiaries:</i>				
H.R. Owen	P10,338,044,026	P 8,352,803,127	P 1,985,240,899	P 282,057,565
PGMC	692,813,229	183,922,550	508,890,679	552,448,256
PHPI	673,452,313	671,181,805	2,270,508 (	3,252,779)
FEC	40,083,497	40,020,000	63,497 (	186,503)
<i>Associates:</i>				
BAPI	2,795,488,625	1,175,240,723	1,620,247,902	342,245,961
NPI*	1,148,778,113	928,621,887	220,156,226 (	32,663,607)
BPPI	168,067,199	522,406,475 (	354,339,276)	( 77,924,379)
PLPI	975,960,116	570,109,806	405,850,310	297,949,266
SBMPI	68,131,925	20,085,824	48,046,101 (	31,011,754)
CBFC	325,746,160	120,341,421	205,404,739 (	44,595,261)
CPI	194,815	2,759,496 (	2,564,681)	( 62,200)
	<u>P17,226,760,018</u>	<u>P12,587,493,114</u>	<u>P 4,639,266,904</u>	<u>P 1,285,004,565</u>

	2017			
	Assets	Liabilities	Equity (Capital Deficiency)	Net Profit (Loss)
<i>Subsidiaries:</i>				
H.R. Owen	P 8,421,660,487	P 6,970,265,760	P 1,451,394,727	P 128,797,084
PGMC	781,045,030	148,469,001	632,576,029	547,405,677
PHPI	694,397,867	689,812,536	4,585,331 (	526,788)
FEC	250,000	-	250,000	-
<i>Associates:</i>				
BAPI	2,454,993,018	998,244,921	1,456,748,097	390,410,931
NPI*	1,051,745,927	798,926,095	252,819,832	212,171,196
BPPI	222,277,257	498,590,229 (	276,312,972) (	92,600,138)
PLPI	199,264,734	91,363,690	107,901,044	1,548,221
SBMPI	178,614,073	99,556,218	79,057,855 (	28,192,497)
CPI	<u>155,515</u>	<u>2,657,996</u>	<u>( 2,502,481)</u>	<u>( 255,805)</u>
	<u>P14,004,403,908</u>	<u>P10,297,886,446</u>	<u>P 3,706,517,462</u>	<u>P 1,158,757,881</u>

\* Consolidated balances of NPI and Sanpiro Realty and Development Corporation, its subsidiary, as at and for the fiscal years ended April 30, 2018 and 2017.

## 9.2 Deposits for Future Stock Subscription

On August 16, 2017, the Company made advance payments to the existing minority stockholders of H.R. Owen representing 1.62% ownership interest. On February 14, 2018, total shares transferred to the Company amounted to P28,737,634 and were reclassified as part of Investments in Subsidiaries and Associates account (see Note 9.1). The remaining balance wherein the transfer was still in process as of April 30, 2018 is presented as Payments for future acquisition of investments under Receivables account in the 2018 statement of financial position (see Note 6).

## 9.3 Memorandum of Agreement (MOA)

In December 2009, the Company entered into a MOA with the stockholders of TF, whereby the stockholders agreed to sell all their interest in TF and to consent to the sale of TF's assets to PHPI and PLPI for a total consideration of P785,000,000. Previously, both the hotel building and land were attached as a lien to an obligation of TF, which was then under court rehabilitation. Subsequently, the court approved the sale of the hotel to PHPI and the land to PLPI together with the settling of the lien over the hotel building and land (see Note 6). Accordingly, in 2010, the Company advanced funds to PHPI for the acquisition of the hotel building. On the other hand, the land was acquired by PLPI through advances from the Company for the amount of P70,000,000 payable in equal installments over eight years. The outstanding balance arising from these transactions amounting to P8,750,000 and P17,500,000 as at April 30, 2018 and 2017, respectively, is presented as part of Others under Receivables account in the statements of financial position (see Note 6).

## 10. TRANSPORTATION EQUIPMENT

In April 2014, the Company acquired a transportation equipment with cost amounting to P12,507,018. The net book value of the equipment amounted to P2,502,202 and P5,003,406 as at April 30, 2018 and 2017, respectively. Depreciation expense amounted to P2,501,204 in 2018, 2017 and 2016, and is presented as part of Expenses in the statements of comprehensive income.

## 11. LOANS PAYABLE

In 2016, the Company obtained a secured loan amounting to P200,000,000 which represents the initial drawdown of a P700,000,000 loan facility from a local bank for its working capital requirements. Such loan bears a fixed annual interest based on prevailing market rate and is secured by surety from PGMG and a real estate mortgage over parcels of land owned by PLPI.

Outstanding balance of such loan amounted to P100,000,000 as at April 30, 2016. In 2017, the Company fully paid such loan. Interest expense on this loan amounted to P892,593 and P3,222,222 in 2017 and 2016, respectively, and is presented as part of Interest Expense under Other Income (Expenses) in the 2017 and 2016 statements of comprehensive income. There was no unpaid interest as at April 30, 2017.

In 2017, the Company obtained a secured loan amounting to P700,000,000 from a local bank for its working capital requirements and other purposes. Such loan bears a fixed annual interest based on prevailing market rate and is secured by a real estate mortgage over parcels of land owned by PLPI and a building owned by PHPI. In 2018, the Company fully paid such loan. Interest expense on this loan amounted to P15,171,062 in 2018 and P10,873,972 in 2017 and is presented as part of Interest Expense under Other Income (Expenses) in the 2018 and 2017 statements of comprehensive income. As at April 30, 2017, unpaid interest amounting to P1,078,767 is presented as part of Trade and Other Payables account in the 2017 statement of financial position. There was no unpaid interest as at April 30, 2018.

In 2018, the Company obtained a secured loan amounting to P450,000,000 from a local bank for the repayment of the loan obtained in 2017. Such loan bears a fixed annual interest based on prevailing market rate and is secured by a real estate mortgage over parcels of land owned by PLPI and a building owned by PHPI. Interest expense on this loan amounted to P4,530,822 in 2018 and is presented as part of Interest Expense under Other Income (Expenses) in the 2018 statement of comprehensive income. There was no unpaid interest as at April 30, 2018. The outstanding balance of loans payable amounted to P412,500,000 as at April 30, 2018.

## 12. EQUITY

### *12.1 Capital Management Objectives, Policies and Procedures*

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk.

The Company monitors capital on the basis of the carrying amount of equity as presented in the statements of financial position and also evaluates its equity through debt-to-equity ratio.

The Company sets the amount of capital in proportion to its overall financing structure. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

### 12.2 Capital Stock

As at April 30, 2018 and 2017, the Company has 6,000,000,000 authorized shares with P1 par value, of which 4,427,009,132 shares are issued and outstanding (see Note 12.4).

The details of the Company's capital stock as of April 30 is shown below.

	Number of Shares		Amount	
	2018	2017	2018	2017
Common shares – P1 par value				
Authorized:				
Balance at beginning of year	6,000,000,000	2,000,000,000	P 6,000,000,000	P 2,000,000,000
Increase in capital stock	-	4,000,000,000	-	4,000,000,000
Balance at end of year	<u>6,000,000,000</u>	<u>6,000,000,000</u>	<u>P 6,000,000,000</u>	<u>P 6,000,000,000</u>
Issued and outstanding:				
Balance at beginning of year	4,427,009,132	953,984,448	P 4,427,009,132	P 953,984,448
Stock dividends	-	3,473,024,684	-	3,473,024,684
Balance at end of year	<u>4,427,009,132</u>	<u>4,427,009,132</u>	<u>P 4,427,009,132</u>	<u>P 4,427,009,132</u>

As at April 30, 2018 and 2017, there are 142 holders of the Company's total outstanding shares. In November 1948, the Parent Company listed 953,984,448 shares in the PSE. An additional 3,473,024,684 shares were listed in July 2016. The Company's listed shares have a bid price of P5.01 per share and P5.30 per share as at April 30, 2018 and 2017, respectively.

The Company has 126 stockholders owning 100 or more shares each of the Company's capital stock, as at April 30, 2018 and 2017.

### 12.3 Treasury Shares

The Company's treasury shares represent the cost of 85,728,277 shares bought back by the Company prior to 2014.

The Company's retained earnings is restricted for dividend declaration to the extent of the cost of treasury shares (see Note 12.4).

### 12.4 Retained Earnings

In 2015, the BOD approved the appropriation of retained earnings amounting to P1,150,000,000 for future investments, expansion and various expenditures which are expected to be carried out within the next two to five years in line with the Company's growth plans.

On October 5, 2015, the Company's BOD approved the following resolutions:

- (i) increase in authorized capital stock from P2,000,000,000 divided into 2,000,000,000 shares to P6,000,000,000 divided into 6,000,000,000 shares;
- (ii) reversal of P4,000,000,000 previously allocated funds for capital expenditures and corporate expansion back to unrestricted retained earnings; and,
- (iii) declaration of stock dividends at a rate of 4 common shares for every common share held to be taken from the increase in authorized capital stock.

Consequently, the Company set apart portion of the unappropriated retained earnings amounting to P3,473,024,684 for distribution of stock dividends.

On May 27, 2016, the Company filed the declaration of stock dividends and the increase in authorized capital stock for approval of the SEC. Subsequently, the SEC approved the increase in authorized capital stock on May 31, 2016. Further, on June 6, 2016, the SEC approved the declaration of stock dividends setting the date of record on June 24, 2016 and the date of payment on July 20, 2016.

Consequently, on July 20, 2016, the Company issued stock dividends of 3,473,024,684 shares at par and the amount of retained earnings previously appropriated was reversed.

There was no cash dividend declaration in 2018, 2017 and 2016.

### ***12.5 Revaluation Reserve***

The movement of this account is shown below.

	<u>Note</u>	<u>2018</u>	<u>2017</u>
Balance at beginning of year		(P 61,531,716)	(P 26,720,406)
Net unrealized fair value gains (losses) on AFS financial assets	8	73,700,839	( 44,375,819)
Reclassification adjustments:			
Due to impairment of AFS financial assets	8	69,273,240	-
Due to disposal of AFS financial assets	8	-	9,564,509
Balance at end of year		<u>P 81,442,363</u>	<u>(P 61,531,716)</u>

### 13. OTHER EXPENSES

This account consists of the following:

	2018	2017	2016
Settlement expense	P 40,269,900	P -	P -
Bank charges	3,776,403	106,473	687,409
Accommodation	3,138,346	1,215,834	2,357,990
Representation	2,177,373	599,052	3,103,632
Insurance	845,552	1,006,806	1,878,806
Communication	263,690	2,246	82,077
Advertising	-	145,149	108,623
Penalties and surcharges	-	-	56,459
Miscellaneous	1,667,655	657,611	1,042,811
	<u>P 52,138,919</u>	<u>P 3,733,171</u>	<u>P 9,317,807</u>

Miscellaneous expenses include trainings and seminar, and repairs and maintenance, among others.

### 14. INTEREST INCOME

Interest income is composed of the following:

	Notes	2018	2017	2016
Cash advances	6, 15.1	P 59,684,587	P 50,857,383	P 46,917,263
Foreign deposits	6	25,543,445	47,075,760	46,176,604
Cash in banks	5	298,690	400,365	226,936
		<u>P 85,526,722</u>	<u>P 98,333,508</u>	<u>P 93,320,803</u>

### 15. RELATED PARTY TRANSACTIONS

The Company's related parties include its subsidiaries, associates, related parties under common ownership, and officers and employees as described below. The following are the Company's transactions with related parties:

Notes	2018		2017	
	Amount of Transactions	Outstanding Balance	(As Restated - see Note 2.1) Amount of Transactions	Outstanding Balance
<b><i>Subsidiaries:</i></b>				
Cash advances granted (collected)	15.1	P 19,000,000	P 688,020,377	(P 72,349,587) P 669,020,377
Cash advances obtained (paid)	15.2	334,319,271	112,881,839	258,348,250
Dividend income	15.4	700,903,693	-	170,000,000
Loan granted (collected)	6, 15.5	( 127,676,800 )	-	127,676,800
<b><i>Associates -</i></b>				
Cash advances granted	15.1	514,225,175	1,504,341,375	65,747,335
<b><i>Related parties under common ownership -</i></b>				
Payments for future acquisition of investment securities	6, 15.3	( 4,977,146 )	7,222,478	( 60,378,722 )
				12,199,624

### 15.1 Advances to Subsidiaries and Associates

The Company grants advances to its subsidiaries and associates for working capital purposes. These advances are unsecured, noninterest-bearing and due on demand, except for the loan granted to BPPI and NPI. The balance of these advances as at April 30, shown as Advances to Subsidiaries and Associates account in the statements of financial position, is shown below.

	2018	2017 (As Restated – see Note 2.1)
Subsidiaries:		
PHPI	P 648,020,377	P 669,020,377
FEC	<u>40,000,000</u>	<u>-</u>
	<u>688,020,377</u>	<u>669,020,377</u>
Associates:		
NPI	920,365,229	790,677,694
PLPI	373,560,339	31,775,010
BPPI	207,692,311	165,040,000
CPI	<u>2,723,496</u>	<u>2,623,496</u>
	<u>1,504,341,375</u>	<u>990,116,200</u>
	<u>P2,192,361,752</u>	<u>P1,659,136,577</u>

The details of these advances are more fully described as follows:

- (a) In 2009, the Company granted advances to PHPI and PLPI, as a result of the execution of a MOA, which is part of the Company's strategy to acquire an interest in the operation of a hotel located in Makati City (see Note 9.3). Collections of P72,349,587 were made from PHPI in 2017, while the Company granted additional advances to PLPI amounting to P2,000,000 in 2017. In 2018, additional cash advances, which bear an annual interest rate of 6.00%, were granted by the Company to PLPI amounting to 336,806,800 for the acquisitions of parcels of land. Collections of P21,000,000 and P2,000,000 were also made from PHPI and PLPI, respectively, in 2018.
- (b) In 2018 and 2017, the Company made advances to CPI, which amounted to P100,000 and P200,000, respectively. No collections were made on these advances in both years.
- (c) In 2011, the Company provided P100,000,000 loan to BPPI, bearing an annual interest rate of 7.00% payable in cash within two years from the borrowing date. The loan is secured by a guaranty from a major stockholder of BPPI. In 2013, the Company extended the term of this loan for an additional three years. The loan was further extended for another three years in 2016 bearing the same terms with the original loan except that the Company now has the discretion to recall the loan any time prior to maturity; hence, the loan is presented under current assets in the statements of financial position. Interest income amounting to P7,000,000 in 2018, 2017 and 2016 is recorded as part of Interest Income in the statements of comprehensive income (see Note 14).

- (d) The Company granted cash advances to BPPI amounting to P56,000,000, of which P35,000,000 and P21,000,000 were provided in 2018 and 2017, respectively. The advances bear an annual interest rate of 7.00% and is payable in cash upon demand. Interest income amounting to P812,311 in 2018 (nil in 2017 as the advances were granted at year-end) is recorded as part of Interest Income in the 2018 statement of comprehensive income (see Note 14). Consequently, the Company also made collections from BPPI amounting to P1,000,000 and P2,000,000 in 2018 and 2017, respectively.
- (e) Since 2013, the Company has an outstanding loan to NPI, an associate beginning in 2017, amounting to P790,677,694 as of April 30, 2017. The loan is payable in cash to the Company on demand subject to interest based on current bank rate. In 2018, additional loan was advanced to NPI amounting to P86,980,200. Interest income amounting to P39,917,264 in 2018, 2017 and 2016 is recorded as part of Interest Income in the statements of comprehensive income (see Note 14).
- (f) In April 2018, the Company granted a loan to FEC amounting to P40,000,000. The loan bears an annual interest rate of 6% and is payable in cash upon demand.

The movements of Advances to Subsidiaries and Associates account are as follows:

	2018	2017 (As restated – see Note 2.1)
Balance at beginning of year	P1,659,136,577	P 911,768,470
Interest recognized during the year	66,114,717	7,000,000
Additions during the year:		
PLPI	331,030,258	2,000,000
NPI	86,980,200	790,677,694
FEC	40,000,000	-
BPPI	35,000,000	21,840,000
CPI	100,000	200,000
	2,217,708,164	1,733,486,164
Collections during the year	( 26,000,000)	( 74,349,587)
Balance at end of year	<u>P2,192,361,752</u>	<u>P 1,659,136,577</u>

Advances to subsidiaries and associates have been reviewed for indication of impairment. Based on management's assessment, no impairment loss is required to be recognized by the Company.

### 15.2 Advances from a Subsidiary

In 2017, the Company obtained advances from PGMC amounting to P258,348,250 for working capital requirements and other purposes. The advances are unsecured, noninterest-bearing and payable in cash upon demand or through offsetting arrangements. Outstanding balance as at April 30, 2018 and 2017 amounted to P112,881,839 and P258,348,250, respectively, and is presented as Advances from a Subsidiary in the statements of financial position.

### 15.3 Payments for Future Acquisition of Investments

The Company deposited funds to IPSSB on client trust basis for future acquisition of investment securities. IPSSB is principally engaged in the business of stock brokerage. Outstanding payments to IPSSB as at April 30, 2018 and 2017 amounted to P7,222,478 and P12,199,624, respectively, and are presented as part of Payments for future acquisition of investments under the Receivables account in the statements of financial position (see Note 6).

### 15.4 Dividends

The Company recognized dividend income amounting to P650,000,000, P170,000,000 and P680,000,000 arising from the declaration of cash dividends by PGMCI in 2018, 2017 and 2016, respectively. Consequently, the Company received the cash dividends of P440,000,000, P325,600,000 and P524,400,000 in 2018, 2017 and 2016, respectively. The Company also recognized dividend income amounting to P50,903,693 arising from the declaration of cash dividends by BAPI in 2018. There was no outstanding dividend receivable as at April 30, 2018 and 2017.

### 15.5 Loans

The loans of BPPI from a certain financial institution amounting to P220,000,000 as at April 30, 2018 and P240,000,000 as at April 30, 2017 are secured by the Company.

The loans obtained by the Company amounting to P450,000,000 and P700,000,000 in 2018 and 2017, respectively, are secured by real estate mortgage over parcels of land owned by PLPI and a building owned by PHPI (see Note 11).

### 15.6 Key Management Personnel Compensation

There are no expenses recognized for employee benefits since the Company's accounting and administrative activities are being handled by a subsidiary at no cost to the Company.

## 16. INCOME TAXES

The components of tax income as reported in profit or loss are presented below.

	2018	2017	2016
Current tax expense:			
Minimum corporate income tax (MCIT) at 2%	P 2,172,422	P -	P 2,226,455
Final tax at 20% and 7.5%	32,191	50,981	37,863
Regular corporate income tax (RCIT) at 30%	-	4,583,464	-
Tax benefit from application of unrecognized MCIT	-	(4,583,464)	-
	2,204,613	50,981	2,264,318
Deferred tax income relating to the origination and reversal of temporary differences	(48,707,209)	(20,669,410)	(35,025,562)
	(P 46,502,596)	(P 20,618,429)	(P 32,761,244)

The reconciliation of tax on pretax profit computed at the applicable statutory rates to tax income reported in profit or loss is as follows:

	2018	2017	2016
Tax on pretax profit at 30%	P 138,372,639	P 44,121,059	P 174,320,200
Adjustment for income subjected to lower income tax rates	( 57,416)	( 54,196)	( 22,754)
Tax effects of:			
Non-taxable income	( 210,271,108)	( 51,000,000)	( 204,000,000)
Non-deductible operating expenses	24,089,308	876,024	3,058,727
Unrecognized excess MCIT	1,363,981	-	2,226,455
Application of unrecognized net operating loss carry over (NOLCO)	-	( 9,977,852)	( 8,343,872)
Application of unrecognized MCIT	-	( 4,583,464)	-
	( P 46,502,596)	( P 20,618,429)	( P 32,761,244)

The net deferred tax asset relates to the following as at April 30, 2018 and 2017:

	Statements of Financial Position		Statements of Comprehensive Income		
	2018	2017	2018	2017	2016
Unrealized foreign exchange gains (losses)	P 3,538,106	P 17,902,394	P 14,364,288	(P 19,806,010)	(P 3,577,400)
Impairment losses	98,125,552	35,124,062	( 63,071,497)	( 863,400)	( 31,448,162)
Deferred Tax Income			(P 48,707,209)	(P 20,669,410)	(P 35,025,562)
Net Deferred Tax Asset	P 101,733,665	P 53,026,456			

The Company is subject to MCIT which is computed at 2% of gross income, as defined under the tax regulations, or RCIT, whichever is higher. The computed RCIT amounted to P808,441, P4,583,464 and nil in 2018, 2017 and 2016, respectively.

In 2018 and 2017, the management has taken a conservative position of not recognizing additional deferred tax asset arising from MCIT since its recoverability and utilization is unlikely at this time based on the assessment of management.

The details of the Company's excess MCIT, which can be applied against RCIT, are as follows:

Year Incurred	Amount	Applied		Expired	Balance	Expiry Date
		Prior Year	Current Year			
2018	P 1,363,981	P -	P -	P -	P 1,363,981	2021
2016	2,226,455	-	-	-	2,226,455	2019
2015	2,924,057	( 876,129)	-	( 2,047,928)	-	
	P 6,514,493	(P 876,129)	P -	(P 2,047,928)	P 3,590,436	

In 2018 and 2017, the Company opted to continue claiming itemized deductions in computing its income tax due.

## 17. EARNINGS PER SHARE

The earnings per share of the Company is presented below.

	2018	2017	2016
Net profit	P 507,744,727	P 167,688,624	P 613,828,577
Divided by weighted average number of outstanding shares	<u>4,341,280,855</u>	<u>4,341,280,855</u>	<u>4,341,280,855</u>
Earnings per share	<u>P 0.12</u>	<u>P 0.04</u>	<u>P 0.14</u>

There were no potentially dilutive instruments in 2018, 2017 and 2016.

## 18. COMMITMENTS AND CONTINGENCIES

There are commitments and contingent liabilities that arise in the normal course of the Company's operations that are not reflected in the accompanying financial statements. As at April 30, 2018, management is of the opinion that losses, if any, from these items will not have a material effect on the Company's financial statements.

## 19. CATEGORIES, FAIR VALUES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

### 19.1 Carrying Amounts and Fair Value by Category

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the statements of financial position are shown below.

		2018		2017 (As Restated – see Note 2.1)	
Notes		Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
<b>Financial assets</b>					
Loans and receivables:					
	Cash	5 P 69,751,045	P 69,751,045	P 91,928,910	P 91,928,910
	Receivables	6 496,010,507	496,010,507	1,129,476,062	1,129,476,062
	Advances to subsidiaries and associates	15.1 <u>2,192,361,752</u>	<u>2,183,365,196</u>	<u>1,659,136,577</u>	<u>1,654,005,797</u>
		<u>P 2,758,123,304</u>	<u>P 2,749,126,748</u>	<u>P 2,880,541,549</u>	<u>P 2,875,410,769</u>
	AFS financial assets	8 <u>P 1,199,369,442</u>	<u>P 1,199,369,442</u>	<u>P 901,808,762</u>	<u>P 901,808,762</u>
<b>Financial liabilities</b>					
Financial liabilities at amortized costs:					
	Loans payable	11 P 412,500,000	P 405,183,403	P 583,333,333	P 578,473,399
	Advances from a subsidiary	15 112,881,839	112,881,839	258,348,250	258,348,250
	Trade and other payables	<u>226,759</u>	<u>226,759</u>	<u>1,355,965</u>	<u>1,355,965</u>
		<u>P 525,608,598</u>	<u>P 518,292,001</u>	<u>P 843,037,548</u>	<u>P 838,177,614</u>

See Notes 2.4 and 2.7 for a description of the accounting policies for each category of financial instruments. A description of the Company's risk management objectives and policies for financial instruments is provided in Note 4.

### ***19.2 Offsetting of Financial Assets and Financial Liabilities***

The Company has not set-off financial instruments in 2018 and 2017 and does not have relevant offsetting arrangements. Currently, financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instrument (particularly related parties) will have the option to settle all such amounts on a net basis in the event of default of the other party through approval by both parties.

## **20. FAIR VALUE MEASUREMENT AND DISCLOSURE**

### ***20.1 Fair Value Hierarchy***

In accordance with PFRS 13, *Fair Value Measurements*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an 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 (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

### ***20.2 Financial Instruments Measured at Fair Value***

Quoted equity securities, loan stocks and warrants classified as AFS financial assets are included in Level 1 as their prices are derived from quoted prices in active market that the entity can access at the measurement date except for certain securities measured at cost.

The fair value of these shares increased by P73,700,839 in 2018 and decreased by P44,375,819 and P163,685,750 in 2017 and 2016, respectively. This was presented as Net Unrealized Fair Value Gains on Available-for-sale Financial Assets under Other Comprehensive Income (Loss) of the statements of comprehensive income.

Certain equity securities with carrying amount of P116,921,250 and P77,033,450 are carried at cost as at April 30, 2018 and 2017.

The Company has no financial liabilities measured at fair value as at April 30, 2018 and 2017. There were no transfers across the levels of the fair value hierarchy in both years.

**20.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed**

The Company's financial instruments measured at amortized cost include financial assets such as cash, receivables and advances to subsidiaries and associates (see Note 2.4). These also include financial liabilities such as loans payable, advances from a subsidiary and trade and other payables (see Note 2.7). As at April 30, 2018, management considers that the carrying amounts of these financial instruments are equal to or approximate their fair value; hence, no fair value hierarchy is presented.

**21. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES**

Presented below is the reconciliation of the Company's liabilities arising from financing activities, which includes both cash and non-cash changes.

	<b>Loans Payable</b> <b>(see Note 11)</b>	<b>Advances from</b> <b>a Subsidiary</b> <b>(see Note 15)</b>	<b>Total</b>
Balance as of April 30, 2017	P 583,333,333	P 258,348,250	P 841,681,583
Cash flows from financing services:			
Additional borrowings	450,000,000	334,319,271	784,319,271
Repayment of borrowings	( 620,833,333)	( 269,785,682)	( 796,299,744)
Non-cash financing activity –			
Offsetting with dividends receivable	—	( 210,000,000)	( 210,000,000)
Balance as of April 30, 2018	<b><u>P 412,500,000</u></b>	<b><u>P 112,881,839</u></b>	<b><u>P 619,701,110</u></b>

**22. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE**

Presented below and in the succeeding pages are the supplementary information which are required by the Bureau of Internal Revenue (BIR) under its existing revenue regulations to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

**22.1 Requirements Under Revenue Regulations (RR) No. 15-2010**

The information on taxes, duties and license fees paid or accrued during the taxable year required under RR No. 15-2010 are as follows:

**(a) Output VAT**

In 2018, the Company declared output VAT amounting to P321,429 from interest earned from its advances to related parties. The related output VAT was offset against input VAT [see Note 22.1(b)].

(b) *Input VAT*

The movements in Input VAT for the year ended April 30, 2018 are summarized below.

Balance at beginning of year	P 31,003,369
Services rendered by non-residents	2,018,128
Domestic purchases of services	939,400
Domestic purchases of goods other than capital goods	27,349
Applied against output VAT	( 321,429)
Balance at end of year	<u>P 33,666,817</u>

Total input VAT as at April 30, 2018 is presented as Input VAT under Prepayments and Other Current Assets account in the 2018 statement of financial position (see Note 7).

(c) *Taxes on Importation*

The Company has not paid or accrued any customs' duties and taxes on goods imported as it has no importation for the year ended April 30, 2018.

(d) *Documentary Stamp Tax*

The Company paid P6,121,372 documentary stamp tax (DST) for the year ended April 30, 2018 on the advances made to related parties and availment of loan. This was presented as part of Taxes and licenses under Expenses in the 2018 statement of comprehensive income [see Note 22.1(f)].

(e) *Excise Tax*

The Company did not have any transactions in 2018, which are subject to excise tax.

(f) *Taxes and Licenses*

The details of Taxes and Licenses account in the 2018 statement of comprehensive income are broken down as follows:

	<u>Note</u>	
DST	22.1(d)	P 6,121,372
Registration fees		2,233,120
Listing fees		2,006,000
Municipal license and permits		1,084,521
Community tax		12,700
Others		<u>100</u>
		<u>P 11,457,813</u>

(g) *Withholding Taxes*

The details of total withholding taxes for the year ended April 30, 2018 are shown below.

Expanded	P 1,802,631
Final	<u>4,891,629</u>
	<u>P 6,694,260</u>

There are no transactions subject to withholding taxes on compensation in 2018.

(h) *Deficiency Tax Assessments and Tax Cases*

As at April 30, 2018, the Company does not have any final deficiency tax assessments from the BIR nor does it have tax cases outstanding or pending in courts or bodies outside of the BIR in any of the open taxable years.

**22.2 Requirements Under RR No. 19-2011**

RR No. 19-2011 requires schedules of taxable revenues and other non-operating income, costs of sales and services, itemized deductions and other significant tax information, to be disclosed in the notes to financial statements.

The amounts of taxable revenues and income, and deductible costs and expenses presented below are based on relevant tax regulations issued by the BIR, hence, may not be the same as the amounts of revenues reflected in the 2018 statement of comprehensive income.

(a) *Taxable Revenues*

The Company recorded dividend income amounted to P23,393,052 for the fiscal year ended April 30, 2018 which is subject to RCIT.

(b) *Deductible Cost of Services*

The Company has no deductible cost of services under regular tax rate for the fiscal year ended April 30, 2018.

(c) *Taxable Non-operating and Other Income*

The Company's taxable non-operating and other income recognized in 2018 pertains only to interest income amounting to P85,228,031.

(d) *Itemized Deductions*

The amounts of itemized deductions for the fiscal year ended April 30, 2018 are as follows:

Net loss on sale of AFS financial assets	P 54,533,062
Interest	19,603,316
Taxes and licenses	11,457,813
Professional fees	8,511,236
Bank charges	3,776,403
Accommodation	3,138,346
Transportation and travel	2,246,163
Representation and entertainment	1,086,211
Insurance	845,552
Communication, light and water	263,690
Sponsorships	219,855
Miscellaneous	<u>244,632</u>
	<u>P105,926,279</u>



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**Report of Independent Auditors  
to Accompany Supplementary  
Information Required by the  
Securities and Exchange  
Commission Filed Separately from  
the Basic Financial Statements**

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**The Board of Directors and Stockholders**

**Berjaya Philippines Inc.**

***[A Subsidiary of Berjaya Lottery Management (HK) Limited]***

9th Floor, Rufino Pacific Tower

6784 Ayala Avenue, Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Berjaya Philippines Inc. for the year ended April 30, 2018, on which we have rendered our report dated June 18, 2018. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The following applicable supplementary information are presented for purposes of additional analysis in compliance with the requirements of the Securities Regulation Code Rule 68, as amended, and are not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards:

- a. Reconciliation of Retained Earnings Available for Dividend Declaration;
- b. Schedule of Philippine Financial Reporting Standards and Interpretations Adopted by the Securities and Exchange Commission and the Financial Reporting Standards Council as at April 30, 2018; and,
- c. Map Showing the Relationship Between and Among the Company and its Related Parties.

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**Certified Public Accountants**

Punongbayan & Araullo is the Philippine member firm of Grant Thornton International Ltd

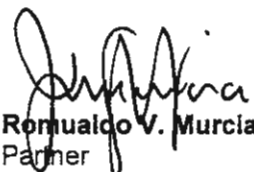
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SEC Accreditation No. 0002-FR-5

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Such supplementary information are the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**PUNONGBAYAN & ARAULLO**

  
**By: Romualdo V. Murcia III**  
Partner

CPA Reg. No. 0095626  
TIN 906-174-059  
PTR No. 6616014, January 3, 2018, Makati City  
SEC Group A Accreditation  
Partner - No. 0628-AR-3 (until Nov. 29, 2019)  
Firm - No. 0002-FR-5 (until Mar. 26, 2021)  
BIR AN 08-002511-22-2016 (until Oct. 3, 2019)  
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

June 18, 2018

Berjaya Philippines Inc.  
*[A Subsidiary of Berjaya Lottery Management (HK) Limited]*  
 9th Floor, Rufino Pacific Tower, 6784 Ayala Avenue, Makati City  
*(Amounts in Philippine Pesos)*

**Reconciliation of Retained Earnings Available for Dividend Declaration  
 For the Year Ended April 30, 2018**

<b>Unappropriated Retained Earnings at Beginning of Year, as Reported in the Audited Financial Statements</b>		P 1,343,086,493
<b>Prior Years' Outstanding Reconciling Items, net of tax</b>		
Unrealized foreign currency gain	( 66,020,035 )	
Deferred tax income	( 20,669,410 )	
Impairment loss	<u>90,711,955</u>	<u>4,022,510</u>
<b>Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year, as Adjusted</b>		1,347,109,003
<b>Net Profit Actually Earned during the Year</b>		
Net profit per audited financial statements	507,744,727	
Unrealized foreign currency gain	( 47,880,959 )	
Deferred tax income	( 63,071,497 )	
Impairment loss	<u>210,238,322</u>	<u>607,030,593</u>
<b>Unappropriated Retained Earnings Available for Dividend Declaration at End of Year</b>		<b><u>P 1,954,139,596</u></b>

The Company plans to appropriate portions of available retained earnings for business expansions within three to five years.

**BERJAYA PHILIPPINES INC.**  
*[A Subsidiary of Berjaya Lottery Management (HK) Limited]*  
**Schedule of Philippine Financial Reporting Standards and Interpretations**  
**Adopted by the Securities and Exchange Commission and the**  
**Financial Reporting Standards Council as at April 30, 2018**

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>Framework for the Preparation and Presentation of Financial Statements</b>		✓		
Conceptual Framework Phase A: Objectives and Qualitative Characteristics		✓		
<b>Practice Statement Management Commentary</b>				✓
<b><i>Philippine Financial Reporting Standards (PFRS)</i></b>				
<b>PFRS 1 (Revised)</b>	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	✓		
	Amendments 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	✓		
	Amendments to PFRS 1: Deletion of Short-term Exemptions	✓		
<b>PFRS 2</b>	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions <i>(effective January 1, 2018)</i>			✓
<b>PFRS 3 (Revised)</b>	Business Combinations	✓		
	Amendment to PFRS 3: Remeasurement of Previously Held Interests in a Joint Operation <i>(effective January 1, 2019)</i>			✓
<b>PFRS 4</b>	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, <i>Financial Instruments</i> , with PFRS 4, <i>Insurance Contracts</i> * <i>(effective January 1, 2018)</i>			✓
<b>PFRS 5</b>	Non-current Assets Held for Sale and Discontinued Operations			✓
<b>PFRS 6</b>	Exploration for and Evaluation of Mineral Resources			✓
<b>PFRS 7</b>	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	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* <i>(effective when PFRS 9 is first applied)</i>			✓
<b>PFRS 8</b>	Operating Segments	✓		
<b>PFRS 9</b>	Financial Instruments (2014)* <i>(effective January 1, 2018)</i>			✓
	Amendments to PFRS 9: Prepayment Features with Negative Compensation* <i>(effective January 1, 2019)</i>			✓
<b>PFRS 10</b>	Consolidated Financial Statements			✓
	Amendments to PFRS 10: Transition Guidance			✓
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* <i>(effective date deferred indefinitely)</i>			✓
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception			✓
<b>PFRS 11</b>	Joint Arrangements			✓
	Amendments to PFRS 11: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
	Amendment to PFRS 11: Remeasurement of Previously Held Interests in a Joint Operation <i>(effective January 1, 2019)</i>			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Transition Guidance	✓		
	Amendments to PFRS 12: Investment Entities	✓		
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts	✓		
PFRS 15	Revenue from Contracts with Customers* (effective January 1, 2018)			✓
PFRS 16	Leases* (effective January 1, 2019)			✓
PFRS 17	Insurance Contracts* (effective January 1, 2021)			✓
<b>Philippine Accounting Standards (PAS)</b>				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	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: Disclosure Initiative	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: 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	✓		
	Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses	✓		
	Amendment to PAS 12 - Tax Consequences of Dividends* (effective January 1, 2019)			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Bearer Plants	✓		
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 17	Leases			✓
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits			✓
	Amendments to PAS 19: Defined Benefit Plans - Employee Contributions			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendments: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
	Amendment to PAS 23: Eligibility for Capitalization	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Revised)	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities	✓		
	Amendments to PAS 27: Equity Method in Separate Financial Statements**	✓		
PAS 28 (Revised)	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date deferred indefinitely)			✓
	Amendments to PAS 28: Investment Entities - Applying the Consolidation Exception	✓		
	Amendment to PAS 28: Measurement of Investment in Associates at Fair Value through Profit or Loss (effective January 1, 2018)			✓
	Amendment to PAS 28: Long-term Interest in Associates and Joint Venture (effective January 1, 2019)			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 33	Earnings Per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
	Amendment 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 Depreciation and Amortization			✓
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	✓		
	Amendments to PAS 39: Eligible Hedged Items	✓		
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	✓		
PAS 40	Investment Property			✓
	Amendment to PAS 40: Reclassification to and from Investment Property* (effective January 1, 2018)			✓
PAS 41	Agriculture			✓
	Amendments to PAS 41: Bearer Plants			✓
<i>Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)</i>				
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 9	Reassessment of Embedded Derivatives**	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives**	✓		
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	PAS 19 - 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 and their Interaction			✓
IFRIC 16	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 (effective January 1, 2018)			✓
IFRIC 23	Uncertainty Over Income Tax Treatments (effective January 1, 2019)			✓

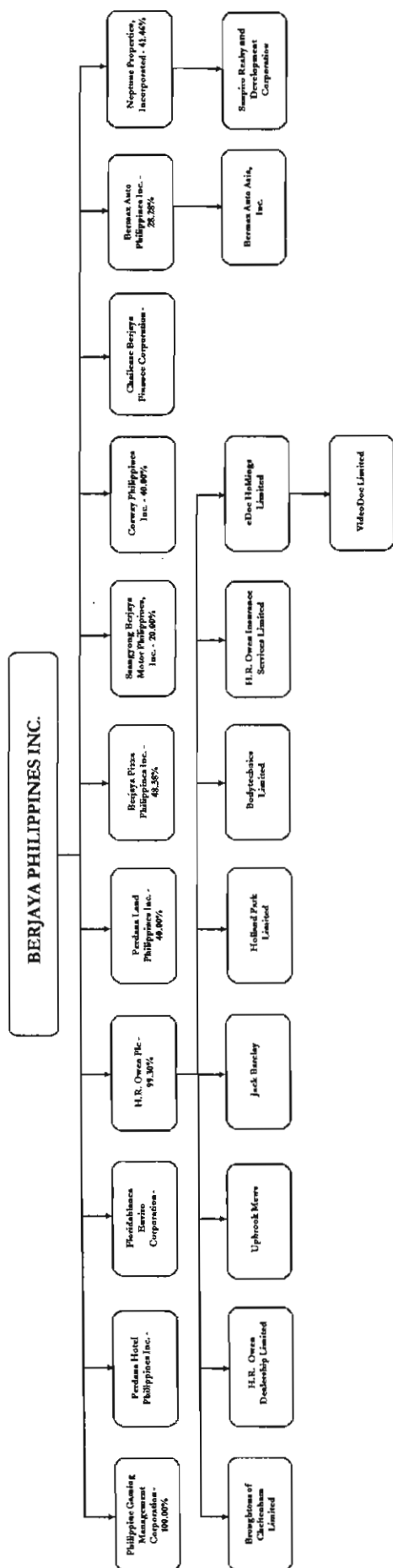
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
<i>Philippine Interpretations - Standing Interpretations Committee (SIC)</i>				
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating 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			✓

\* These standards will be effective for periods subsequent to fiscal year 2018 and are not early adopted by the Company.

\*\* These standards have been adopted in the preparation of financial statements but the Company has no significant transactions covered in both years presented.

Berjaya Philippines Inc. and Subsidiaries  
 (A Subsidiary of Berjaya Lottery Management (H.M.) Limited)  
 9th Floor, Raffles Pacific Tower, 6784 Ayala Avenue, Makati City  
 (Amounts in Philippine Pesos)

Map Showing the Relationship Between and Among the Company and its Related Parties  
 April 30, 2018





108132018002972

**SECURITIES AND EXCHANGE COMMISSION**

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines  
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

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SEC Registration No. PW00000476

Company Name BERJAYA PHILIPPINES INC.

Industry Classification

Company Type Stock Corporation

**Document Information**

Document ID 108132018002972

Document Type Consolidated FS - Publicly Held

Document Code PHFS2

Period Covered April 30, 2018

No. of Days Late 0

Department CFD

Remarks



108132018002973

**SECURITIES AND EXCHANGE COMMISSION**

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines  
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

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**Document Information**

Document ID 108132018002973  
Document Type FS-CONSOLIDATED  
Document Code FS-C  
Period Covered April 30, 2018  
No. of Days Late 0  
Department CRMD  
Remarks



## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Berjaya Philippines, Inc. And Subsidiaries** is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended April 30, 2018 and 2017, 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the **Berjaya Philippines, Inc. And Subsidiaries** 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 **Berjaya Philippines, Inc. And Subsidiaries** or to cease operations, or has no realistic alternative to do so.

The Board of Directors is responsible for overseeing the **Berjaya Philippines, Inc. And Subsidiaries** financial reporting process.

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

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has audited the financial statements of the **Berjaya Philippines, Inc. And Subsidiaries** 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.

Tan Sri Dr. Ibrahim Bin Saad  
Chairman

Wong Ee Coln  
President

Tan Eng Hwa  
Treasurer

### **BERJAYA PHILIPPINES INC.**

9/F Rufino Pacific Tower 6784 Ayala Ave., Cor. V.A. Rufino St., Makati City  
Tel. No.: (632) 811-0668 \* Fax No.: (632) 811-0538

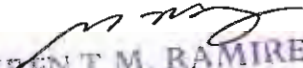
MAY 30 2018

**SUBSCRIBED AND SWORN TO BEFORE ME** this \_\_\_\_\_ day of \_\_\_\_\_ 2018, by the following who exhibited to me their government issued identification cards during business hours.

Name	Tax Identification No.
Tan Sri Dr Ibrahim Bin Saad	313-386-574
Wong Ee Coln	486-058-206
Tan Eng Hwa	204-172-228

Doc No.  
Page No.  
Book No.  
Series of

60  
5  
747  
218

  
RUBEN T. M. RAMIREZ  
NOTARY PUBLIC  
UNTIL DEC 31, 2019  
ID# NO 01757/11 12-17 CY 2019  
JGLE NO 28947/MCLE 4/6-19-12  
CIVIL NO 0007/23/1-3-18 APPT NO. M-127

**COVER SHEET**  
for  
**AUDITED FINANCIAL STATEMENTS**

SEC Registration Number

P	R	E		W	A	R		4	7	6
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**COMPANY NAME**

B	E	R	J	A	Y	A		P	H	I	L	I	P	P	I	N	E	S		I	N	C	.							
A	N	D		S	U	B	S	I	D	I	A	R	I	E	S															

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

9	T	H		F	L	O	O	R		R	U	F	I	N	O		P	A	C	I	F	I	C		T	O	W	E	R
6	7	8	4		A	Y	A	L	A		A	V	E	N	U	E		M	A	K	A	T	I		C	I	T	Y	

Form Type

1	7	-	A
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Department requiring the report

S	E	C	
---	---	---	--

Secondary License Type, If Applicable

N/A

**COMPANY INFORMATION**

Company's Email Address

blaw@attglobal.net

Company's Telephone Number/s

811-0668

Mobile Number

No. of Stockholders

142

Annual Meeting  
Month/Day

Any day in October

Fiscal Year  
Month/Day

APRIL 30

**CONTACT PERSON INFORMATION**

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

TAN ENG HWA

Email Address

tanenghwa@gmail.com

Telephone Number/s

Mobile Number

Contact Person's Address

9th Floor, Rufino Pacific Tower, 6784 Ayala Avenue, Makati 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.



## CERTIFICATION

Securities and Exchange Commission  
SEC Building  
EDSA, Greenhills  
Mandaluyong

Gentlemen:

In compliance with Memorandum Circular No. 02 March 12, 2001, issued by Securities and Exchange Commission (SEC), requiring the submission by registered corporations of SEC reportorial requirements, we submit herewith the Consolidated Audited Financial Statements (CAFS) diskette for **BERJAYA PHILIPPINES, INC. & SUBSIDIARIES** for the years ended **April 30, 2018 and 2017** consisting of the following:

Table 1.	Balance Sheets
Table 2.	Income Statements / (Profit and Loss Statement) and Retained Earnings Statement
Table 2b.	Statement of Cash Flows

I certify that the CAFS diskette of the Company contains the basic and material data in the hard copies of the financial statements of the Company for the years ended April 30, 2018 and 2017.

TAN ENG HWA  
Treasurer

MAY 30 2018

**SUBSCRIBED AND SWORN** to before me this \_\_\_\_\_ day of \_\_\_\_\_, 2018, at **MAKATI CITY**, with affiant exhibiting to me his Tax Identification No. 204-172-228

NOTARY PUBLIC

Book No. 55 :  
Doc. No. h :  
Page No. 747 :  
Series of 20 18

**WILBERT M. RAXITREZ**  
NOTARY PUBLIC  
EXPIRY DATE: 11/2019  
JED NO. 01752 / 11/2017 / CY 2019  
ROLL NO. 26747 / MOBILE # 919-12  
TR NO. MKT 0607723 / 1-3-15 APTT NO. M-127

**BERJAYA PHILIPPINES INC.**

9/F Rufino Pacific Tower 6784 Ayala Ave., Cor. V.A. Rufino St., Makati City  
Tel. No.: (632) 811-0668 \* Fax No.: (632) 811-0538

# COVER SHEET

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S.E.C. Registration Number

B	E	R	J	A	Y	A		P	H	I	L	I	P	P	I	N	E	S		I	N	C	.						
A	N	D		S	U	B	S	I	D	I	A	R	I	E	S														

(Company's Full Name)

9	F		R	U	F	I	N	O		P	A	C	I	F	I	C		T	O	W	E	R						
6	7	8	4		A	Y	A	L	A		A	V	E	.		M	A	K	A	T	I		C	I	T	Y		

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

Atty. Jose A. Bernas
----------------------

Contact Person

811-0668
----------

Company Telephone Number

0	4		3	0
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Month Day  
Fiscal Year

P	H	F	S
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FORM TYPE

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Month Day  
Annual Meeting

--

Secondary License Type, If Applicable

S	E	C
---	---	---

Dept. Requiring this Doc.

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Amended Articles Number/Section

--

Total No. of Stockholders

Total Amount of Borrowings (in '000)

--

Domestic

--

Foreign

To be accomplished by SEC Personnel concerned

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**SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES**

NAME OF CORPORATION: BERJAYA PHILIPPINES INC. AND SUBSIDIARIES  
CURRENT ADDRESS: 9F RUFINO PACIFIC TOWER, 6784 AYALA AVE., MAKATI CITY  
TEL. NO.: 811-0668 FAX NO.: 811-0538  
COMPANY TYPE: INVESTMENT COMPANY OPERATION PSIC: 66910

*If these are based on consolidated financial statements, please so indicate in the caption.*

**Table 1. Balance Sheet**

<b>FINANCIAL DATA</b>		<b>2018</b> (in P'000)	<b>2017</b> (in P'000)
<b>A. ASSETS (A.1 + A.2 + A.3 + A.4 + A.5 + A.6 + A.7 + A.8 + A.9 + A.10)</b>		<b>17,497,367</b>	<b>14,755,462</b>
<b>A.1 Current Assets (A.1.1 + A.1.2 + A.1.3 + A.1.4 + A.1.5)</b>		<b>10,950,135</b>	<b>9,305,823</b>
<b>A.1.1 Cash and cash equivalents (A.1.1.1 + A.1.1.2 + A.1.1.3)</b>		<b>1,195,177</b>	<b>1,060,851</b>
<b>A.1.1.1 On hand</b>		<b>440</b>	<b>474</b>
<b>A.1.1.2 In domestic banks/entities</b>		<b>1,194,737</b>	<b>1,060,377</b>
<b>A.1.1.3 In foreign banks/entities</b>			
<b>A.1.2 Trade and Other Receivables (A.1.2.1 + A.1.2.2)</b>		<b>2,620,625</b>	<b>2,659,123</b>
<b>A.1.2.1 Due from domestic entities (A.1.2.1.1 + A.1.2.1.2 + A.1.2.1.3 + A.1.2.1.4)</b>		<b>133,755</b>	<b>106,842</b>
<b>A.1.2.1.1 Due from customers (trade)</b>		<b>138,038</b>	<b>195,107</b>
<b>A.1.2.1.2 Due from related parties</b>			
<b>A.1.2.1.3 Others, specify (A.1.2.1.3.1 + A.1.2.1.3.2)</b>		<b>14,064</b>	<b>(75,619)</b>
<b>A.1.2.1.3.1 Advances to officers and employees</b>		<b>4,761</b>	<b>5,084</b>
<b>A.1.2.1.3.2 Other receivables</b>		<b>9,304</b>	<b>(80,703)</b>
<b>A.1.2.1.4 Allowance for doubtful accounts (negative entry)</b>		<b>(18,347)</b>	<b>(12,647)</b>
<b>A.1.2.2 Due from foreign entities, specify (A.1.2.2.1 + A.1.2.2.2 + A.1.2.2.3 + A.1.2.2.4)</b>		<b>2,486,870</b>	<b>2,552,282</b>
<b>A.1.2.2.1 Deposits</b>		<b>1,171,695</b>	<b>1,364,337</b>
<b>A.1.2.2.2 Payments for future acquisition of investments</b>		<b>91,831</b>	<b>12,200</b>
<b>A.1.2.2.3 Receivable from supplier</b>		<b>452,347</b>	<b>437,446</b>
<b>A.1.2.2.4 Advances to officers and employees</b>		<b>21,752</b>	<b>8,439</b>
<b>A.1.2.2.5 Due from customers (trade)</b>		<b>663,761</b>	<b>568,910</b>
<b>A.1.2.2.6 Other receivables</b>		<b>85,484</b>	<b>160,949</b>
<b>A.1.2.2.5 Allowance for doubtful accounts (negative entry)</b>			
<b>A.1.3 Inventories (A.1.3.1 + A.1.3.2 + A.1.3.3 + A.1.3.4 + A.1.3.5 + A.1.3.6)</b>		<b>5,062,653</b>	<b>4,127,528</b>
<b>A.1.3.1 Vehicles</b>		<b>4,963,942</b>	<b>4,040,055</b>
<b>A.1.3.2 Parts and components</b>		<b>246,543</b>	<b>199,656</b>
<b>A.1.3.3 Spare parts and accessories</b>		<b>22,314</b>	<b>14,761</b>
<b>A.1.3.4 Work-in-progress</b>		<b>31,271</b>	<b>48,083</b>
<b>A.1.3.5 Hotel supplies</b>		<b>5,173</b>	<b>5,840</b>
<b>A.1.3.6 Others, specify (A.1.3.6.1 + A.1.3.6.2)</b>			
<b>A.1.3.6.1 Allowance for inventory write down</b>		<b>(206,591)</b>	<b>(180,867)</b>
<b>A.1.3.6.2</b>			
<b>A.1.4 Financial Assets other than Cash/Receivables/Equity investments (A.1.4.1 + A.1.4.2 + A.1.4.3 + A.1.4.4 + A.1.4.5 + A.1.4.6)</b>			
<b>A.1.4.1 Financial Assets at Fair Value through Profit or Loss - issued by domestic entities: (A.1.4.1.1 + A.1.4.1.2 + A.1.4.1.3 + A.1.4.1.4 + A.1.4.1.5)</b>			
<b>A.1.4.1.1 National Government</b>			
<b>A.1.4.1.2 Public Financial Institutions</b>			
<b>A.1.4.1.3 Public Non-Financial Institutions</b>			
<b>A.1.4.1.4 Private Financial Institutions</b>			
<b>A.1.4.1.5 Private Non-Financial Institutions</b>			
<b>A.1.4.2 Held to Maturity Investments - issued by domestic entities: (A.1.4.2.1 + A.1.4.2.2 + A.1.4.2.3 + A.1.4.2.4 + A.1.4.2.5)</b>			
<b>A.1.4.2.1 National Government</b>			
<b>A.1.4.2.2 Public Financial Institutions</b>			
<b>A.1.4.2.3 Public Non-Financial Institutions</b>			
<b>A.1.4.2.4 Private Financial Institutions</b>			
<b>A.1.4.2.5 Private Non-Financial Institutions</b>			

**NOTE:**

This special form is applicable to Investment Companies and Publicly-held Companies (enumerated in Section 17.2 of the Securities Regulation Code (SRC), except banks and insurance companies). As a supplemental form to PHFS, it shall be used for reporting Consolidated Financial Statements of Parent corporations and their subsidiaries.

Domestic corporations are those which are incorporated under Philippine laws or branches/subsidiaries of foreign corporations that are licensed to do business in the Philippines where the center of economic interest or activity is within the Philippines. On the other hand, foreign corporations are those that are incorporated abroad, including branches of Philippine corporations operating abroad.

Financial institutions are corporations principally engaged in financial intermediation, facilitating financial intermediation, or auxiliary financial services. Non-Financial institutions refer to corporations that are primarily engaged in the production of market goods and non-financial services.

**SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES**

NAME OF CORPORATION: BERJAYA PHILIPPINES INC. AND SUBSIDIARIES

CURRENT ADDRESS: 9F RUFINO PACIFIC TOWER, 5784 AYALA AVE., MAKATI CITY

TEL. NO.: 811-0868

FAX NO.: 811-0538

COMPANY TYPE: INVESTMENT COMPANY OPERATION

PSIC: 66910

*If these are based on consolidated financial statements, please so indicate in the caption.*

**Table 1. Balance Sheet**

<b>FINANCIAL DATA</b>	<b>2018 ( in P'000 )</b>	<b>2017 ( in P'000 )</b>
A.1.4.3 Loans and Receivables - issued by domestic entities: (A.1.4.3.1 + A.1.4.3.2 + A.1.4.3.3 + A.1.4.3.4 + A.1.4.3.5)		
A.1.4.3.1 National Government		
A.1.4.3.2 Public Financial Institutions		
A.1.4.3.3 Public Non-Financial Institutions		
A.1.4.3.4 Private Financial Institutions		
A.1.4.3.5 Private Non-Financial Institutions		
A.1.4.4 Available-for-sale financial assets - issued by domestic entities: (A.1.4.4.1 + A.1.4.4.2 + A.1.4.4.3 + A.1.4.4.4 + A.1.4.4.5)		
A.1.4.4.1 National Government		
A.1.4.4.2 Public Financial Institutions		
A.1.4.4.3 Public Non-Financial Institutions		
A.1.4.4.4 Private Financial Institutions		
A.1.4.4.5 Private Non-Financial Institutions		
A.1.4.5 Financial Assets issued by foreign entities: (A.1.4.5.1 + A.1.4.5.2 + A.1.4.5.3 + A.1.4.5.4)		
A.1.4.5.1 Financial Assets at fair value through profit or loss		
A.1.4.5.2 Held-to-maturity investments		
A.1.4.5.3 Loans and Receivables		
A.1.4.5.4 Available-for-sale financial assets		
A.1.4.6 Allowance for decline in market value (negative entry)		
A.1.5 Other Current Assets (state separately material items) (A.1.5.1 + A.1.5.2 + A.1.5.3)	2,071,680	1,458,320
A.1.5.1 Advances to associate	1,515,841	990,024
A.1.5.2 Prepaid expenses	244,726	322,411
A.1.5.3 Prepaid taxes, input VAT and creditable withholding taxes	205,400	80,442
A.1.5.4 Refundable deposits and advance rental	62,926	43,074
A.1.5.5 Advances to suppliers	33,554	7,966
A.1.5.6 Other current assets	9,233	14,404
A.1.5.7 Allowance for impairment (negative entry)	0	0
A.2 Property, plant, and equipment (A.2.1 + A.2.2 + A.2.3 + A.2.4 + A.2.5 + A.2.6 + A.2.7 + A.2.8)	1,768,324	1,885,117
A.2.1 Land	93,617	83,502
A.2.2 Building and Improvements including leasehold improvement	2,100,473	2,190,496
A.2.3 Machinery and equipment (on hand and in transit)	2,272,886	2,207,365
A.2.4 Transportation/motor vehicles, automotive equipment, autos and trucks, and delivery equipment	78,588	65,741
A.2.5 Others, specify (A.2.5.1 + A.2.5.2 + A.2.5.3 + A.2.5.4 + A.2.5.5)	48,067	45,182
A.2.5.1 Furniture and fixture	48,067	45,182
A.2.5.2		
A.2.5.3		
A.2.5.4		
A.2.5.5		
A.2.6 Appraisal increase, specify (A.2.6.1 + A.2.6.2 + A.2.6.3 + A.2.6.4 + A.2.6.5)		
A.2.6.1		
A.2.6.2		
A.2.6.3		
A.2.6.4		
A.2.6.5		
A.2.7 Accumulated Depreciation (negative entry)	(2,825,309)	(2,767,130)
A.2.8 Impairment Loss or Reversal (if loss, negative entry)		
A.3 Investments accounted for using the equity method (A.3.1 + A.3.2 + A.3.3 + A.3.4)		
A.3.1 Equity in domestic subsidiaries/affiliates		
A.3.2 Equity in foreign branches/subsidiaries/affiliates		
A.3.3 Others, specify (A.3.3.1 + A.3.3.2 + A.3.3.3 + A.3.3.4 + A.3.3.5)		
A.3.3.1		
A.3.3.2		
A.3.3.3		
A.3.3.4		
A.3.3.5		
A.4 Investment Property		
A.5 Biological Assets		
A.6 Intangible Assets	1,977,995	1,806,956
A.6.1 Major item/s, specify (A.6.1.1 + A.6.1.2)	1,977,995	1,806,956
A.6.1.1 Goodwill	1,977,995	1,806,956
A.6.1.2		
A.6.2 Others, specify (A.6.2.1 + A.6.2.2)		
A.6.2.1		
A.6.2.2		
A.7 Assets Classified as Held for Sale		
A.8 Assets included in Disposal Groups Classified as Held for Sale		

**SPECIAL FORM FOR CONSOLIDATED FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES**

NAME OF CORPORATION: BERJAYA PHILIPPINES INC. AND SUBSIDIARIES  
CURRENT ADDRESS: 9F RUFINO PACIFIC TOWER, 6784 AYALA AVE., MAKATI CITY  
TEL. NO.: 811-0688 FAX NO.: 811-0538  
COMPANY TYPE: INVESTMENT COMPANY OPERATION PSIC: 66910

If these are based on consolidated financial statements, please so indicate in the caption.

**Table 1. Balance Sheet**

FINANCIAL DATA	2018 (in P'000)	2017 (in P'000)
A.9 Long-term receivables (net of current portion) (A.9.1 + A.9.2 + A.9.3)		
A.9.1 From domestic entities, specify (A.9.1.1 + A.9.1.2 + A.9.1.3)		
A.9.1.1		
A.9.1.2		
A.9.1.3		
A.9.2 From foreign entities, specify (A.9.2.1 + A.9.2.2 + A.9.2.3)		
A.9.2.1		
A.9.2.2		
A.9.2.3		
A.9.3 Allowance for doubtful accounts, net of current portion (negative entry)		
A.10 Other Assets (A.10.1 + A.10.2 + A.10.3 + A.10.4 + A.10.5)	2,800,913	1,757,566
A.10.1 Deferred charges - net of amortization		
A.10.2 Deferred Income Tax	113,537	66,716
A.10.3 Advance/Miscellaneous deposits		
A.10.4 Others, specify (A.10.4.1 + A.10.4.2 + A.10.4.3 + A.10.4.4 + A.10.4.5)	2,687,376	1,690,850
A.10.4.1 Available-for-sale financial assets	1,199,369	901,809
A.10.4.2 Investment in associates	978,436	642,726
A.10.4.3 Advances to an associate	0	0
A.10.4.4 Investment Property	460,167	141,699
A.10.4.5 Post-employment benefit asset	46,185	0
A.10.4.6 Other non-current assets	3,217	4,706
A.10.5 Allowance for write-down of deferred charges/bad accounts (negative entry)	0	0
B. LIABILITIES (B.1 + B.2 + B.3 + B.4 + B.5)	8,995,106	7,550,375
B.1 Current Liabilities (B.1.1 + B.1.2 + B.1.3 + B.1.4 + B.1.5 + B.1.6 + B.1.7)	8,426,950	7,104,042
B.1.1 Trade and Other Payables to Domestic Entities (B.1.1.1 + B.1.1.2 + B.1.1.3 + B.1.1.4 + B.1.1.5 + B.1.1.6)	686,497	887,008
B.1.1.1 Loans/Notes Payables		
B.1.1.2 Trade Payables	37,660	35,043
B.1.1.3 Payables to Related Parties	946	513
B.1.1.4 Advances from Directors, Officers, Employees and Principal Stockholders		0
B.1.1.5 Accruals, specify material items (B.1.1.5.1 + B.1.1.5.2 + B.1.1.5.3)	387,662	315,638
B.1.1.5.1 Accrued expenses	387,662	314,559
B.1.1.5.2 Accrued interest payable	0	1,079
B.1.1.5.3		
B.1.1.6 Others, specify (B.1.1.6.1 + B.1.1.6.2 + B.1.1.6.3)	260,229	535,815
B.1.1.6.1 Advances from customers	0	0
B.1.1.6.2 Withholding taxes payable	42,865	40,327
B.1.1.6.3 Liability on stock vehicles	0	0
B.1.1.6.4 Management fee payable	19,947	20,223
B.1.1.6.4 Deferred output val	35,478	174,161
B.1.1.6.4 Other payables	138,760	278,455
B.1.1.6.5 Deferred Income	23,180	22,649
B.1.2 Trade and Other Payables to Foreign Entities (specify) (B.1.2.1 + B.1.2.2 + B.1.2.3)	3,341,292	2,275,839
B.1.2.1 Trade Payables	1,269,384	990,495
B.1.2.2 Advances from customers	2,071,908	1,285,344
B.1.2.3		
B.1.3 Provisions		
B.1.4 Financial Liabilities (excluding Trade and Other Payables and Provisions) (B.1.4.1 + B.1.4.2 + B.1.4.3 + B.1.4.4 + B.1.4.5)	4,297,761	3,861,157
B.1.4.1 Loans payable and borrowings	4,297,761	3,861,157
B.1.4.2		
B.1.4.3		
B.1.4.4		
B.1.4.5		
B.1.5 Liabilities for Current Tax	101,400	80,038
B.1.6 Deferred Tax Liabilities		
B.1.7 Others, specify (If material, state separately; indicate if the item is payable to public/private or financial/non-financial institutions) (B.1.7.1 + B.1.7.2 + B.1.7.3 + B.1.7.4 + B.1.7.5 + B.1.7.6)		
B.1.7.1 Dividends declared and not paid at balance sheet date		
B.1.7.2 Acceptances Payable		
B.1.7.3 Liabilities under Trust Receipts		
B.1.7.4 Portion of Long-term Debt Due within one year		
B.1.7.5 Deferred Income		
B.1.7.6 Any other current liability in excess of 5% of Total Current Liabilities, specify:		
B.1.7.6.1		
B.1.7.6.2		
B.1.7.6.3		

**SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES**

NAME OF CORPORATION: BERJAYA PHILIPPINES INC. AND SUBSIDIARIES

CURRENT ADDRESS: 9F RUFINO PACIFIC TOWER, 6784 AYALA AVE., MAKATI CITY

TEL. NO.: 811-0668

FAX NO.: 811-0538

COMPANY TYPE: INVESTMENT COMPANY OPERATION

PSIC: 66910

If these are based on consolidated financial statements, please so indicate in the caption.

**Table 1. Balance Sheet**

FINANCIAL DATA	2018 (in P'000)	2017 (in P'000)
B.2 Long-term Debt - Non-current Interest-bearing Liabilities (B.2.1 + B.2.2 + B.2.3 + B.2.4 + B.2.5)	400,669	367,394
B.2.1 Domestic Public Financial Institutions	400,669	367,394
B.2.2 Domestic Public Non-Financial Institutions		
B.2.3 Domestic Private Financial Institutions		
B.2.4 Domestic Private Non-Financial Institutions		
B.2.5 Foreign Financial Institutions		
B.3 Indebtedness to Affiliates and Related Parties (Non-Current)	17,893	0
B.4 Liabilities Included in the Disposal Groups Classified as Held for Sale		
B.5 Other Liabilities (B.5.1 + B.5.2)	149,595	78,940
B.5.1 Deferred Tax	62,244	41,821
B.5.2 Others, specify (B.5.2.1 + B.5.2.2 + B.5.2.3 + B.5.2.4 + B.5.2.5)	87,351	37,119
B.5.2.1 Post-employment benefit obligation	23,366	37,119
B.5.2.2 Provision for Losses	63,985	0
B.5.2.3		
B.5.2.4		
B.5.2.5		
C. EQUITY (C.3 + C.4 + C.5 + C.6 + C.7 + C.8 + C.9 + C.10)	8,502,261	7,205,086
C.1 Authorized Capital Stock (no. of shares, par value and total value; show details) (C.1.1 + C.1.2 + C.1.3)	0	0
C.1.1 Common shares		
C.1.2 Preferred Shares		
C.1.3 Others		
C.2 Subscribed Capital Stock (no. of shares, par value and total value) (C.2.1 + C.2.2 + C.2.3)		
C.2.1 Common shares		
C.2.2 Preferred Shares		
C.2.3 Others		
C.3 Paid-up Capital Stock (C.3.1 + C.3.2)	0	0
C.3.1 Common shares		
C.3.2 Preferred Shares		
C.4 Additional Paid-in Capital / Capital in excess of par value / Paid-in Surplus		
C.5 Minority Interest	18,062	19,157
C.6 Others, specify (C.6.1 + C.6.2 + C.6.3)	8,484,199	7,185,929
C.6.1 Attributable to owners of parent company	8,484,199	7,185,929
C.6.2		
C.6.3		
C.7 Appraisal Surplus/Revaluation Increment in Property/Revaluation Surplus		
C.8 Retained Earnings (C.8.1 + C.8.2)	0	0
C.8.1 Appropriated		
C.8.2 Unappropriated		
C.9 Head / Home Office Account (for Foreign Branches only)		
C.10 Cost of Stocks Held in Treasury (negative entry)		
TOTAL LIABILITIES AND EQUITY (B + C)	17,497,367	14,755,462

**SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES**

NAME OF CORPORATION: BERJAYA PHILIPPINES INC. AND SUBSIDIARIES

CURRENT ADDRESS: 9F RUFINO PACIFIC TOWER, 6784 AYALA AVE., MAKATI CITY

TEL. NO.: 811-0668

FAX NO.: 811-0538

COMPANY TYPE: INVESTMENT COMPANY OPERATION

PSIC: 66910

*If these are based on consolidated financial statements, please so indicate in the caption.*

**Table 2. Income Statement**

FINANCIAL DATA	2018 (in P'000)	2017 (in P'000)
<b>A. REVENUE / INCOME (A.1 + A.2 + A.3)</b>	<b>31,170,796</b>	<b>28,827,210</b>
A.1 Net Sales or Revenue / Receipts from Operations (manufacturing, mining, utilities, trade, services, etc.) (from Primary Activity)	30,827,418	28,501,621
A.2 Share in the Profit or Loss of Associates and Joint Ventures accounted for	167,064	129,813
A.3 Other Revenue (A.3.1 + A.3.2 + A.3.3 + A.3.4 + A.3.5)		
A.3.1 Rental Income from Land and Buildings		
A.3.2 Receipts from Sale of Merchandise (trading) (from Secondary Activity)		
A.3.3 Sale of Real Estate or other Property and Equipment		
A.3.4 Royalties, Franchise Fees, Copyrights (books, films, records, etc.)		
A.3.5 Others, specify (A.3.5.1 + A.3.5.2 + A.3.5.3 + A.3.5.4 + A.3.5.5 + A.3.5.6 + A.3.5.7 + A.3.5.8)		
A.3.5.1		
A.3.5.2		
A.3.5.3		
A.3.5.4		
A.3.5.5		
A.3.5.6		
A.3.5.7		
A.3.5.8		
A.4 Other Income (non-operating) (A.4.1 + A.4.2 + A.4.3 + A.4.4)	176,314	195,776
A.4.1 Interest Income	110,278	106,989
A.4.2 Dividend Income	23,393	16,229
A.4.3 Gain / (Loss) from selling of Assets, specify (A.4.3.1 + A.4.3.2 + A.4.3.3 + A.4.3.4)	(54,533)	1,181
A.4.3.1 Gain (loss) on sale of available-for-sale financial assets	(54,533)	1,181
A.4.3.2 Gain on sale of property and equipment	0	0
A.4.3.3		
A.4.3.4		
A.4.4 Others, specify (A.4.4.1 + A.4.4.2 + A.4.4.3 + A.4.4.4)	97,177	71,378
A.4.4.1 Gain / (Loss) on Foreign Exchange	47,934	0
A.4.4.2 Remeasurement of gain on reclassification of AFS	0	0
A.4.4.3 Excess 7% standard input vat over actual input vat	0	0
A.4.4.4 Income from forfeited customer deposits	0	0
A.4.4.5 Others	49,243	71,378
<b>B. COST OF GOODS SOLD (B.1 + B.2 + B.3)</b>		
B.1 Cost of Goods Manufactured (B.1.1 + B.1.2 + B.1.3 + B.1.4 + B.1.5)		
B.1.1 Direct Material Used		
B.1.2 Direct Labor		
B.1.3 Other Manufacturing Cost / Overhead		
B.1.4 Goods in Process, Beginning		
B.1.5 Goods in Process, End (negative entry)		
B.2 Finished Goods, Beginning		
B.3 Finished Goods, End (negative entry)		
<b>C. COST OF SALES (C.1 + C.2 + C.3)</b>		
C.1 Purchases		
C.2 Merchandise Inventory, Beginning		
C.3 Merchandise Inventory, End (negative entry)		
<b>D. GROSS PROFIT (A - B - C)</b>	<b>31,170,796</b>	<b>28,827,210</b>

*NOTE: Pursuant to SRC Rule 68.1 (as amended in Nov. 2005), for fiscal years ending December 31, 2005 up to November 30, 2006, a comparative format of only two (2) years may be filed to give temporary relief for covered companies as the more complex PFRSs will be applied for the first time in these year end periods. After these first time applications, the requirement of three (3) year comparatives shall resume for year end reports beginning December 31, 2006 and onwards.*

**SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES**

NAME OF CORPORATION: BERJAYA PHILIPPINES INC. AND SUBSIDIARIES  
CURRENT ADDRESS: 9F RUFINO PACIFIC TOWER, 6784 AYALA AVE., MAKATI CITY  
TEL. NO.: 811-0668 FAX NO.: 811-0538  
COMPANY TYPE: INVESTMENT COMPANY OPERATION PSIC: 66910

*If these are based on consolidated financial statements, please so indicate in the caption.*

**Table 2. Income Statement**

FINANCIAL DATA	2018 (in P'000)	2017 (in P'000)	
<b>E. OPERATING EXPENSES (E.1 + E.2 + E.3 + E.4)</b>	<b>29,659,858</b>	<b>27,494,341</b>	
E.1 Selling or Marketing Expenses			
E.2 Administrative Expenses			
E.3 General Expenses			
E.4 Other Expenses, specify (E.4.1 + E.4.2 + E.4.3 + E.4.4 + E.4.5 + E.4.6 + E.4.7 + E.4.8 + E.4.9 + E.4.10)	29,659,858	27,494,341	
E.4.1 Cost of vehicles sold	22,439,750	21,428,575	
E.4.2 Bodyshop repairs and parts	2,347,773	1,881,987	
E.4.3 Salaries and employee benefits	1,881,686	1,732,125	
E.4.4 Rental	357,030	321,414	
E.4.5 Professional fees	306,546	343,849	
E.4.6 Depreciation and amortization	268,631	228,712	
E.4.7 Maintenance of computer equipment	133,430	112,225	
E.4.8 Taxes and licenses	176,980	175,438	
E.4.9 Telecommunication	127,891	100,217	
E.4.10 Communication, light and water	99,234	78,750	
E.4.11 Transportation and travel	83,244	26,322	
E.4.12 Representation and entertainment	38,121	47,705	
E.4.13 Charitable contributions	21,942	73,033	
E.4.14 Food and beverages	13,270	12,354	
E.4.15 Others	1,364,330	931,632	
<b>F. FINANCE COSTS (F.1 + F.2 + F.3 + F.4 + F.5)</b>	<b>402,112</b>	<b>348,700</b>	
F.1 Interest on Short-Term Promissory Notes			
F.2 Interest on Long-Term Promissory Notes			
F.3 Interest on bonds, mortgages and other long-term loans			
F.4 Amortization			
F.5 Other interests, specify (F.5.1 + F.5.2 + F.5.3 + F.5.4 + F.5.5)	402,112	348,700	
F.5.1 Interest expense	155,705	141,815	
F.5.2 Bad debts expense	210,238	2,878	
F.5.3 Bank charges	36,169	32,924	
F.5.4 Foreign currency losses- net	0	71,998	
F.5.5 Loss on deemed disposal of investment	0	99,084	
<b>G. NET INCOME (LOSS) BEFORE TAX (D - E - F)</b>	<b>1,108,826</b>	<b>984,168</b>	
<b>H. INCOME TAX EXPENSE (negative entry)</b>	<b>(312,460)</b>	<b>(280,075)</b>	
<b>I. INCOME(LOSS) AFTER TAX</b>	<b>796,366</b>	<b>704,093</b>	
<b>J. Amount of (i) Post-Tax Profit or Loss of Discontinued Operations; and (ii) Post-Tax Gain or Loss Recognized on the Measurement of Fair Value less Cost to Sell or on the Disposal of the Assets or Disposal Group(s) constituting the Discontinued Operation (if any)</b>			
J.1			
J.2			
<b>K. PROFIT OR LOSS ATTRIBUTABLE TO MINORITY INTEREST</b>	<b>10,541</b>	<b>30,025</b>	
<b>L. PROFIT OR LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>	<b>785,825</b>	<b>674,068</b>	
<b>M. EARNINGS (LOSS) PER SHARE</b>			
M.1 Basic	0.181	0.155	
M.2 Diluted			

## SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES

NAME OF CORPORATION: BERJAYA PHILIPPINES INC. AND SUBSIDIARIES

CURRENT ADDRESS: 9F RUFINO PACIFIC TOWER, 6784 AYALA AVE., MAKATI CITY

TEL. NO.: 811-0668

FAX NO.: 811-0538

COMPANY TYPE INVESTMENT COMPANY OPERATION

PSIC: 66910

If these are based on consolidated financial statements, please so indicate in the caption.

Table 3. Cash Flow Statements

FINANCIAL DATA	2018 (in P'000)	2017 (in P'000)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income (Loss) Before Tax and Extraordinary Items	1,108,826	984,168
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Depreciation	268,631	228,712
Amortization specify		
Others, specify:		
Dividend income	(23,393)	(16,229)
Remeasurement gain of available-for-sale financial assets	0	0
Net gain on sale of available-for-sale financial assets	54,533	(1,181)
Interest expense	155,705	141,815
Interest income	(110,278)	(106,989)
Unrealized foreign currency loss(gain)	(47,934)	71,998
Equity share in net losses(income) of associates	(167,064)	(129,813)
Gain on disposal of property and equipment	(563)	(3,395)
Bad debts expense	0	0
Impairment loss on AFS financial assets	210,238	2,878
Loss on deemed disposal of investment	0	99,084
Provision for losses	63,985	0
Write-down of Property, Plant, and Equipment		
Changes in Assets and Liabilities:		
Decrease (Increase) in:		
Trade and other receivables	1,157,891	(216,365)
Inventories	(935,124)	374,995
Other non-current assets	1,489	(354)
Others, specify:		
Increase (Decrease) in:		
Prepayments and other current assets	(88,330)	(22,231)
Post-employment benefit asset	(46,185)	0
Trade and other payables	862,073	(409,043)
Post-employment benefit obligation	31,553	(10,820)
Others, specify: Cash paid for income taxes	(341,628)	(209,031)
<b>A. Net Cash Provided by (Used in) Operating Activities (sum of above rows)</b>	<b>2,154,424</b>	<b>778,197</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
(Increase) Decrease in Long-Term Receivables		
(Increase) Decrease in Investment		
Reductions/(Additions) to Property, Plant, and Equipment	(268,210)	(198,604)
Others, specify Acquisition of available-for-sale financial assets/investment in associates	(820,574)	(1,205,030)
Cash dividends received	74,297	16,229
Proceeds from sale of available-for-sale financial assets	158,659	106,256
Collection from associates	3,000	2,000
Payments to previous stockholders of H.R. Owen		0
Interest received	51,247	67,915
Acquisition of business	0	0
Additional advances granted to associates	(469,623)	(31,040)
Proceeds from disposal of property and equipment	949	4,123
Acquisition of investment property	0	(132,720)
<b>B. Net Cash Provided by (Used in) Investing Activities (sum of above rows)</b>	<b>(1,270,256)</b>	<b>(1,370,872)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from:		
Bank loans and borrowings	638,827	987,273
Long-term Debt		
Issuance of Securities		
Others, specify:		
Payments of:		
(Loans and Bank Borrowings)	(1,228,786)	(216,667)
(Long-term Debt)		
(Stock Subscriptions)		
Others, specify (negative entry):		
Interest paid	(155,529)	(139,856)
Acquisition of treasury shares		
Dividends paid to minority interest	0	0
<b>C. Net Cash Provided by (Used in) Financing Activities (sum of above rows)</b>	<b>(745,489)</b>	<b>630,750</b>
<b>D. Effect of Exchange Rate Changes to Cash and Cash Equivalents</b>	<b>(4,353)</b>	<b>(11,657)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS (A + B + C)</b>	<b>134,327</b>	<b>26,419</b>
Cash and Cash Equivalents		
Beginning of year	1,060,851	1,034,432
Beginning balance from newly acquired subsidiary	0	0
End of year	1,195,177	1,060,851

NOTE: Pursuant to SRC Rule 68.1 (as amended in Nov. 2005), for fiscal years ending December 31, 2005 up to November 30, 2006, a comparative format of only two (2) years may be filed to give temporary relief for covered companies as the more complex PFRSs will be applied for the first time in these year end periods. After these first time applications, the requirement of three (3) year comparatives shall resume for year end reports beginning December 31, 2006 and onwards.

SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES

NAME OF CORPORATION: BERJAYA PHILIPPINES INC. AND SUBSIDIARIES

CURRENT ADDRESS: 9F RUFINO PACIFIC TOWER, 6784 AYALA AVE., MAKATI CITY

TEL. NO.:

811-0668

FAX NO.:

0

COMPANY TYPE: INVESTMENT COMPANY OPERATION

PSIC:

66910

If these are based on consolidated financial statements, please so indicate in the caption.

Table 4. Statement of Changes in Equity

FINANCIAL DATA	Capital Stock	Treasury Shares	Revaluation Reserve	Other Reserves	Translation Adjustment	Retained Earnings		Non-controlling Interest	TOTAL
						Appropriated	Unappropriated		
<b>A. Balance, 2016</b>	953,984	(988,150)	(26,506)	(14,578)	(37,419)	5,246,287	2,195,843	335,850	7,665,361
A.1 Correction of Errors									
A.2 Changes in Accounting Policy									
<b>B. Restated Balance</b>									
<b>C. Surplus</b>									
C.1 Surplus (Deficit) on Revaluation of Properties									
C.2 Surplus (Deficit) on Revaluation of Investments									
C.3 Currency Translation Differences									0
C.4 Other Surplus (specify)									
C.4.1 Net unrealized fair value losses									0
C.4.2 Noncontrolling interest in acquired subsidiary									0
C.4.3 Change in equity share in a subsidiary									0
C.4.4 Actual gain on remeasurement			(5,919)					(44)	15,163
C.4.5 Net unrealized fair value losses			(44,376)						(44,376)
C.4.6 Reclassification adjustments			9,595						9,595
C.4.7 Translation adjustment					(127,715)			(38,576)	(186,291)
C.4.8 Effect of change in percentage ownership over a				(649,165)				(308,137)	(957,302)
<b>D. Net Income (Loss) for the Period</b>							674,068	30,025	704,093
E. Dividends (negative entry)	3,473,025					0	(3,473,025)	0	0
F. Appropriation for (specify)									
F.1 Reversal of appropriation						(3,473,025)	3,473,025		0
F.2 Appropriation during the year									0
F.3									
F.4									
F.5									
<b>G. Issuance of Capital Stock</b>									
G.1 Common Stock									
G.2 Preferred Stock									
G.3 Additional treasury shares acquired									
<b>H. Balance, 2017</b>	4,427,009	(988,150)	(67,236)	(683,742)	(165,125)	1,773,263	2,869,911	19,157	7,205,086
H.1 Correction of Errors									
H.2 Changes in Accounting Policy									
<b>I. Restated Balance</b>									
<b>J. Surplus</b>									
J.1 Surplus (Deficit) on Revaluation of Properties									
J.2 Surplus (Deficit) on Revaluation of Investments									
J.3 Currency Translation Differences									0
J.4 Other Surplus (specify)									0
J.4.1 Noncontrolling interest in acquired subsidiary									0
J.4.2 Change in equity share in a subsidiary									0
J.4.3 Actual gain on remeasurement			36,372					222	36,594
J.4.4 Net unrealized fair value losses			73,701						73,701
J.4.5 Gain on revaluation of investment property			32,048					226	32,048
J.4.6 Reclassification adjustments			69,273						69,273
J.4.7 Translation adjustment					314,852			2,851	317,703
J.4.8 Effect of change in percentage ownership over a				(13,802)				(14,536)	(14,536)
<b>K. Net Income (Loss) for the Period</b>							785,825	10,541	796,366
L. Dividends (negative entry)						0	0	0	0
M. Appropriation for (specify)									
M.1 Reversal of appropriation						0	0		0
M.2 Appropriation during the year									0
M.3									
M.4									
M.5									
<b>N. Issuance of Capital Stock</b>									
N.1 Common Stock									
N.2 Preferred Stock									
N.3 Others									
<b>O. Balance, 2018</b>	4,427,009	(988,150)	144,158	(677,544)	149,727	1,773,263	3,655,736	18,062	8,502,034

**SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES**

NAME OF CORPORATION: BERJAYA PHILIPPINES INC. AND SUBSIDIARIES  
CURRENT ADDRESS: 9F RUFINO PACIFIC TOWER, 6784 AYALA AVE., MAKATI CITY  
TEL. NO.: 811-0668 FAX NO.: #VALUE!  
COMPANY TYPE: INVESTMENT COMPANY OPERATION PSIC: 66910

*If these are based on consolidated financial statements, please so indicate in the caption.*

**Table 5. Details of Income and Expenses, by source**  
**(applicable to corporations transacting with foreign corporations/entities)**

FINANCIAL DATA	2018 ( in P'000 )	2017 ( in P'000 )	
<b>A. REVENUE / INCOME (A.1 + A.2)</b>	<b>31,003,732</b>	<b>28,697,397</b>	
A.1 Net Sales or Revenue / Receipts from Operations (manufacturing, mining, utilities, trade, services, etc.) (from Primary Activity) (A.1.1 +A.1.2)	30,827,418	28,501,621	
A.1.1 Domestic	1,771,596	1,745,647	
A.1.2 Foreign	29,055,821	26,755,974	
A.2 Other Revenue (A.2.1 +A.2.2)	176,314	195,776	
A.2.1 Domestic	230,848	194,595	
A.2.2 Foreign, specify (A.2.2.1+A.2.2.2+ A.2.2.3+ A.2.2.4+ A.2.2.5+ A.2.2.6+ A.2.2.7+ A.2.2.8+A.2.2.9+A.2.2.10)	(54,533)	1,181	
A.2.2.1 Gain on sale of available-for-sale financial assets - BPI	(54,533)	1,181	
A.2.2.2 Remeasurement of gain on reclassification of AFS - BPI	0	0	
A.2.2.3 Interest Income - HRO	0	0	
A.2.2.4 Other Income - HRO	0	0	
A.2.2.5			
A.2.2.6			
A.2.2.7			
A.2.2.8			
A.2.2.9			
A.2.2.10			
<b>B. EXPENSES (B.1 + B.2)</b>	<b>30,061,970</b>	<b>27,843,041</b>	
B.1 Domestic	30,061,970	27,843,041	
B.2 Foreign, specify (B.2.1+B.2.2+B.2.3+B.2.4+B.2.5+B.2.6+B.2.7+B.2.8+B.2.9+B.2.10)	0	0	
B.2.1 Finance Cost - HRO			
B.2.2 Operating Expenses - New Subsidiary - HRO			
B.2.3 Expenses incurred in relation to HRO offer - BPI			
B.2.4		0	
B.2.5		0	
B.2.6		0	
B.2.7		0	
B.2.8		0	
B.2.9		0	
B.2.10		0	



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Consolidated Financial Statements and  
Independent Auditors' Report

**Berjaya Philippines Inc. and Subsidiaries**

April 30, 2018 and 2017



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## **Report of Independent Auditors**

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**Punongbayan & Araullo**

20th Floor, Tower 1  
The Enterprise Center  
6766 Ayala Avenue  
1200 Makati City  
Philippines

T +63 2 988 2288

### **The Board of Directors and the Stockholders**

#### **Berjaya Philippines Inc. and Subsidiaries**

**[A Subsidiary of Berjaya Lottery Management (HK) Limited]**

9th Floor, Rufino Pacific Tower  
6784 Ayala Avenue, Makati City

### **Opinion**

We have audited the consolidated financial statements of Berjaya Philippines Inc. and subsidiaries (the Group), which comprise the consolidated statements of financial position as at April 30, 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 April 30, 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 April 30, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended April 30, 2018 in accordance with Philippine Financial Reporting Standards (PFRS).

### **Basis for Opinion**

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' 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 audits 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.

#### **(a) Impairment Assessment of Goodwill and Dealership Rights**

##### *Description of the Matter*

Under Philippine Accounting Standards (PAS) 36, *Impairment of Assets*, the Group is required to annually test the amount of goodwill and intangible assets with indefinite useful life for impairment. As at April 30, 2018, goodwill and dealership rights with indefinite useful life amounted to P1.9 billion. This annual impairment test was significant to our audit because the amounts of goodwill and dealership rights are material to the consolidated financial statements. In addition, management's assessment process is highly judgmental and is based on significant assumptions, specifically in determining the fair value less costs to sell (which uses current transaction prices) and the value-in-use (which uses a certain discount rate and cash flows projections) of the identified cash-generating units over which goodwill and dealership rights were allocated. The assumptions used by management are generally affected by expected future market and economic conditions.

The Group's policy on impairment assessment of goodwill and dealership rights with indefinite useful life is more fully described in Note 2 to the consolidated financial statements while the carrying amount of goodwill and dealership rights and the value-in-use of the cash-generating units to which the intangible assets were allocated are presented in Note 14.

##### *How the Matter was Addressed in the Audit*

Our audit procedures to address the risk of material misstatement relating to the goodwill and dealership rights with indefinite useful life included, among others, the following:

- Evaluating the reasonableness of assumptions and methodology used in determining the value-in-use of cash-generating units attributable to goodwill and dealership rights, which include the discount rate, growth rate and cash flow projections, by comparing them to external and historical data; and,
- Performing sensitivity analysis on the calculation to determine whether a reasonably possible change in assumptions could cause the carrying amount of the cash-generating units to exceed the recoverable amount.

#### **(b) Revenue Recognition on Sale of Vehicles**

##### *Description of the Matter*

Revenue recognition from the sale of vehicles amounting to P29.1 billion was significant to our audit as it accounts for 94% of total revenues of the Group. The Group recognizes revenue from sale of vehicles when the risks and rewards of ownership have passed to the buyer.

The Group's policy on recognition of revenue from sale of vehicles is presented in Note 2 to the consolidated financial statements.



*How the Matter was Addressed in the Audit*

Our audit procedures to address the risk of material misstatement relating to revenue recognition on sale of vehicles included, among others, the following:

- Updating our understanding of the Group's revenue recognition policy, revenue processes and controls over the recognition and measurement of revenues;
- Reviewing the relevant vehicle dealership agreements;
- Testing the relevant controls over the revenue recognition process;
- Testing the recognition and measurement of revenue on a sample basis by examining supporting deal files of recorded sale transactions; and,
- Testing the appropriateness of revenue cut-off.

**(c) Existence and Valuation of Vehicle Inventories**

*Description of the Matter*

The Group holds vehicle inventories amounting to P4.8 billion, net of allowance for inventory writedown, which represents 27% of the consolidated total assets. Under PAS 2, *Inventories*, the Group is required to measure its inventories at the lower of cost or net realizable value (NRV). The net realizable value of vehicle inventories depends on certain factors such as brand, model and parts, among others. Due to the materiality of the amount of vehicle inventories and the complexity of the process of determining the net realizable value, we considered this as significant to our audit.

*How the Matter was Addressed in the Audit*

Our audit procedures to address the risk of material misstatement relating to the existence and valuation of vehicle inventories included, among others, the following:

On existence of vehicle inventories:

- Observing the physical inventory count procedure; and,
- Performing a physical count test, on a sample basis, to test the quantities of inventory items as of the reporting date.

On valuation of vehicle inventories:

- Testing the recorded unit cost of a sample of inventories by examining supporting documentation;
- Engaging a valuation expert to provide fair value of a sample of inventory and testing the competency of such expert; and,
- Testing the appropriateness of application of the lower of cost or NRV.



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

As discussed in Note 1 to the consolidated financial statements, PGMC, a subsidiary within the Group, has an existing Equipment Lease Agreement (ELA) with Philippine Charity Sweepstake Office (PCSO) which will expire in August 2018.

On June 11, 2012, PGMC filed an application for the issuance of a Writ of Preliminary Injunction against PCSO before the Makati Regional Trial Court docketed as Civil Case Number 12-530. The application asserted an exclusive territorial right of PGMC to lease lottery equipment in Luzon and requested the Makati Regional Trial Court to restrain PCSO from leasing lotto terminals to other competitor companies for PCSO's use in Luzon. The proceedings led to the execution of the Interim Settlement wherein PGMC and PCSO agreed to submit to arbitration the issue on the exclusivity of the lotto operations in Luzon and to maintain status quo until the arbitration is terminated.

On March 12, 2014, PGMC filed a request for arbitration at the International Chamber of Commerce court asserting its exclusive rights under the 1995 ELA and its amendments.

On August 13, 2015, a Supplemental and Status Quo Agreement was signed by both parties, and thereby, the term of ELA is extended for another three years from August 22, 2015.

On February 23, 2018, the Arbitral Tribunal rendered a Final Award in favor of PCSO.

On March 26, 2018, PGMC filed a Petition to Vacate the Final Award with the Makati Regional Trial Court. The Petition is still pending as of April 30, 2018.

As PGMC's sole source of revenue is from the ELA, the expiration of the agreement casts a significant doubt as to PGMC's ability to continue as a going concern if the period of the lease agreement with PCSO will not be extended beyond the expiration date. PGMC is a significant component of the Group as its operations account for 66% of the consolidated net income of the Group.

Currently, PGMC is in discussion with PCSO where PCSO is requesting to maintain the status quo until August 2020. Management is currently arranging an agreement with PCSO to formalize the maintenance of the status quo and the extension of the ELA until August 2020. When formalized and implemented, the extension will be consistent with the agreement to maintain the status quo until the arbitration is final. It will effectively maintain the lease agreement until August 2020.

In connection with our audits, we have conducted sufficient procedures to verify the validity and reasonableness of management's representation. Accordingly, PGMC's financial statements have been prepared and carried over to the consolidated financial statements of the Group assuming PGMC will continue as a going concern entity which contemplates the realization of assets and the settlement of liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

### ***Other Information***

Management is responsible for the other information. The other information comprises the information included in the Group's Securities and Exchange Commission (SEC) Form 17-A, which we obtained prior to the date of the auditors' report, and the Group's SEC Form 20-IS (Definitive Information Statement) and Annual Report, which are expected to be made available to us after that date, for the year ended April 30, 2018, but does not include the consolidated financial statements and our auditors' report thereon.

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 auditors' 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 PFRS, 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.

***Auditors' 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 auditors' 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 PSA 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 PSA, 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 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, misrepresentation, 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 auditors' 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 auditors' 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 group 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 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 auditors' 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 would reasonably be expected to outweigh the public interest benefits of such communication.



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The engagement partner on the 2018 audit resulting in this independent auditors' report is Romualdo V. Murcia III.

**PUNONGBAYAN & ARAULLO**

By: **Romualdo V. Murcia III**  
Partner

CPA Reg. No. 0095626

TIN 906-174-059

PTR No. 6616014, January 3, 2018, Makati City

SEC Group A Accreditation

Partner - No. 0628-AR-3 (until Nov. 29, 2019)

Firm - No. 0002-FR-5 (until Mar. 26, 2021)

BIR AN 08-002511-22-2016 (until Oct. 3, 2019)

Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

July 27, 2018

BERJAYA PHILIPPINES INC. AND SUBSIDIARIES  
*[A Subsidiary of Berjaya Lottery Management (HK) Limited]*  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
APRIL 30, 2018 AND 2017  
*(Amounts in Philippine Pesos)*

	Notes	2018	2017 (As Restated — see Note 2)
<b>A S S E T S</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	7	P 1,195,177,294	P 1,060,850,712
Trade and other receivables - net	8	2,620,625,259	2,659,123,454
Inventories - net	9	5,062,652,502	4,127,528,185
Advances to associates	13, 22	1,515,841,109	990,024,321
Prepayments and other current assets	10	555,838,830	468,295,952
Total Current Assets		10,950,134,994	9,305,822,624
<b>NON-CURRENT ASSETS</b>			
Available-for-sale financial assets - net	11	1,199,369,442	901,808,762
Property and equipment - net	12	1,768,323,852	1,885,117,390
Investment property	15	460,167,243	141,608,573
Investments in associates	13	978,436,158	642,726,373
Intangible assets - net	14	1,977,995,204	1,806,955,751
Deferred tax assets - net	24	113,537,342	66,716,137
Post-employment benefit asset	20	46,185,495	-
Other non-current assets		3,217,271	4,706,098
Total Non-current Assets		6,547,232,007	5,449,639,084
<b>TOTAL ASSETS</b>		<b>P 17,497,367,001</b>	<b>P 14,755,461,708</b>
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	17	P 4,027,789,372	P 3,162,847,113
Loans payable and borrowings	18	4,297,760,596	3,861,157,068
Income tax payable		101,399,903	80,037,505
Total Current Liabilities		8,426,949,871	7,104,041,686
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables	17	17,892,850	-
Loans payable and borrowings	18	400,668,588	367,393,973
Provision for losses	28	63,985,202	-
Deferred tax liabilities - net	24	62,243,900	41,820,538
Post-employment benefit obligation	20	23,365,892	37,119,233
Total Non-current Liabilities		568,156,432	446,333,744
Total Liabilities		8,995,106,303	7,550,375,430
<b>EQUITY</b>			
Attributable to owners of the Parent Company	23		
Capital stock		4,427,009,132	4,427,009,132
Treasury shares - at cost		( 988,150,025 )	( 988,150,025 )
Revaluation reserves		144,158,758	( 67,236,203 )
Translation adjustment		149,727,044	( 165,125,003 )
Other reserves		( 677,544,362 )	( 663,742,273 )
Retained earnings		5,428,998,625	4,643,173,814
		8,484,199,172	7,185,929,442
Attributable to non-controlling interest		18,061,526	19,156,836
Total Equity		8,502,260,698	7,205,086,278
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>P 17,497,367,001</b>	<b>P 14,755,461,708</b>

See Notes to Consolidated Financial Statements.

**BERJAYA PHILIPPINES INC. AND SUBSIDIARIES**  
**[A Subsidiary of Berjaya Lottery Management (HK) Limited]**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED APRIL 30, 2018, 2017 AND 2016**  
*(Amounts in Philippine Pesos)*

	Notes	2018	2017	2016
<b>REVENUES</b>				
Sale of vehicles	2	P 25,009,110,092	P 23,401,950,448	P 21,564,656,054
Servicing and bodyshop	2	4,046,711,176	3,354,023,706	3,210,215,857
Rental	2, 6	1,642,234,495	1,601,472,285	1,580,259,448
Hotel operations	2	129,361,779	144,174,590	146,454,055
		<u>30,827,417,542</u>	<u>28,501,621,029</u>	<u>26,501,585,414</u>
<b>COSTS AND OPERATING EXPENSES</b>				
Cost of vehicles sold	2	22,439,750,254	21,428,578,970	19,647,391,744
Bodyshop repairs and parts	2	2,347,772,987	1,881,987,340	1,772,942,701
Salaries and employee benefits	20	1,881,685,967	1,732,125,153	1,625,215,210
Rental	22, 28	357,030,160	321,414,367	330,015,723
Professional fees	22	306,546,421	343,848,983	371,719,301
Depreciation and amortization	12, 14	268,630,768	228,711,501	238,359,344
Taxes and licenses		176,979,717	175,438,204	148,931,177
Maintenance of computer equipment	22	133,429,881	112,224,603	78,435,458
Telecommunication		127,890,927	100,216,958	100,308,008
Communication, light and water		99,233,928	78,750,000	71,436,528
Transportation and travel		83,244,097	26,321,899	46,480,923
Representation and entertainment		38,121,450	47,704,942	19,262,134
Charitable contributions		21,941,930	73,033,081	-
Food and beverages		13,269,858	12,353,624	12,790,863
Others	19	1,364,329,729	931,631,792	1,083,950,209
		<u>29,659,858,074</u>	<u>27,494,341,417</u>	<u>25,547,239,323</u>
<b>OPERATING PROFIT</b>		<u>1,167,559,468</u>	<u>1,007,279,612</u>	<u>954,346,091</u>
<b>OTHER INCOME (CHARGES)</b>				
Finance costs and other charges	21	( 402,112,359 )	( 348,699,921 )	( 289,124,450 )
Equity share in net income of associates	13	167,064,254	129,812,560	55,765,755
Finance income	21	181,604,913	123,217,395	112,062,855
Net gain (loss) on sale of available-for-sale (AFS) financial assets	11	( 54,533,062 )	1,181,117	( 19,523,036 )
Others	19	49,242,614	71,377,695	117,725,227
		<u>( 58,733,640 )</u>	<u>( 23,111,154 )</u>	<u>( 23,093,649 )</u>
<b>PROFIT BEFORE TAX</b>		<u>1,108,825,828</u>	<u>984,168,458</u>	<u>931,252,442</u>
<b>TAX EXPENSE</b>	24	<u>312,460,228</u>	<u>280,075,461</u>	<u>224,926,333</u>
<b>NET PROFIT</b>		<u>796,365,600</u>	<u>704,092,997</u>	<u>706,326,109</u>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
<b>Item that will not be reclassified subsequently to profit or loss</b>				
Gain on revaluation of property and equipment transferred to investment property - net of tax	15	32,274,979	-	-
Actuarial gain (loss) on remeasurement of post-employment benefit obligation - net of tax	20	36,594,136	( 5,963,139 )	6,342,575
		<u>68,869,115</u>	<u>( 5,963,139 )</u>	<u>6,342,575</u>
<b>Items that will be reclassified subsequently to profit or loss</b>				
Translation adjustment	2	317,703,260	( 166,291,262 )	( 446,469 )
Net unrealized fair value gains (losses) on AFS financial assets	11, 23	73,700,839	( 44,375,819 )	( 163,685,750 )
Reclassification adjustments to profit or loss				
Due to impairment of AFS financial assets	11, 23	69,273,240	-	5,294,045
Due to disposal of AFS financial assets	11, 23	-	9,564,509	9,212,952
		<u>460,677,339</u>	<u>( 201,102,572 )</u>	<u>( 149,625,222 )</u>
<b>TOTAL COMPREHENSIVE INCOME</b>		<u>P 1,325,912,054</u>	<u>P 497,027,286</u>	<u>P 563,043,462</u>
<i>Balance carried forward</i>		<u>P 1,325,912,054</u>	<u>P 497,027,286</u>	<u>P 563,043,462</u>

	Note	2018	2017	2016
<i>Balance brought forward</i>		P <u>1,325,912,054</u>	P <u>497,027,286</u>	P <u>563,043,462</u>
<b>Net profit attributable to:</b>				
Owners of the Parent Company		P <u>785,824,811</u>	P <u>674,067,840</u>	P <u>678,320,666</u>
Non-controlling interest		<u>10,540,789</u>	<u>30,025,157</u>	<u>28,005,443</u>
		P <u>796,365,600</u>	P <u>704,092,997</u>	P <u>706,326,109</u>
<b>Total comprehensive income attributable to:</b>				
Owners of the Parent Company		P <u>1,312,071,819</u>	P <u>505,623,045</u>	P <u>533,614,365</u>
Non-controlling interest		<u>13,840,235</u>	( <u>8,595,759</u> )	<u>29,429,097</u>
		P <u>1,325,912,054</u>	P <u>497,027,286</u>	P <u>563,043,462</u>
<b>Earnings Per Share - Basic and Diluted</b>	25	P <u>0.18</u>	P <u>0.16</u>	P <u>0.16</u>

*See Notes to Consolidated Financial Statements.*

**BERIYA PHILIPPINES INC. AND SUBSIDIARIES**  
*(A Subsidiary of Beriya Lottery Management (PIL) Limited)*  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED APRIL 30, 2018, 2017 AND 2016**  
*(Amounts in Philippine Pesos)*

	Notes	Attributable to Owners of the Parent Company								Non-controlling		
		Capital Stock	Treasury Shares	Reserves	Other Reserves	Translation Adjustment	Appropriated	Retained Earnings Unappropriated	Total	Total	Interest	Total
Balance at May 1, 2017	23	P 4,427,009,132	( P 988,150,025 )	( P 67,236,203 )	( P 663,742,273 )	( P 165,125,003 )	P 1,773,262,552	P 2,869,911,262	P 4,643,173,814	P 7,185,929,442	P 19,156,836	P 7,205,086,278
Net profit for the year		-	-	-	-	-	-	785,824,811	785,824,811	785,824,811	10,540,789	796,365,600
Effect of change in percentage ownership over a subsidiary		-	-	-	( 13,802,089 )	-	-	( 13,802,089 )	( 13,802,089 )	( 14,935,545 )	( 28,737,634 )	( 28,737,634 )
Accumulated gains on measurement of post-employment benefit obligation - net of tax	20, 23	-	-	-	-	-	-	-	36,371,828	36,371,828	222,308	36,594,136
Net unrealized fair value losses on available-for-sale financial assets	11, 23	-	-	-	-	-	-	-	73,700,839	73,700,839	-	73,700,839
Gain on revaluation of property and equipment transferred to investment property - net of tax	15	-	-	-	-	-	-	-	32,049,054	32,049,054	225,925	32,274,979
Reclassification adjustments to profit or loss	11, 23	-	-	-	-	-	-	-	69,273,240	69,273,240	-	69,273,240
Translation adjustment		-	-	-	-	314,832,047	-	-	314,832,047	314,832,047	2,851,213	317,683,260
Total equity at April 30, 2018	23	P 4,427,009,132	( P 988,150,025 )	P 164,158,718	( P 677,544,322 )	P 149,777,844	P 1,773,262,552	P 3,655,786,073	P 5,429,998,425	P 8,084,199,472	P 18,061,536	P 8,102,260,998
Balance at May 1, 2016	23	P 953,984,448	( P 988,150,025 )	( P 26,506,235 )	( P 14,577,611 )	( P 37,410,176 )	P 5,246,287,236	P 2,193,843,422	P 7,442,130,638	P 7,329,471,039	P 333,890,074	P 7,664,361,133
Issuance of stock dividends	23	3,473,024,684	-	-	-	-	-	( 3,473,024,684 )	( 3,473,024,684 )	-	-	-
Net profit for the year		-	-	-	-	-	-	674,067,840	674,067,840	674,067,840	30,025,157	704,092,997
Reversal of prior year appropriation	23	-	-	-	-	( 3,473,024,684 )	-	3,473,024,684	-	-	-	-
Effect of change in percentage ownership over a subsidiary		-	-	-	( 649,164,682 )	-	-	-	( 649,164,682 )	( 649,164,682 )	( 308,137,479 )	( 957,302,161 )
Accumulated gains on measurement of post-employment benefit obligation - net of tax	20, 23	-	-	-	( 5,918,638 )	-	-	-	5,918,638	( 44,481 )	( 5,963,119 )	( 5,963,119 )
Net unrealized fair value losses on available-for-sale financial assets	11, 23	-	-	-	( 44,375,819 )	-	-	-	( 44,375,819 )	-	-	( 44,375,819 )
Reclassification adjustments to profit or loss	11, 23	-	-	-	9,564,509	-	-	9,564,509	9,564,509	-	-	9,564,509
Translation adjustment		-	-	-	-	( 127,714,827 )	-	-	( 127,714,827 )	( 38,576,435 )	( 166,291,262 )	( 166,291,262 )
Total equity at April 30, 2017	23	P 4,427,009,132	( P 988,150,025 )	( P 67,236,203 )	( P 663,742,273 )	( P 165,125,003 )	P 1,773,262,552	P 2,869,911,262	P 4,643,173,814	P 7,185,929,442	P 19,156,836	P 7,205,086,278
Balance at May 1, 2015	23	P 953,984,448	( P 988,150,025 )	P 118,103,509	( P 14,577,611 )	( P 37,314,019 )	P 6,053,262,552	P 770,547,440	P 6,763,809,992	P 6,795,856,694	P 306,460,977	P 7,102,317,671
Net profit for the year		-	-	-	-	-	-	678,320,666	678,320,666	678,320,666	28,000,543	706,321,209
Reversal of prior year appropriation	23	-	-	-	-	-	( 4,280,000,000 )	4,280,000,000	-	-	-	-
Appropriated for stock dividends distributable	23	-	-	-	-	-	3,473,024,684	( 3,473,024,684 )	-	-	-	-
Accumulated gains on measurement of post-employment benefit obligation - net of tax	20, 23	-	-	-	-	-	-	4,568,609	4,568,609	1,773,966	6,342,575	6,342,575
Net unrealized fair value losses on available-for-sale financial assets	11, 23	-	-	-	( 163,685,730 )	-	-	-	( 163,685,730 )	-	-	( 163,685,730 )
Reclassification adjustments to profit or loss	11, 23	-	-	-	14,506,997	-	-	14,506,997	14,506,997	14,506,997	-	14,506,997
Translation adjustment		-	-	-	-	( 96,157 )	-	-	( 96,157 )	( 350,112 )	( 446,269 )	( 446,269 )
Total equity at April 30, 2016	23	P 953,984,448	( P 988,150,025 )	( P 26,506,235 )	( P 14,577,611 )	( P 37,410,176 )	P 5,246,287,236	P 2,193,843,422	P 7,442,130,638	P 7,329,471,039	P 333,890,074	P 7,664,361,133

See Notes to Consolidated Financial Statements

**BERJAYA PHILIPPINES INC. AND SUBSIDIARIES**  
**[A Subsidiary of Berjaya Lottery Management (HK) Limited]**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED APRIL 30, 2018, 2017 AND 2016**  
*(Amounts in Philippine Pesos)*

	Notes	2018	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before tax		P 1,108,825,828	P 984,168,458	P 931,252,442
Adjustments for:				
Depreciation and amortization	12, 14	268,630,768	228,711,501	238,359,344
Impairment loss on available-for-sale financial assets	11, 21	210,238,322	2,877,999	91,158,267
Equity share in net income of associates	13	( 167,064,254 )	( 129,812,560 )	( 55,765,755 )
Interest expense	21	155,704,879	141,814,994	117,419,526
Interest income	21	( 110,277,860 )	( 106,988,671 )	( 98,589,178 )
Provision for losses	19, 28	63,985,202	-	-
Net loss (gain) on sale of available-for-sale financial assets	11	54,533,062	( 1,181,117 )	19,523,036
Unrealized foreign currency losses (gains) - net	21	( 47,934,001 )	71,998,410	19,077,234
Dividend income	11, 21	( 23,393,052 )	( 16,228,724 )	( 13,473,677 )
Net gain on disposal of property and equipment	12, 19	( 562,738 )	( 3,395,202 )	( 1,438,383 )
Loss on deemed disposal of investment	21	-	99,084,160	-
Operating income before working capital changes		1,512,686,156	1,271,049,248	1,247,522,856
Decrease (increase) in trade and other receivables		1,157,890,918	( 216,364,742 )	( 677,316,226 )
Decrease (increase) in inventories		( 935,124,317 )	374,995,295	193,381,641
Increase in prepayments and other current assets		( 88,329,942 )	( 22,232,774 )	( 261,843,848 )
Increase in post-employment benefit asset		( 46,185,495 )	-	-
Decrease (increase) in other non-current assets		1,488,827	( 353,780 )	( 1,291,789 )
Increase (decrease) in trade and other payables		862,072,666	( 409,043,275 )	725,460,956
Increase (decrease) in post-employment benefit obligation		31,553,227	( 10,820,430 )	( 97,405 )
Cash generated from operations		2,496,052,040	987,229,541	1,225,816,185
Cash paid for income taxes		( 341,627,768 )	( 209,032,684 )	( 247,128,579 )
Net Cash From Operating Activities		2,154,424,272	778,196,857	978,687,606
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisition of available-for-sale financial assets	11	( 578,017,157 )	( 184,727,645 )	( 18,940,755 )
Additional advances granted to associates	22	( 469,622,710 )	( 31,040,000 )	( 34,540,000 )
Acquisitions of property and equipment	12	( 268,210,461 )	( 198,603,905 )	( 786,030,748 )
Acquisition of additional investment in subsidiary and associates	13	( 242,557,235 )	( 1,020,302,141 )	( 138,180,000 )
Proceeds from sale of available-for-sale financial assets	11	158,659,172	106,255,575	20,435,557
Cash dividends received	11	74,296,745	16,228,724	13,473,677
Interest received		51,246,862	67,914,648	46,041,842
Collections of advances to associates	22	3,000,000	2,000,000	3,000,000
Proceeds from disposal of property and equipment	12	948,917	4,123,232	1,794,990
Acquisitions of investment property	15	-	( 132,720,106 )	-
Acquisition of subsidiary and business unit	14	-	-	( 186,492,817 )
Net Cash Used in Investing Activities		( 1,270,255,867 )	( 1,370,871,618 )	( 1,079,438,254 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repayment of bank loans	18	( 1,228,786,160 )	( 216,666,667 )	( 100,000,000 )
Proceeds from bank loans	18	638,826,550	987,272,800	200,000,000
Interest paid		( 155,528,994 )	( 139,855,973 )	( 115,636,846 )
Net Cash From (Used in) Financing Activities		( 745,488,604 )	630,750,160	( 15,636,846 )
<b>EFFECT OF EXCHANGE RATE CHANGES TO CASH AND CASH EQUIVALENTS</b>				
		( 4,353,219 )	( 11,656,807 )	4,913,849
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
		134,326,582	26,418,593	( 111,473,645 )
Balance carried forward		P 134,326,582	P 26,418,593	( P 111,473,645 )

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<i>Balance brought forward</i>	P 134,326,582	P 26,418,593	( P 111,473,645 )
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>1,060,850,712</u>	<u>1,034,432,119</u>	<u>1,145,905,764</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>P 1,195,177,294</u>	<u>P 1,060,850,712</u>	<u>P 1,034,432,119</u>

**Supplemental Information on Non-cash Financing and Investing Activities:**

- 1 In 2018, the Company reclassified certain property amounting to P256,346,568 from Property and Equipment account to Investment Property account due to change in use of the property (see Notes 12 and 15).
- 2 In 2018, the Group acquired certain leasehold improvements for a total consideration of P12,827,844. As at April 30, 2018, P1,775,938 remains outstanding (see Note 12).
- 3 In 2017, the Parent Company reclassified advances for stock subscription to an investment in an associate amounting to P82,283,456 (see Notes 8 and 13). In 2016, the Parent Company also reclassified P56,000,000 advances into an investment in an associate (see Note 22).
- 4 On June 6, 2016, the Parent Company's declaration of stock dividends at a rate of 4 common shares for every common share held was approved by the Securities and Exchange Commission and Board of Directors. On July 20, 2016, the Parent Company issued stock dividends of P3,473,024,684 shares at par (see Note 23).

*See Notes to Consolidated Financial Statements.*

**BERJAYA PHILIPPINES INC. AND SUBSIDIARIES**  
**[A Subsidiary of Berjaya Lottery Management (HK) Limited]**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**APRIL 30, 2018, 2017 AND 2016**  
**(Amounts in Philippine Pesos)**

**1. CORPORATE MATTERS**

**1.1 Incorporation and Operations**

Berjaya Philippines Inc. (BPI or the Parent Company) was incorporated in the Philippines on October 31, 1924. The Parent Company is organized as a holding company. The Parent Company's shares of stock were listed in the Philippine Stock Exchange on November 29, 1948.

On June 2, 2010, the Parent Company's Board of Directors (BOD) approved the Parent Company's change in corporate name from Prime Gaming Philippines, Inc. to Berjaya Philippines Inc. The application for change in name was approved by the Philippine Securities and Exchange Commission (SEC) on June 11, 2010.

The Parent Company is 74.20% owned by Berjaya Lottery Management (HK) Limited (BLML) as at April 30, 2018 and 2017. The Parent Company's ultimate parent company is Berjaya Corporation Berhad of Malaysia, a publicly listed company in the Main Market of Bursa Malaysia Securities Berhad.

The registered office of BPI is located at 9<sup>th</sup> Floor, Rufino Pacific Tower, 6784 Ayala Avenue, Makati City. BLML's registered address is at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong and the ultimate parent company's registered office is at Lot13-01A, Level 13 (East Wing), Berjaya Times Square, No. 1, Jalan Imbi 55100 Kuala Lumpur, Malaysia.

**1.2 Subsidiaries and Associates**

The Parent Company holds ownership interest in the following active entities as at April 30:

<u>Subsidiaries/Associates</u>	<u>Short Name</u>	<u>Explanatory Notes</u>	<u>Effective % of Ownership</u>	
			<u>2018</u>	<u>2017</u>
<b><i>Subsidiaries:</i></b>				
<b>Leasing –</b>				
Philippine Gaming Management Corporation	PGMC	(a)	100.00%	100.00%
<b>Services:</b>				
Perdana Hotel Philippines Inc.	PHPI	(b)	100.00%	100.00%
Floridablanca Enviro Corporation [formerly Berjaya Enviro Philippines Inc. (BEPI)]	FEC	(c)	100.00%	100.00%

Subsidiaries/Associates	Short Name	Explanatory Notes	Effective % of Ownership	
			2018	2017
<b>Subsidiaries:</b>				
<b>Motor Vehicle Dealership:</b>				
H.R. Owen Plc	H.R. Owen	(d)	99.30%	98.38%
Broughtons of Cheltenham Limited		(e)	99.30%	98.38%
H.R. Owen Dealership Limited		(e)	99.30%	98.38%
Jack Barclay Limited		(e)	99.30%	98.38%
Holland Park Limited	Holland Park	(e)	99.30%	98.38%
Bodytechnics Limited	Bodytechnics	(e)	99.30%	98.38%
Upbrook Mews Limited	Upbrook Mews	(e)	99.30%	98.38%
eDoc Holdings Limited	eDoc Holdings	(e)	99.30%	-
H.R. Owen Insurance Services Limited	H.R.O. Insurance	(e)	59.58%	59.03%
<b>Associates:</b>				
Berjaya Pizza Philippines Inc.	BPPI	(f)	48.38%	48.38%
Neptune Properties, Incorporated	NPI	(g)	41.46%	41.46%
Sanpiro Realty and Development Corporation	SRDC	(g)	41.46%	41.46%
Perdana Land Philippines Inc.	PLPI	(h)	40.00%	40.00%
Cosway Philippines Inc.	CPI	(i)	40.00%	40.00%
Bermaz Auto Philippines Inc. (formerly Berjaya Auto Philippines, Inc.)	BAPI	(j)	28.28%	25.48%
Chailease Berjaya Finance Corporation	CBFC	(k)	25.00%	-
Ssangyong Berjaya Motor Philippines Inc.	SBMPI	(l)	20.00%	20.00%
VideoDoc Limited	Videodoc	(m)	20.01%	-

- (a) PGMC is involved principally in the business of leasing on-line lottery equipment and providing software support. PGMC was organized in April 1993 in the Philippines and started commercial operations in February 1995. The registered office and principal place of business of PGMC is located at 9<sup>th</sup> Floor, Rufino Pacific Tower, 6784 Ayala Avenue, Makati City.
- (b) PHPI was incorporated in the Philippines on December 11, 2009 primarily to manage and/or operate hotels or other buildings, and to sell, lease or otherwise dispose of the same; to own, lease, and operate one or more hotels, and all adjuncts and accessories thereto. PHPI started its commercial operations on May 1, 2010. PHPI's registered office is located at 9<sup>th</sup> Floor, Rufino Pacific Tower, 6784 Ayala Avenue, Makati City while its principal place of business is located at 7835 Makati Avenue corner Eduque Street, Makati City.
- (c) In April 2017, the Group made a 100% investment in BEPI amounting to P249,993. BEPI was incorporated on April 7, 2017 and is registered to engage in the business of protecting and cleaning the environment. In 2018, BEPI amended its corporate name to FEC as approved by the SEC. As at April 30, 2018, FEC has not yet started commercial operations.

- (d) In October 2013, the Group gained control over H.R. Owen through acquisition of additional shares. H.R. Owen, incorporated in England, operates a number of vehicle franchises in the prestige and specialist car market for both sales and aftersales, predominantly in the London area. H.R. Owen is an investment holding company that provides group services to its trading subsidiaries that operate H.R. Owen's motor vehicle dealerships and other allied subsidiaries as discussed under (e). On September 29, 2016, January 11, 2017 and February 14, 2018, the Group purchased H.R. Owen shares from certain stockholders which amounted to P1,072,654, P956,231,975 and P28,737,634, respectively. The acquisitions resulted to the increase in ownership interest in H.R. Owen. The registered address of H.R. Owen is Melton Court, Old Brompton Road, London SW7 3TD.
- (e) These are subsidiaries of H.R. Owen, which were incorporated and are currently operating in England and Wales. The subsidiaries of H.R. Owen, except Holland Park, Bodytechnics, Upbrook Mews, H.R.O. Insurance and eDoc Holdings, are engaged in luxury motor vehicle retail. Holland Park and Bodytechnics provide aftersales services. Upbrook Mews is engaged in operating leased properties, H.R.O. Insurance operates as an insurance broker while eDoc Holdings is a holding company.
- (f) BPPI was organized as part of BPI's strategy to acquire an interest in a chain of restaurants. BPPI was incorporated on July 12, 2010 in the Philippines and started commercial operations on December 10, 2010. In 2016, BPI reclassified advances to BPPI to Investments in Associates account resulting to an increase in ownership over BPPI to 41.40%. In 2017, the Group made additional investment in BPPI amounting to P63,000,000, which resulted to the increase in its effective ownership interest over BPPI from 41.40% to 48.38%. BPPI's registered office, which is also its principal place of business, is located at Unit E2902D PSE Center, Exchange Road, Ortigas Complex, Pasig City.
- (g) NPI was incorporated on March 8, 1996 to acquire, hold, manage, and dispose of by purchase or sale, exchange, mortgage, lease or in any other manner, conditionally or absolutely, for investment or otherwise, real estate or any interest therein together with or exclusive of their appurtenances. NPI has a wholly owned subsidiary, SRDC, which was incorporated in the Philippines to engage in the real estate business or otherwise deal in real estate development. In 2017, the Group reclassified the advances to NPI for future stock subscription to Investment in Associates account amounting to P82,283,456 representing 41.46% effective ownership interest and was considered as an associate starting 2017. The registered address of NPI, which is also its principal place of business, is at 9<sup>th</sup> Floor Rufino Pacific Tower, 6784 Ayala Avenue, Makati City. SRDC's registered address, which is also its principal place of business, is located at Units 209-210, Atrium of Makati, Makati Avenue, Makati City.
- (h) PLPI was incorporated in the Philippines primarily to acquire, hold, develop and dispose of, by purchase or sale, exchange, mortgage, lease or in any other manner, real estate or any interest therein, either together with or exclusive of their appurtenances. PLPI started its commercial operations on May 1, 2010. The registered office of PLPI, which is also its principal place of business, is located at 9<sup>th</sup> Floor, Rufino Pacific Tower, 6784, Ayala Avenue, Makati City.

- (i) CPI was incorporated in the Philippines on September 28, 2012 to engage primarily in the wholesale of various products. As at April 30, 2018, CPI has not yet started its commercial operations. The registered office and principal place of business of CPI is located at 9<sup>th</sup> Floor, Rufino Pacific Tower, 6784 Ayala Avenue, Makati City.
- (j) BAPI was incorporated on August 10, 2012 and started commercial operations on January 1, 2013. BAPI is primarily to engaged in purchasing, acquiring, owning, leasing, selling, transferring, encumbering, and generally dealing in all types of new automobiles, trucks, and other motor vehicles and dealing in all types of supplies used by all types of motor vehicles. In 2017, the Group's effective ownership interest over BAPI decreased to 25.48% due to issuance of capital stock of BAPI to other stockholders. In 2018, the Group made additional investment in BAPI amounting to P25,516,453 which resulted to the increase in its effective ownership interest over BAPI to 28.28%. BAPI's registered office address and principal place of business is at the 9<sup>th</sup> Floor Rufino Pacific Tower, 6784 Ayala Avenue, Makati City.
- (k) In April 2018, BPI acquired 25% ownership interest in CBFC amounting to P62,500,000. CBFC was incorporated in September 2017 to engage in offering of leasing, installment, factoring, corporate direct loan and other financing services. CBFC started commercial operations in November 2017. CBFC's registered address and principal place of business is located at 5/F 45 San Miguel Building, San Miguel Avenue, Ortigas Center, Pasig City, Metro Manila.
- (l) SBMPI was incorporated on July 3, 2015 and started commercial operations on April 1, 2016. SBMPI is licensed by the SEC to engage in the business of purchasing, acquiring, owning, selling, transferring, encumbering and generally dealing in all types of new automobiles, trucks and other motor vehicles and all types of supplies used by all types of motor vehicles. In fiscal year 2016, BPI subscribed 22,500,000 shares of SBMPI at P1 par value per share. SBMPI's registered office and principal place of business is located at 9<sup>th</sup> Floor, Rufino Pacific Tower, 6784 Ayala Avenue, Makati City.
- (m) In August 2017, H.R. Owen, through eDoc Holdings, acquired 20.15% ownership interest in VideoDoc amounting to GBP1,850,000. VideoDoc was incorporated in July 2014 to engage in the business of providing online health consultations and private care service to patients. VideoDoc's registered office and principal place of business is located at International House, 1-6 Yarmouth Place, London, England, W1J 7BU.

### ***1.3 Status of Operations of PGMC***

In 1995, PGMC entered into an Equipment Lease Agreement (ELA) with Philippine Charity Sweepstakes Office (PCSO) on which PGMC will lease out lotto equipment to PCSO for a period of eight years.

The ELA was renewed for another eight years expiring in August 2012. On June 11, 2012, PGMC filed an application for the issuance of a Writ of Preliminary Injunction against PCSO before the Makati Regional Trial Court docketed as Civil Case Number 12-530. The application asserted an exclusive territorial right of PGMC to lease lottery equipment in Luzon and requested the Makati Regional Trial Court to restrain PCSO from leasing lotto terminals to other competitor companies for PCSO's use in Luzon. The proceedings led to the execution of the Interim Settlement wherein PGMC and PCSO agreed to submit to arbitration the issue on the exclusivity of the lotto operations in Luzon and to maintain status quo until the arbitration is terminated.

On March 12, 2014, PGMC filed a request for arbitration at the International Chamber of Commerce court asserting its exclusive rights under the 1995 ELA and its amendments. On February 23, 2018, the Arbitral Tribunal rendered a Final Award in favor of PCSO. The Arbitral Tribunal ordered PGMC to pay all of PCSO's reasonable costs and expenses amounting to P53,592,202 and to reimburse US\$200,000 to PCSO for the share in the advance costs paid by PCSO. A provision was recognized and presented as Provision for Losses in the 2018 consolidated statement of financial position (see Note 28.3).

On March 26, 2018, PGMC filed a Petition to Vacate the Final Award with the Makati Regional Trial Court. The Petition is still pending as of April 30, 2018. Based on the assessment of management, PGMC will prevail in the appeal considering that the International Arbitral Tribunal recognized in its decision that "there is perhaps something to be said for PGMC's submissions on the conduct of the Parties – which spans over fifteen years – evincing an apparent understanding that PGMC enjoyed a de facto preferred supplier or exclusive supplier status in Luzon". Further, based on Article 1371 of the Civil Code, the contemporaneous and subsequent acts of the parties shall be considered in order to judge their intention whether PCSO has given PGMC an exclusive supplier status in Luzon. PGMC also argued that the International Arbitral Tribunal exceeded its authority when it awarded attorney's fees, costs and damages in favor of PCSO since PGMC was not aware of the amount of damages claimed by PCSO. Considering the appeal processes that will precede, it is likely that the litigation will not be decided with finality until after 2020.

As PGMC's sole source of revenue is from the ELA, the expiration of the agreement casts a significant doubt as to PGMC's ability to continue as a going concern if the period of the lease agreement with PCSO will not be extended beyond the expiration date.

Currently, PGMC is in discussion with PCSO requesting to maintain the status quo until August 2020. Management is currently arranging an agreement with PCSO to formalize the maintenance of the status quo and extension of the ELA until August 2020. When formalized and implemented, the extension will be consistent with the agreement to maintain the status quo until the arbitration is final. It will also effectively maintain the lease agreement until August 2020.

#### **1.4 Approval of Consolidated Financial Statements**

The consolidated financial statements of the Group as at and for the year ended April 30, 2018 (including the comparative consolidated financial statements as at April 30, 2017 and for the years ended April 30, 2017 and 2016) were authorized for issue by the BOD on July 27, 2018.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized below and in the succeeding pages. These policies have been consistently applied to all years presented, unless otherwise stated.

### **2.1 Basis of Preparation of Consolidated Financial Statements**

#### **(a) Statement of Compliance with Philippine Financial Reporting Standards**

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board, and approved by the Philippine Board of Accountancy.

The consolidated financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

#### **(b) Presentation of Consolidated Financial Statements**

The consolidated financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Group presents all items of income and expenses and other comprehensive income in a single consolidated statement of comprehensive income.

The Group presents a third consolidated statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the consolidated statement of financial position at the beginning of the preceding period. The related notes to the third consolidated statement of financial position are not required to be disclosed.

In 2018, the Group reclassified its loan receivable from NPI, an associate beginning in 2017, from Trade and Other Receivables account to Advances to Associates account in the consolidated statement of financial position. The Group restated its prior period consolidated financial statements to conform with the current year presentation.

In 2018, the Group also reclassified certain balances from Prepayments and Other Current Assets account to Trade and Other Receivables account in the 2017 consolidated statement of financial position to conform with the current year presentation.

The reclassifications have no impact on the Group's consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows. The Group did not present a third consolidated statement of financial position as of May 1, 2016 since NPI was not yet an associate as of such period. Accordingly, loan receivable from NPI was properly classified under Trade and Other Receivables account.

The effects of reclassifications in the consolidated statement of financial position as of April 30, 2017 are summarized as follows:

	As Previously Reported	Reclassification	As Restated
<i>Changes in assets:</i>			
Trade and other receivables	P 3,110,667,500 (P	451,544,046)	P 2,659,123,454
Advances to associates	199,346,627	790,677,694	990,024,321
Prepayments and other current assets	807,429,600 (	339,133,648)	468,295,952

(c) *Functional and Presentation Currency*

These consolidated financial statements are presented in Philippine pesos, the Group's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the consolidated financial statements of the Group are measured using its functional currency (see Note 2.19). Functional currency is the currency of the primary economic environment in which the Group operates.

## 2.2 *Adoption of New and Amended PFRS*

(a) *Effective in Fiscal Year 2018 that are Relevant to the Group*

The Group adopted for the first time the following amendments and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2017, for its annual reporting period beginning May 1, 2017:

PAS 7 (Amendments)	:	Statement of Cash Flows – Disclosure Initiative
PAS 12 (Amendments)	:	Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses
Annual Improvements to PFRS (2014-2016 Cycle) PFRS 12	:	Disclosure of Interest in Other Entities – Scope Clarification on Disclosure of Summarized Financial Information for Interests Classified as Held-for-Sale

Discussed in the succeeding page are the relevant information about these amendments and improvements.

- (i) PAS 7 (Amendments), *Statement of Cash Flows – Disclosure Initiative*. The amendments are designed to improve the quality of information provided to users of financial statements about changes in an entity's debt and related cash flows (and non-cash changes). The amendments require an entity to provide disclosures that enable users to evaluate changes in liabilities arising from financing activities. An entity applies its judgment when determining the exact form and content of the disclosures needed to satisfy this requirement. Moreover, the amendments suggest a number of specific disclosures that may be necessary in order to satisfy the above requirement, including: (a) changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses; and, (b) a reconciliation of the opening and closing balances of liabilities arising from financing activities in the consolidated statement of financial position including those changes identified immediately above.

Management has applied these amendments in the current year and has not disclosed comparative figures as allowed by the transitional provisions. A reconciliation between the opening and closing balances of liabilities arising from financing activities, which includes both cash and non-cash changes, are presented in Note 18.3.

- (ii) PAS 12 (Amendments), *Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses*. The focus of the amendments is to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost. The amendments provide guidance in the following areas where diversity in practice previously existed: (a) existence of a deductible temporary difference; (b) recovering an asset for more than its carrying amount; (c) probable future taxable profit against which deductible temporary differences are assessed for utilization; and, (d) combined versus separate assessment of deferred tax asset recognition for each deductible temporary difference. The application of these amendments had no impact on the Group's consolidated financial statements.
- (iii) Annual Improvements to PFRS 2014-2016 Cycle. Among the improvements, PFRS 12, *Disclosure of Interest in Other Entities*, is relevant to the Group. The amendment clarifies that the disclosure requirements of PFRS 12 applies to interest in other entities classified as held-for-sale with practical concession in the presentation of summarized financial information. The amendment states that an entity need not present summarized financial information for interests in subsidiaries, associates, or joint ventures that are classified as held-for-sale. The application of these amendments did not have an impact on the Group's consolidated financial statements.

(b) *Effective Subsequent to Fiscal Year 2018 but not Adopted Early*

There are new PFRS, amendments, interpretations and annual improvements to existing standards effective for annual periods subsequent to fiscal year 2018, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's consolidated financial statements:

- (i) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will replace PAS 39, *Financial Instruments: Recognition and Measurement*, and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:
- three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;
  - an expected credit loss (ECL) model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and,
  - a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

In accordance with the financial asset classification principle of PFRS 9 (2014), a financial asset is classified and measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows that represent solely payments of principal and interest (SPPI) on the principal outstanding. Moreover, a financial asset is classified and subsequently measured at fair value through other comprehensive income (FVTOCI) if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. All other financial assets are measured at FVTPL.

In addition, PFRS 9 (2014) allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The standard also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather than in profit or loss.

Based on an assessment of the Group's financial assets and liabilities as at April 30, 2018, which has been limited to the facts and circumstances existing at that date, management has identified the following areas that are expected to be most impacted by the application of PFRS 9 (2014):

- On classification and measurement of the Group's financial assets, since the Group holds most financial assets to collect the associated cash flows, management is currently assessing the underlying types of cash flows to classify financial assets correctly. Management expects that majority of the Group's trade and other receivables will continue to be accounted for at amortised cost. However, a number of available-for-sale (AFS) financial assets are likely to be measured at fair value through other comprehensive income as the cash flows are SPPI.
  - Loan stocks classified as AFS financial assets and other financial assets are likely to be measured at fair value through profit or loss as the cash flows are not SPPI.
  - The ECL model will apply to the Group's interest-bearing receivables and advances to associates. For other financial assets, the Group will apply a simplified model of recognizing lifetime ECL as these items do not have a significant financing component.
  - The Group's equity securities, regardless of whether quoted or not, will be measured at fair value with changes in fair value presented either in profit or loss or in other comprehensive income. To present changes in other comprehensive income requires making an irrevocable designation on initial recognition or at the date of transition.
  - Most of the financial liabilities of the Group are measured at amortized cost. Upon application of PFRS 9 (2014), management has assessed that the amortized cost classification for most of the financial liabilities will be retained.
- (ii) PFRS 15, *Revenue from Contracts with Customers* (effective from January 1, 2018). This standard will replace PAS 18, *Revenue*, and PAS 11, *Construction Contracts*, the related Interpretations on revenue recognition: International Financial Reporting Interpretations Committee (IFRIC) 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreement for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and Standing Interpretations Committee 31, *Revenue – Barter Transactions Involving Advertising Services*. This new standard establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle in the said framework is for an entity to recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Based on an assessment and comprehensive study of the Group's revenue streams as at April 30, 2018, which has been limited to the facts and circumstances existing at that date, management determined that its significant sources of revenues pertain to rentals from lease of on-line lottery equipment, maintenance and repair services, and telecommunication and integration services, revenue from motor distribution and dealership operations, and revenue from hotel operations.

Rental income is covered under PAS 17, *Leases*. Further, the Group's ELA does not contain non-lease components; hence, the Group does not expect the application of PFRS 15 to have an impact in its consolidated financial statements.

In relation to room revenues which are covered by PFRS 15, the Group's performance obligation is to transfer goods or services to a customer which often include bundle of services including supplying goods to be used within the hotel premises.

Revenue from distributions and dealership operations are recognized when all the risks and rewards of ownership have been transferred to the customer or upon completion of the agreed work.

The significant financing component of deposits received from customers for purchase of motor vehicles shall be accounted for when determining the transaction price of the motor vehicle sales.

- (iii) IFRIC 22, *Foreign Currency Transactions and Advance Consideration – Interpretation on Foreign Currency Transactions and Advance Consideration* (effective from January 1, 2018). The interpretation provides more detailed guidance on how to account for transactions that include the receipt or payment of advance consideration in a foreign currency. The interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary asset (arising from advance payment) or liability (arising from advance receipt). If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. Management has initially assessed that this interpretation has no impact on the Group's consolidated financial statements.
- (iv) Annual Improvements to PFRS 2014-2016 Cycle. Among the improvements, PAS 28 (Amendment), *Investment in Associates – Clarification on Fair Value through Profit or Loss Classification* (effective from January 1, 2018) is relevant to the Group. The amendment clarifies that the option for venture capital organization, mutual funds and other similar entities to elect the fair value through profit or loss classification in measuring investments in associates and joint ventures shall be made at initial recognition, separately for each associate or joint venture. Management has initially assessed that this amendment has no impact on the Group's consolidated financial statements.
- (v) PAS 28 (Amendment), *Investment in Associates – Long-term Interest in Associates and Joint Venture* (effective from January 1, 2019). The amendment clarifies that the scope exclusion in PFRS 9 (2014) applies only to ownership interests accounted for using the equity method. Thus, the amendment further clarifies that long-term interests in an associate or joint venture – to which the equity method is not applied – must be accounted for under PFRS 9 (2014), which shall also include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. Management is currently assessing the impact of this amendment on the Group's consolidated financial statements.

- (vi) PFRS 9 (Amendment), *Financial Instruments – Prepayment Features with Negative Compensation* (effective from January 1, 2019). The amendment clarifies that prepayment features with negative compensation attached to financial instruments may still qualify under the SPPI test. As such, the financial assets containing prepayment features with negative compensation may still be classified at amortized cost or at FVTOCI. Management is currently assessing the impact of this amendment on the Group's consolidated financial statements.
- (vii) PFRS 16, *Leases* (effective from January 1, 2019). The new standard will eventually replace PAS 17.

For lessees, it requires to account for leases “on-balance sheet” by recognizing a “right-of-use” asset and a lease liability. The lease liability is initially measured as the present value of future lease payments. For this purpose, lease payments include fixed, non-cancellable payments for lease elements, amounts due under residual value guarantees, certain types of contingent payments and amounts due during optional periods to the extent that extension is reasonably certain. In subsequent periods, the “right-of-use” asset is accounted for similar to a purchased asset subject to depreciation or amortization. The lease liability is accounted for similar to a financial liability which is amortized using the effective interest method. However, the new standard provides important reliefs or exemptions for short-term leases and leases of low value assets. If these exemptions are used, the accounting is similar to operating lease accounting under PAS 17 where lease payments are recognized as expenses on a straight-line basis over the lease term or another systematic basis (if more representative of the pattern of the lessee's benefit).

For lessors, lease accounting is similar to PAS 17's. In particular, the distinction between finance and operating leases is retained. The definitions of each type of lease, and the supporting indicators of a finance lease, are substantially the same as PAS 17's. The basic accounting mechanics are also similar, but with some different or more explicit guidance in few areas. These include variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures.

Management is currently assessing the impact of this new standard on the Group's consolidated financial statements.

- (viii) IFRIC 23, *Uncertainty over Income Tax Treatments* (effective from January 1, 2019). The interpretation provides clarification on the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates when there is uncertainty over income tax treatments. The core principle of the interpretation requires the Group to consider the probability of the tax treatment being accepted by the taxation authority. When it is probable that the tax treatment will be accepted, the determination of the taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates shall be on the basis of the accepted tax treatment. Otherwise, the Group has to use the most likely amount or the expected value, depending on the surrounding circumstances, in determining the tax accounts identified immediately above. Management is currently assessing the impact of this interpretation on the Group's consolidated financial statements.

- (ix) Annual Improvements to PFRS 2015-2017 Cycle. Among the improvements, the following amendments which are effective from January 1, 2019 are relevant to the Group but have no impact on the Group's consolidated financial statements as these amendments merely clarify existing requirements:
- PAS 12 (Amendments), *Income Taxes – Tax Consequences of Dividends*. The amendments clarify that all income tax consequence of dividend payments should be recognized in profit or loss.
  - PAS 23 (Amendments), *Borrowing Costs – Eligibility for Capitalization*. The amendments clarify that any specific borrowing which remains outstanding after the related qualifying asset is ready for its intended purpose, such borrowing will then form part of the entity's general borrowings when calculating the capitalization rate for capitalization purposes.
- (x) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely). The amendments to PFRS 10 require full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3, *Business Combinations*, between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale or contribution of assets that do not constitute a business. Corresponding amendments have been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.

### **2.3 Basis of Consolidation**

The Group's consolidated financial statements comprise the accounts of the Parent Company and its subsidiaries as enumerated in Note 1, after the elimination of intercompany transactions. All intercompany assets, liabilities, equity, income, expenses and cash flows relating to transactions between entities under the Group, are eliminated in full on consolidation. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting principles.

(a) *Investments in Subsidiaries*

Subsidiaries are all entities (including structured entities, if any) over which the Group has control. The Group controls an entity when it has the power over the investee, it is exposed, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date the Group obtains control.

The Parent Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above. Accordingly, entities are deconsolidated from the date that control ceases.

The acquisition method is applied to account for acquired subsidiaries. This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of the identifiable net assets acquired is recognized as goodwill (see Note 2.12). If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly as gain in profit or loss.

(b) *Investments in Associates*

Associates are those entities over which the Parent Company is able to exert significant influence but not control and which are neither subsidiaries nor interests in a joint arrangement. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method from the date on which the entity becomes an associate.

Acquired investment in associate is subject to the purchase method of accounting. Goodwill represents the excess of acquisition cost over the fair value of the Parent Company's share of the identifiable net assets over the acquire at the date of acquisition. Any goodwill or fair value adjustment attributable to the Parent Company's share in the associate is included in the amount recognized as Investment in associates account.

All subsequent changes to the ownership interest in the equity of the associates are recognized in the Group's carrying amount of the investments. Changes resulting from the profit or loss generated by the associates are credited or charged against the Equity Share in Net Income (Losses) of Associates account in the consolidated statement of comprehensive income.

Impairment loss is provided when there is objective evidence that the investment in an associate will not be recovered (see Note 2.18).

Changes resulting from other comprehensive income of the associates or items recognized directly in the associates' equity are recognized in other comprehensive income or equity of the Parent Company, as applicable. However, when the Parent Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Parent Company does not recognize further losses, unless it has commitments, incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profit, the investor resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

Distributions received from the associates are accounted for as a reduction of the carrying value of the investment.

(c) *Transactions with Non-controlling Interests*

The Group transactions with non-controlling interests that do not result to loss of control are accounted for as equity transaction – that is, as transaction with the owners of the Group with their capacity as owners. The difference between any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized in equity. Disposals of equity investments to non-controlling interests result in gains and losses that are also recognized in equity.

When the Group ceases to have control over a subsidiary, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amount previously recognized in other comprehensive income in respect of that entity is accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

The Parent Company holds interest in various subsidiaries and associates as presented in Notes 1.2 and 13.

## 2.4 Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories: financial assets at FVTPL, loans and receivables, held-to-maturity (HTM) investments and AFS financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value plus any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and transaction costs related to it are recognized in profit or loss.

A more detailed description of categories of financial assets relevant to the Group is as follows:

### (a) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the end of each reporting period which are classified as non-current assets.

The Group's financial assets categorized as loans and receivables are presented as Cash and Cash Equivalents, Trade and Other Receivables, Advances to Associates and Refundable deposits under Prepayments and Other Current Assets account in the consolidated statement of financial position. Cash and cash equivalents are defined as cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less, readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any. Impairment loss is provided when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate.

The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date of the impairment is reversed. The amount of the reversal is recognized in the profit or loss.

(b) *AFS Financial Assets*

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. They are included in non-current assets under the Available-for-Sale Financial Assets account in the consolidated statement of financial position unless management intends to dispose of the investment within 12 months from the end of the reporting period.

All financial assets within this category are subsequently measured at fair value. Gains and losses from changes in fair value are recognized in other comprehensive income and are reported as part of Revaluation Reserves account in equity, except for interest and dividend income which are recognized in profit or loss.

When the financial asset is disposed of or is determined to be impaired, the cumulative fair value gains or losses recognized in other comprehensive income is reclassified from equity to profit or loss and is presented as reclassification adjustment within other comprehensive income even though the financial asset has not been derecognized.

Reversal of impairment losses is recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

All income and expenses, including impairment losses, relating to financial assets that are recognized in profit or loss are presented as part of Finance Income or Finance Costs and Other Charges account in the consolidated statement of comprehensive income.

For investments that are actively traded in organized financial markets, fair value is determined by reference to stock exchange-quoted market bid prices at the close of business at the end of the reporting period. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows (such as dividend income) of the underlying net asset base of the investment.

Non-compounding interest, dividend income and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

The financial assets are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

## ***2.5 Inventories***

Inventories are valued at the lower of cost and net realizable value. Cost is determined using specific identification for vehicles, moving average cost method for spare parts and accessories and first-in, first-out method for all other inventories. The cost of inventories include all costs directly attributable to acquisitions, such as the purchase price, import duties and other taxes that are not subsequently recoverable from taxing authorities.

Vehicles on consignment from manufacturers are included in inventories when substantially all of the principal benefits and inherent risks rest with the Group. The corresponding consignment liability after deducting any deposits is included under Loans Payable and Borrowings, as manufacturers' vehicle stocking loans.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion, if any, and the estimated costs necessary to make the sale. Net realizable value of spare parts inventory is the current replacement cost while the net realizable value of vehicles is fair value less estimated cost to sell.

## ***2.6 Prepayments and Other Assets***

Prepayments and other assets pertain to other resources controlled by the Group as a result of past events. They are recognized in the consolidated financial statements when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Group beyond one year after the end of the reporting period (or in the normal operating cycle of the business, if longer), are classified as non-current assets.

## ***2.7 Property and Equipment***

Property and equipment are stated at cost less accumulated depreciation and amortization and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred.

Computers and on-line lottery equipment are depreciated on a straight-line basis over the shorter of eight years or the remaining term of the lease agreement with PCSO.

Leasehold improvements are amortized over the shorter of the lease term or estimated useful lives of the improvements.

Depreciation on all other classes of property and equipment, except for land which is not subject to depreciation, is computed using the straight-line basis over the estimated useful lives of the assets as follows:

Buildings	50 years
Workshop equipment	5-10 years
Office furniture, fixtures and equipment	5 years
Communication equipment	5 years
Hotel and kitchen equipment and utensils	5 years
Transportation equipment	3-5 years

Construction in progress represents properties under construction and is stated at cost. The account is not depreciated until such time that the assets are completed and available for use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.18).

Fully depreciated and amortized assets are retained in the accounts until they are no longer in use and no further charge for depreciation and amortization is made in respect of those assets.

The residual values, estimated useful lives and method of depreciation and amortization of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property and equipment, including the related accumulated depreciation, amortization and impairment loss, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period the item is derecognized.

## ***2.8 Investment Property***

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. This account also includes property held for undetermined use.

Investment property is accounted for under the fair value model. It is revalued annually and is presented in the consolidated statement of financial position at its market value.

Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognized in profit or loss in the consolidated statement of comprehensive income.

Investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in profit or loss in the year of retirement or disposal.

Expenditures incurred after the investment property have been put into operations, such as repairs and maintenance costs, are normally charged to profit or loss in the period in which the costs are incurred.

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

When an owner-occupied property is transferred to investment property due to change in use, the property is revalued at the date of transfer. Any difference between the revalued amount and the carrying amount of the property is recognized in other comprehensive income and in equity under Revaluation Reserves account. When the property is disposed, the amount recognized under Revaluation Reserves is transferred directly to Retained Earnings.

### ***2.9 Intangible Assets***

Intangible assets include goodwill, dealership rights and customer relationship which are accounted for under the cost model. The costs of dealership rights and customer relationship were determined using a valuation approach based on estimated economic benefits of these assets over multiple time periods.

Goodwill and dealership rights have indefinite useful lives; hence, these are not amortized, but are reviewed for impairment at least annually (see Notes 2.12 and 2.18). Customer relationship is amortized over the estimated useful life of 10 years.

When these assets are retired or otherwise disposed of, the cost and the related accumulated impairment in value are removed from the accounts. Any resulting gain or loss is credited to or charged against current operations.

### ***2.10 Financial Liabilities***

Financial liabilities, which pertain to Trade and Other Payables (except for tax-related liabilities) and Loans Payable and Borrowings, are recognized when the Group becomes a party to the contractual terms of the instrument. All interest-related charges incurred on a financial liability are recognized as an expense in profit or loss under the Finance Costs and Other Charges account in the consolidated statement of comprehensive income.

Financial liabilities are recognized initially at their fair values and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

Loans payable and borrowings are raised for support of long-term funding of operations and vehicle stock financing. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss except for any capitalized borrowing cost, on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer), or the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the consolidated statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

### ***2.11 Offsetting of Financial Instruments***

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the consolidated statement of financial position when there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and, must be legally enforceable for both entity and all counterparties to the financial instruments.

### ***2.12 Business Combination***

Business acquisitions are accounted for using the acquisition method of accounting.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed (see Note 2.18).

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in the profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect the new information obtained about facts and circumstances that existed as at the acquisition date and, if known, would have affected the measurement of the amounts recognized as at that date. During the measurement period, the acquirer shall also recognize additional assets or liabilities if new information obtained about facts and circumstances that existed as of those assets and liabilities as at the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as at that date. The measurement period ends as soon as the acquirer receives the information it was seeking about facts and circumstances that existed as at the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.

### ***2.13 Segment Reporting***

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's Strategic Steering Committee (SSC), its chief operating decision-maker. The SSC is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's products and service lines as disclosed in Note 5, which represent the main products and services provided by the Group.

Each of these operating segments is managed separately as each of these service lines requires different technologies and other resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under PFRS 8, *Operating Segments*, are the same as those used in its consolidated financial statements.

In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

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

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements. Similarly, probable inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets; hence, are not recognized in the consolidated financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

### ***2.15 Equity***

Capital stock represents the nominal value of shares that have been issued.

Treasury shares are shares reacquired by the Parent Company and are stated at the cost of reacquiring such shares. These are deducted from equity until the shares are cancelled, reissued or disposed of.

Revaluation reserves represent unrealized fair value gains and losses on AFS financial assets, accumulated actuarial gains and losses arising from remeasurement of post-employment benefit obligation, and revaluation surplus arising from transfers of owner-occupied properties to investment property, net of tax.

Other reserves represent the gain or loss on change in equity share in a subsidiary.

Translation adjustments represent the adjustments resulting from the translation of foreign-currency denominated financial statements of a foreign subsidiary into the Group's functional and presentation currency.

Retained earnings, the appropriated portion of which is not available for dividend declaration, represent all current and prior period results of operations as reported in the profit or loss section of the consolidated statement of comprehensive income, reduced by the amounts of dividends declared.

### ***2.16 Revenue and Expense Recognition***

Revenue comprises revenue from sales of goods and rendering of services measured by reference to the fair value of consideration received or receivable by the Group for goods sold and services rendered, excluding value-added tax (VAT).

Revenue is recognized to the extent that the revenue can be reliably measured; it is probable that the economic benefits will flow to the Group; and, the costs incurred or to be incurred can be measured reliably. The specific recognition criteria presented below must also be met before revenues are recognized.

- (a) *Rental revenue from lease of on-line lottery equipment, maintenance and repair services, and telecommunication and integration services* – Revenue is recognized when services to the customer were performed based on certain percentages of gross receipts from lottery ticket sales.
- (b) *Revenue from motor distribution and dealership operations* – Revenue from distributions and dealership operations is recognized as follows:
  - (i) *Sale of vehicles, parts and accessories* – Revenue is recognized when substantially all the risks and rewards of ownership have been transferred to the customer.
  - (ii) *Servicing and bodyshop sales* – Revenue is recognized on completion of the agreed work.
- (c) *Revenue from hotel operations* – Revenue from hotel operations is categorized as follows:
  - (i) *Room revenues* – Revenue is recognized when the services are rendered.
  - (ii) *Sale of food, beverages and others* – Revenue is recognized upon delivery to and receipt of goods by the customer.
- (d) *Interest income* – Revenue is recognized as the interest accrues taking into account the effective yield on the asset.
- (e) *Dividends* – Revenue is recognized when the right to receive payments is established.
- (f) *Other income* – Revenue is recognized as the excess standard input VAT over actual input VAT on transactions with the government.

Costs and expenses are recognized in profit or loss upon utilization of the goods or services or at the date these are incurred. All finance costs are reported in profit or loss on an accrual basis, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset (see Note 2.22).

## **2.17 Leases**

The Group accounts for its leases as follows:

### **(a) Group as Lessee**

Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments (net of any incentive received from the lessor) are recognized as expense in profit or loss on a straight-line basis over the lease term. Associated costs, such as repairs and maintenance and insurance, are expensed as incurred.

*(b) Group as Lessor*

Lease which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating lease. Lease income from operating lease is recognized in profit or loss equivalent to a certain percentage of the gross receipts from all PCSO's ticket sales subject to an annual minimum fee as prescribed in the ELA with PCSO.

The Group determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

***2.18 Impairment of Non-financial Assets***

The Group's inventories, property and equipment, investments in associates, intangible assets with finite lives, and other non-financial assets are subject to impairment testing. Goodwill and dealership rights are tested for impairment at least annually. All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets, except goodwill, are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.

***2.19 Foreign Currency Transactions and Translation***

*(a) Transactions and Balances*

Except for H.R. Owen which uses the British Pounds (GBP) as its functional currency, the accounting records of the Group are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized under Other Income (Charges) section in the consolidated statement of comprehensive income.

*(b) Translation of Financial Statements of Foreign Subsidiaries*

The operating results and financial position of H.R. Owen, which are measured in GBP, its functional currency, are translated to Philippine pesos, the Group's functional currency, as follows:

- (i)* Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- (ii)* Income and expenses for each profit or loss account are translated at the monthly average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and,
- (iii)* All resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in H.R. Owen are recognized as Translation Adjustment in the consolidated statement of comprehensive income. As this entity is not a wholly owned subsidiary, the translation adjustments are allocated between the Parent Company's shareholders and minority interest. When a foreign operation is partially disposed of or sold, such exchange differences are recognized in the consolidated statement of comprehensive income as part of gains or loss on sale.

Goodwill arising on the acquisition of a foreign entity is treated as asset of the foreign entity and translated at closing rate on each of the reporting date.

The translation of the financial statements into Philippine pesos should not be construed as a representation that the GBP amounts could be converted into Philippine peso amounts at the translation rates or at any other rates of exchange.

***2.20 Related Party Transactions and Relationships***

Related party transactions are transfers of resources, services or obligations between the Group and its related parties, regardless whether a price is charged.

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. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual; and, (d) the Group's post-employment plans.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

## ***2.21 Employee Benefits***

The Group provides post-employment benefits to employees through defined benefit plans, as well as various defined benefit contribution plans, and other employee benefits which are recognized as follows:

### *(a) Post-employment Defined Benefit Plan*

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies.

The Group's defined benefit post-employment plan covers all regular full-time employees. PGMC's pension plan is tax-qualified, noncontributory and administered by a trustee while H.R. Owen's pension plan operates on a pre-funded basis and is also administered by a trustee. PHPI, on the other hand, has an unfunded, non-contributory post-employment plan.

The liability recognized in the consolidated statement of financial position for a defined benefit plan is the present value of the defined benefit obligation (DBO) at the end of the reporting period less the fair value of plan assets. The DBO is calculated annually by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using a discount rate derived from the interest rates of a zero coupon government bond that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest) are reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of Finance Costs and Other Charges or Finance Income account in the consolidated statement of comprehensive income. Past service costs are recognized immediately in profit or loss in the period of a plan amendment or curtailment.

### *(b) Post-employment Defined Contribution Plans*

A defined contribution plan is a post-employment plan under which the Group pays fixed contributions into an independent entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities or assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

(c) *Compensated Absences*

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in the Trade and Other Payables account of the consolidated statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

**2.22 Borrowing Costs**

For financial reporting purposes, borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of the cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

For income tax purposes, interest and other borrowing costs are charged to expense when incurred.

**2.23 Income Taxes**

Tax expense recognized in profit or loss comprises the sum of current tax and deferred tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carry forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deferred income tax asset can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted, that is, when the investment property is depreciable and is held within the business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to set-off current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

#### ***2.24 Earnings Per Share***

Basic earnings per share (EPS) is computed by dividing net profit attributable to equity holders of the Parent Company by the weighted average number of shares issued and outstanding, adjusted retroactively for any stock dividend, stock split or reverse stock split declared during the current period.

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares (see Note 25).

#### ***2.25 Events After the End of the Reporting Period***

Any post-year-end event that provides additional information about the Group's consolidated financial position at the end of the reporting period (adjusting event) is reflected in the consolidated financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the consolidated financial statements.

### 3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the consolidated financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately vary from these estimates.

#### ***3.1 Critical Management Judgments in Applying Accounting Policies***

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

*(a) Impairment of AFS Financial Assets*

The determination when an investment is other-than-temporarily impaired requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

Based on the recent evaluation of information and circumstances affecting the Group's AFS financial assets, management has recognized impairment losses on certain AFS financial assets in 2018, 2017 and 2016 as disclosed in Note 11. Future changes in those information and circumstances might significantly affect the carrying amount of the assets.

*(b) Distinction Between Operating and Finance Leases*

The Group has entered into various lease agreements. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. As of April 30, 2018 and 2017, management determined that the Group's current lease agreements are operating leases.

*(c) Amortization of Leasehold Improvement*

The Group constructed an improvement over the leased premises under an operating lease agreement with the lessor. Critical judgment was exercised by management in determining the amortization period of the improvement. Policy adopted by the the Group is discussed in Note 2.7.

*(d) Determining Control, Joint Control or Significant Influence*

Judgment is exercised in determining whether the Group has control, joint control or significant influence over an entity. In assessing each interest over an entity, the Group considers voting rights, representation on the board of directors or equivalent governing body of the investee, participation in policy-making process and all other facts and circumstances, including terms of any contractual arrangement.

(e) *Distinction Between Investment Property and Owner-managed Property*

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. In 2018, the Group transferred certain owner-managed property to investment property due to a change in use, evidenced by the end of owner-occupation and commencement of an operating lease to another party. The details of the Group's investment property are disclosed in Note 15.

(f) *Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision and contingencies are discussed in Note 2.14 and relevant disclosures of commitments and contingencies are presented in Note 28.

**3.2 Key Sources of Estimation Uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) *Impairment of Trade and Other Receivables and Advances to Associates*

Adequate amount of allowance for impairment is provided for specific and groups of accounts, where objective evidence of impairment exists. The Group evaluates the amount of allowance for impairment based on available facts and circumstances affecting the collectability of the accounts, including, but not limited to, the length of the Group's relationship with the counterparties, the counterparties' current credit status, average age of accounts, collection experience and historical loss experience. The methodology and assumptions used in estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

The carrying value of trade and other receivables and its analysis of allowance for impairment and the carrying value of advances to associates are shown in Notes 8 and 13, respectively.

(b) *Measurement of AFS Financial Assets*

The Group carries certain financial assets at fair value, which requires the extensive use of accounting estimates and judgment. In cases when active market quotes are not available, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net base of the instrument. The amount of changes in fair value would differ if the Group utilized different valuation methods and assumptions. Any change in fair value of these financial assets would affect comprehensive income. For investments where fair value is not reliably determinable either through reference of similar instruments or valuation techniques, these are carried at cost.

The carrying value of the Group's AFS financial assets and the amount of fair value changes therein are disclosed in Note 11.

(c) *Estimation of Useful Lives of Property and Equipment and Customer Relationship*

The Group estimates the useful lives of property and equipment and customer relationship based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment and customer relationship are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

Based on management's assessment as at April 30, 2018 and 2017, there is no change in estimated useful lives of property and equipment and customer relationship during those years (see Notes 12 and 14).

On the other hand, management assessed that the acquired dealership rights resulting from the acquisition of H.R. Owen have indefinite useful lives as management has the intention and capacity to renew the dealership agreements with manufacturers indefinitely and that the Group will benefit from the use of such dealership rights over the foreseeable future (see Note 14). Further, these agreements were in effect for a long period (i.e., 70 to 80 years ago for Bentley dealership agreements and prior to 1990 for Ferrari and Lamborghini dealership agreements) and that there has been no compelling challenge to maintain the agreements historically.

The carrying amounts of property and equipment and customer relationship are analyzed in Notes 12 and 14, respectively.

Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(d) *Fair Value Measurement of Investment Property*

The Group's investment property is carried at fair value at the end of the reporting period. The fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and seller in an arm's length transaction as at the valuation date. Such amount is influenced by different factors including the location and specific characteristics of the property (e.g., size, features, and capacity), quantity of comparable properties available in the market, and economic condition and behavior of the buying parties. A significant change in these elements may affect prices and the value of the assets.

The purchase price of the Group's investment property acquired in 2018 and 2017 approximates its fair value as at April 30, 2018 and 2017. The details of the Group's investment property are disclosed in Note 15.

(e) *Valuation of Financial Assets Other than Trade and Other Receivables and Advances to Associates*

The Group carries certain financial assets at fair value, which requires the extensive use of accounting estimates and judgment. In cases when active market quotes are not available, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net base of the instrument.

The carrying values of AFS financial assets and the amounts of fair value changes recognized on those assets are disclosed in Note 11.

(f) *Determination of Net Realizable Value of Inventories*

In determining the net realizable value of inventories, management takes into account the most reliable evidence available at the dates the estimates are made. The Group's inventories are affected by certain factors which may cause inventory obsolescence. Moreover, future realization of the carrying amounts of inventories as presented in Note 9 is affected by price changes in different market segments in which the Group operates. Both aspects are considered key sources of estimation uncertainty and may cause significant adjustments to the Group's inventories within the next reporting period.

The amount of allowance for inventory writedown made by management are based on, among others, age and status of inventories and the Group's past experience. The net realizable value of inventories and analysis of allowance for inventory writedown are presented in Note 9.

(g) *Business Combinations*

On initial recognition, the assets and liabilities of the acquired business and the consideration paid for them are included in the consolidated financial statements at their fair values. In measuring fair value, management uses estimates of future cash flows and discount rates. Any subsequent change in these estimates would affect the amount of goodwill if the change qualifies as a measurement period adjustment. Any other change would be recognized in profit or loss in the subsequent period.

During the measurement period, the management shall recognize adjustments to the provisional amounts as if the accounting for the business combination had been completed at the acquisition date. Thus, management shall revise comparative information for prior periods presented in financial statements as needed, in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

(h) *Impairment of Goodwill and Dealership Rights*

The Group follows the guidance of PAS 36, *Impairment of Assets*, on determining when goodwill and dealership rights with indefinite life are impaired. This determination requires significant judgment. In making this judgment, the Group evaluates the recoverable amount of the intangible assets by analyzing the value in use, based on an internal discounted cash flow evaluation, of the cash-generating units to which these intangible assets are allocated.

Though management believes that the assumptions used in the estimation of the recoverable amount are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations. Management's assessment on impairment of goodwill and dealership rights is disclosed in Note 14.

(i) *Determination of Realizable Amount of Deferred Tax Assets*

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount 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 asset to be utilized.

Management assessed that the deferred tax assets recognized as at April 30, 2018 and 2017 will be fully utilized in the coming years. The carrying amount of deferred tax assets as at those dates is disclosed in Note 24.

(j) *Estimation of Impairment of Non-financial Assets Other than Goodwill and Dealership Rights*

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.18). Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

There were no impairment losses required to be recognized in 2018, 2017 and 2016 based on management's assessment.

(k) *Valuation of Post-employment Defined Benefit Obligations*

The determination of the Group's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates, expected rate of return on plan assets, salary rate increase, and employee turnover. A significant change in any of these actuarial assumptions generally affect the recognized expense, other comprehensive income or losses and the carrying amount of post-employment defined benefit obligation.

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit obligation are presented in Note 20.

#### 4. **RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group is exposed to a variety of financial risks in relation to financial instruments. The Group's financial assets and financial liabilities by category are summarized in Note 26. The main types of risks are market risk, credit risk and liquidity risk.

The Group's risk management is carried out in close cooperation with the BOD, and focuses on actively securing the Group's short to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most relevant financial risks to which the Group is exposed to are described below and in the succeeding pages.

#### **4.1 Market Risk**

The Group is exposed to market risk through its use of financial instruments and specifically to interest rate risk, foreign currency risk and certain other price risk which result from both its operating, investing and financing activities.

##### *(a) Interest Rate Risk*

The Group's policy is to minimize interest rate cash flow risk exposures on cash and cash equivalents and long-term financing. As at April 30, 2018 and 2017, the Group is exposed to changes in market interest rates through short-term placements included as part of Cash and Cash Equivalents account and stocking loans of H.R. Owen presented as Loans Payable and Borrowings, which are subject to variable interest rates, in the consolidated statements of financial position (see Notes 7 and 18).

The Group keeps placements with fluctuating interest at a minimum while H.R. Owen's stocking loans are secured at any time by fixed and floating charges on stocks of new and demonstrator cars and commercial vehicles held. As such, management believes that its exposure to interest rate risk is immaterial.

##### *(b) Foreign Currency Risk*

Except for H.R. Owen whose functional currency is GBP, most of the Group's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates arise from the Group's overseas purchases, which are primarily denominated in United States Dollars (USD). The Group also holds USD, GBP, Malaysian Ringgit (MYR) and European Union Euro (EUR) denominated cash and cash equivalents and receivables. Further, the Group has AFS financial assets denominated in MYR and GBP. There were no foreign currency-denominated financial liabilities as at April 30, 2018 and 2017.

To mitigate the Group's exposure to foreign currency risk, non-Philippine peso cash flows are monitored.

Foreign currency denominated financial assets, translated into Philippine pesos at the closing rate are as follows:

	<u>2018</u>	<u>2017</u>
Php - USD	<b>P 10,718,010</b>	P 6,881,074
Php - MYR	<b>6,148,929</b>	11,310,121
Php - GBP	<b>507,337,713</b>	978,763,357
Php - EUR	<b>1,271,470</b>	280,605

The table presented below illustrates the sensitivity of the Group's profit before tax with respect to changes in Philippine peso against USD, MYR, GBP and EUR exchange rates. These percentages have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months, estimated at 95.00% level of confidence. The sensitivity analysis is based on the Group's foreign currency financial instruments held at the end of each reporting period with effect estimated from the beginning of the year.

	2018		2017	
	Reasonably possible change in rate	Effect in profit before tax	Reasonably possible change in rate	Effect in profit before tax
PhP - USD	7.82%	P 838,148	7.69%	P 529,155
PhP - MYR	9.80%	602,595	11.95%	1,351,559
PhP - GBP	18.90%	95,886,828	30.14%	294,999,276
PhP - EUR	18.09%	230,009	17.04%	47,815
		<u>P 97,557,580</u>		<u>P 296,927,805</u>

Exposures to foreign exchange rates vary during the year depending on the volume of foreign currency transactions. Nonetheless, the analysis above is considered to be representative of the Group's currency risk.

(c) *Other Price Risk*

The Group's market price risk arises from its investments carried at fair value (financial assets classified as AFS financial assets). The Group manages exposure to price risk by monitoring the changes in the market price of the investments and at some extent, diversifying the investment portfolio in accordance with the limit set by management.

The observed volatility rates of the fair values of the Group's AFS financial assets held at fair value and their impact on the Group's other comprehensive income (loss) as at April 30, 2018 and 2017 are summarized below.

	Observed Volatility Rates		Impact of Increase on Equity		Impact of Decrease on Equity	
	Increase	Decrease	Before tax	After tax	Before tax	After tax
<b>April 30, 2018</b>						
Equity securities:						
Listed in Malaysia	+9.28%	-9.28%	P 84,358,377	P 59,050,864	(P 84,358,377)	(P 59,050,864)
Listed in England	+63.94%	-63.94%	110,819,608	77,573,725	(110,819,608)	(77,573,725)
			<u>P 195,177,985</u>	<u>P 136,624,589</u>	<u>(P 195,177,985)</u>	<u>(P 136,624,589)</u>
<b>April 30, 2017</b>						
Equity securities:						
Listed in Malaysia	+22.40%	-22.40%	P 155,994,287	P 109,196,001	(P 155,994,287)	(P 109,994,287)
Listed in England	+58.96%	-58.96%	75,711,542	52,998,084	(75,711,542)	(52,998,084)
			<u>P 231,705,836</u>	<u>P 162,194,085</u>	<u>(P 231,705,836)</u>	<u>(P 162,194,085)</u>

These volatility rates have been determined based on the average volatility in quoted market price, using standard deviation, in the previous 12 months, estimated at 95.00% level of confidence.

#### 4.2 Credit Risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments arising from granting loans and selling goods and services to customers; granting advances to associates; and, placing deposits with banks, lessors and utility companies.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant proportion of sales, advance payments are received to mitigate credit risk.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the consolidated statements of financial position or in the detailed analysis provided in the notes to the consolidated financial statements, as summarized below.

	Notes	2018	2017 (As Restated – see Note 2.1)
Cash and cash equivalents	7	P 1,195,177,294	P 1,060,850,712
Trade and other receivables – net	8	2,620,625,259	2,659,123,454
Advances to associates	13	1,515,841,109	990,024,321
Prepayments and other current assets	10	50,906,435	30,004,048
Other non-current assets		3,217,271	4,706,098
		<b>P 5,385,767,368</b>	<b>P 4,744,708,633</b>

None of the Group's financial assets are secured by collateral or other credit enhancements, except for cash and cash equivalents as described below

##### (a) Cash and Cash Equivalents

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are cash in local banks and short-term placements, which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P500,000 for every depositor per banking institution.

##### (b) Trade and Other Receivables – net and Advances to Associates

The Group's trade receivables as at April 30, 2018 and 2017 are due mainly from customers of H.R. Owen and from PCSO. The Group maintains policies that require appropriate credit checks to be completed on potential customers prior to delivery of goods and services. On-going credit checks are periodically performed on the Group's existing customers to ensure that the credit limits remain at appropriate levels.

The Group mitigates the concentration of its credit risk from its receivables from PCSO by regularly monitoring the age of its receivables from PCSO and ensuring that collections are received within the agreed credit period. These objectives, policies and strategies are consistently applied in the previous year up to the current year. In addition, the risk is reduced to the extent that PCSO has no history of significant defaults and none of the past due receivables are impaired as at the end of the reporting period.

In respect to trade receivables from the customers of H.R. Owen and other receivables and advances to associates, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group's receivables are actively monitored to avoid significant concentrations of credit risk.

H.R. Owen's trade receivables that are past due but not impaired as at April 30 are as follows:

	<u>2018</u>	<u>2017</u>
Not more than 30 days	P 14,242,709	P 11,423,626
31 to 90 days	<u>49,527,409</u>	<u>11,339,870</u>
	<u>P 63,770,118</u>	<u>P 22,763,496</u>

(c) *Prepayments and Other Current Assets and Other Non-current Assets*

The refundable deposits of the Group presented as part of Prepayments and Other Current Assets account and Other Non-Current Assets account in the consolidated statements of financial position pertain to security deposits made to various lessors and utility companies which the Group is not exposed to significant credit risk.

### 4.3 Liquidity Risk

The ability of the Group to finance increases in assets and meet obligations as they become due is extremely important to the Group's operations. The Group's policy is to maintain liquidity at all times. This policy aims to honor all cash requirements on an on-going basis to avoid raising funds above market rates or through forced sale of assets.

Liquidity risk is also managed by borrowing with a spread of maturity periods. The Group has significant fluctuations in short-term borrowings due to industry-specific factors. The Group mitigates any potential liquidity risk through maintaining substantial unutilized banking and used vehicle stocking loan facilities. As at April 30, 2018 and 2017, the Group had undrawn floating rate borrowing facilities of P3,070,413,060 and P2,164,121,760, respectively, represented by used and demonstrator vehicle stocking loans, all of which would be repayable on demand. Further, the Parent Company has undrawn loan facility of P250,000,000 and P500,000,000 from a local commercial bank as at April 30, 2018 and 2017, respectively.

As at April 30, 2018 and 2017, the Group's financial liabilities pertain to Trade and Other Payables (except those tax-related liabilities) and Loans Payable and Borrowings (inclusive of future interest). Trade and other payables and loans payable and borrowings are expected to be settled from 12 months to 5 years from the end of each reporting period.

The table below summarizes the maturity profile of the Company's financial liabilities as at April 30 reflecting the gross cash flows, which may differ to the carrying values of the liabilities at the end of reporting periods.

		2018		
		Current	Non-current	
		Within	1 to 5	More than
		One Year	Years	5 Years
	Notes			
Trade and other payables	17	P 3,949,446,398	P 17,892,850	P -
Loans payable and borrowings	18	4,415,212,145	335,544,216	78,679,335
		<u>P 8,364,658,543</u>	<u>P 353,437,066</u>	<u>P 78,679,335</u>
		2017		
		Current	Non-current	
		Within	1 to 5	More than
		One Year	Years	5 Years
	Notes			
Trade and other payables	17	P 2,948,358,922	P -	P -
Loans payable and borrowings	18	3,967,987,022	341,973,001	32,717,180
		<u>P 6,916,345,944</u>	<u>P 341,973,001</u>	<u>P 32,717,180</u>

## 5. SEGMENT REPORTING

### 5.1 Business Segments

The Group is organized into different business units based on its products and services for purposes of management assessment of each unit. In identifying its operating segments, management generally follows the Group's four service lines. The Group is engaged in the business of Leasing, Services, Holdings and Investments and Motor Vehicle Dealership. Presented below is the basis of the Group in reporting to its SSC for its strategic decision-making activities.

- (a) The Leasing segment pertains to the lease of on-line lottery equipment, maintenance and repair services, and telecommunication and integration services rendered by the Group to PCSO.
- (b) The Services segment pertains to the hotel operations of PHPI.
- (c) Holdings and Investments segment relates to gains (losses) on disposal of investments and share in net gains (losses) of associates.
- (d) The Motor Vehicle Dealership segment pertains to the luxury motor vehicle retailers and provision of aftersales services of H.R. Owen.

### 5.2 Segment Assets and Liabilities

Segment assets are allocated based on their physical location and use or direct association with a specific segment. Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, advances, inventories and property and equipment, net of allowances and provisions. Similar to segment assets, segment liabilities are also allocated based on their use or direct association with a specific segment. Segment liabilities include all operating liabilities and consist principally of accounts, taxes currently payable and accrued liabilities.

### 5.3 Intersegment Transactions

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation.

The Group's operating businesses are organized and managed separately according to the nature of segment accounting policies which are the same as the policies described in Note 2.

### 5.4 Analysis of Segment Information

The tables below and in the succeeding pages present revenue and profit information regarding business segments for the years ended April 30, 2018, 2017 and 2016, and certain assets and liabilities information regarding industry segments as at April 30, 2018 and 2017.

2018						
	Leasing	Services	Holding and Investments	Motor Vehicle Dealership	Elimination	Consolidated
Revenues:						
External	P 1,677,543,185	P 133,755,424	P 344,558,934	P 29,069,471,780	P -	P 31,225,329,323
Inter-segment	-	-	513,145,492	-	( 513,145,492)	-
Total revenues	<u>P 1,677,543,185</u>	<u>P 133,755,424</u>	<u>P 857,704,426</u>	<u>P 29,069,471,780</u>	<u>(P 513,145,492)</u>	<u>P 31,225,329,323</u>
Expenses:						
External	P 922,316,313	P 137,601,740	P 396,462,295	P 28,660,123,147	P -	P 30,116,503,495
Inter-segment	-	-	-	699,826	( 699,826)	-
Total expenses	<u>P 922,316,313</u>	<u>P 137,601,740</u>	<u>P 396,462,295</u>	<u>P 28,660,822,973</u>	<u>(P 699,826)</u>	<u>P 30,116,503,495</u>
Profit (loss) before tax	<u>P 755,226,872</u>	<u>(P 3,846,316)</u>	<u>P 461,242,131</u>	<u>P 408,648,807</u>	<u>(P 512,445,666)</u>	<u>P 1,108,825,828</u>
Net profit (loss)	<u>P 522,448,256</u>	<u>(P 3,439,282)</u>	<u>P 507,744,727</u>	<u>P 282,057,565</u>	<u>(P 512,445,666)</u>	<u>P 796,365,600</u>
Segment assets	<u>P 692,813,229</u>	<u>P 713,535,809</u>	<u>P 8,194,540,847</u>	<u>P 10,338,044,026</u>	<u>(P 2,441,566,910)</u>	<u>P 17,497,367,001</u>
Segment liabilities	<u>P 183,922,550</u>	<u>P 711,201,805</u>	<u>P 550,258,132</u>	<u>P 8,352,803,127</u>	<u>(P 803,079,311)</u>	<u>P 8,995,106,303</u>
Other segment items:						
Capital expenditures	<u>P 17,109,172</u>	<u>P 14,022,352</u>	<u>P -</u>	<u>P 238,854,875</u>	<u>P -</u>	<u>P 269,986,399</u>
Depreciation and amortization	<u>P 21,401,034</u>	<u>P 21,755,205</u>	<u>P 2,501,204</u>	<u>P 222,973,325</u>	<u>P -</u>	<u>P 268,630,768</u>

2017						
	Leasing	Services	Holding and Investments	Motor Vehicle Dealership	Elimination	Consolidated
Revenues:						
External	P 1,648,911,479	P 150,496,554	P 243,144,496	P 26,784,657,267	P -	P 28,827,209,796
Inter-segment	-	-	173,940,119	-	( 173,940,119)	-
Total revenues	<u>P 1,648,911,479</u>	<u>P 150,496,554</u>	<u>P 417,084,615</u>	<u>P 26,784,657,267</u>	<u>(P 173,940,119)</u>	<u>P 28,827,209,796</u>
Expenses:						
External	P 854,783,410	P 150,159,120	P 239,286,020	P 26,598,812,788	P -	P 27,843,041,338
Inter-segment	-	-	-	3,940,119	( 3,940,119)	-
Total expenses	<u>P 854,783,410</u>	<u>P 150,159,120</u>	<u>P 239,286,020</u>	<u>P 26,602,752,907</u>	<u>(P 3,940,119)</u>	<u>P 27,843,041,338</u>
Profit before tax	<u>P 794,128,069</u>	<u>P 337,434</u>	<u>P 177,798,595</u>	<u>P 181,904,360</u>	<u>(P 170,000,000)</u>	<u>P 984,168,458</u>
Net profit (loss)	<u>P 547,405,677</u>	<u>(P 526,788)</u>	<u>P 198,417,024</u>	<u>P 128,797,084</u>	<u>(P 170,000,000)</u>	<u>P 704,092,997</u>
Segment assets	<u>P 781,045,030</u>	<u>P 694,647,867</u>	<u>P 7,852,974,022</u>	<u>P 8,421,660,487</u>	<u>(P 2,994,865,698)</u>	<u>P 14,755,461,708</u>
Segment liabilities	<u>P 148,469,001</u>	<u>P 689,812,536</u>	<u>P 859,410,113</u>	<u>P 6,970,265,760</u>	<u>(P 1,117,581,980)</u>	<u>P 7,550,375,430</u>

	2017					
	<u>Leasing</u>	<u>Services</u>	<u>Holding and Investments</u>	<u>Motor Vehicle Dealership</u>	<u>Elimination</u>	<u>Consolidated</u>
Other segment items:						
Capital expenditures	<u>P 47,898,706</u>	<u>P 3,870,368</u>	<u>P -</u>	<u>P 146,834,831</u>	<u>P -</u>	<u>P 198,603,905</u>
Depreciation and amortization	<u>P 5,045,627</u>	<u>P 28,853,083</u>	<u>P 2,501,204</u>	<u>P 192,311,587</u>	<u>P -</u>	<u>P 228,711,501</u>
	2016					
	<u>Leasing</u>	<u>Services</u>	<u>Holding and Investments</u>	<u>Motor Vehicle Dealership</u>	<u>Elimination</u>	<u>Consolidated</u>
Revenues:						
External	P 1,638,353,797	P 151,136,550	P 162,560,235	P 24,835,088,669	P -	P 26,787,139,251
Inter-segment	<u>-</u>	<u>-</u>	<u>680,000,000</u>	<u>-</u>	<u>( 680,000,000)</u>	<u>-</u>
Total revenues	<u>P 1,638,353,797</u>	<u>P 151,136,550</u>	<u>P 842,560,235</u>	<u>P 24,835,088,669</u>	<u>(P 680,000,000)</u>	<u>P 26,787,139,251</u>
Expenses:						
External	P 781,841,990	P 147,280,989	P 205,727,147	P 24,721,036,683	P -	P 25,855,886,809
Inter-segment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>P 781,841,990</u>	<u>P 147,280,989</u>	<u>P 205,727,147</u>	<u>P 24,721,036,683</u>	<u>P -</u>	<u>P 25,855,886,809</u>
Profit before tax	<u>P 856,511,807</u>	<u>P 3,855,561</u>	<u>P 636,833,088</u>	<u>P 114,051,986</u>	<u>(P 680,000,000)</u>	<u>P 931,252,442</u>
Net profit	<u>P 613,846,986</u>	<u>P 2,758,074</u>	<u>P 669,594,332</u>	<u>P 100,126,717</u>	<u>(P 680,000,000)</u>	<u>P 706,326,109</u>
Segment assets	<u>P 564,967,154</u>	<u>P 769,750,002</u>	<u>P 6,975,061,212</u>	<u>P 9,060,906,438</u>	<u>(P 1,773,752,099)</u>	<u>P 15,596,932,707</u>
Segment liabilities	<u>P 306,293,471</u>	<u>P 764,923,829</u>	<u>P 114,374,617</u>	<u>P 7,645,126,716</u>	<u>(P 899,147,059)</u>	<u>P 7,931,571,574</u>
Other segment items:						
Capital expenditures	<u>P 12,509,631</u>	<u>P 1,322,305</u>	<u>P -</u>	<u>P 772,198,812</u>	<u>P -</u>	<u>P 786,030,748</u>
Depreciation and amortization	<u>P 43,016,075</u>	<u>P 30,449,519</u>	<u>P 2,501,204</u>	<u>P 162,392,546</u>	<u>P -</u>	<u>P 238,359,344</u>

Currently, the Group's operation has two geographical segments: London, England for the motor dealership segment and Philippines for all other segments.

### 5.5 Reconciliations

Presented below and in the succeeding page is a reconciliation of the Group's segment information to the key financial information presented in its consolidated financial statements.

	2018	2017	2016
<b>Revenues</b>			
Total segment revenues	P 31,738,474,815	P 29,001,149,915	P 27,467,139,251
Elimination of intersegment revenues	( 513,145,492)	( 173,940,119)	( 680,000,000)
Revenues as reported in profit or loss	P 31,225,329,323	P 28,827,209,796	P 26,787,139,251
<b>Profit or loss</b>			
Segment profit before tax	P 1,621,271,494	P 1,154,168,458	P 1,611,252,442
Elimination of intersegment revenues	( 513,145,492)	( 173,940,119)	( 680,000,000)
Elimination of intersegment expenses	699,826	3,940,119	-
Profit before tax as reported in profit or loss	P 1,108,825,828	P 984,168,458	P 931,252,442

	<u>2018</u>	<u>2017</u>
<b>Assets</b>		
Segment assets	P 19,938,933,911	P 17,750,327,406
Elimination of intercompany accounts	( <u>2,441,566,910</u> )	( <u>2,994,865,698</u> )
Total assets as reported in the consolidated statements of financial position	<u>P 17,497,367,001</u>	<u>P 14,755,461,708</u>
<b>Liabilities</b>		
Segment liabilities	P 9,798,185,614	P 8,667,957,410
Elimination of intercompany accounts	( <u>803,079,311</u> )	( <u>1,117,581,980</u> )
Total liabilities as reported in the consolidated statements of financial position	<u>P 8,995,106,303</u>	<u>P 7,550,375,430</u>

## 6. CONTRACTS WITH PCSO

PGMC is a party to the ELA with PCSO covering the lease of PGMC's on-line lottery equipment (see Notes 1.2 and 12) to PCSO under certain conditions. Under the ELA, PGMC is entitled to fees equal to a certain percentage of the gross receipts from all PCSO on-line lottery operations (the ticket sales) within a specified territory subject to an annual minimum fee as prescribed in the ELA. PGMC's revenues are derived from the ELA with PCSO.

In addition, PGMC has an agreement with PCSO whereby PGMC agreed to provide maintenance and repair services on the equipment under the ELA. This agreement runs concurrently with the ELA. Any extension or termination of the ELA by PCSO will have a similar effect on this agreement.

On August 13, 2015, a Supplemental and Status Quo Agreement was signed by both parties, and thereby, the term of ELA is extended for another three years. Currently, PGMC is in discussion with PCSO requesting to maintain the status quo until August 2020. Management is currently arranging an agreement with PCSO to formalize the extension of the ELA until August 2020.

Fees, maintenance and repair services, telecommunication and integration services revenues recognized by PGMC from the foregoing ELA and related agreements amounted to P1,642,234,495, P1,601,472,285, and P1,580,259,448 in 2018, 2017 and 2016, respectively, and are presented as Rental under the Revenues section of the consolidated statements of comprehensive income (see Note 28.2). The related receivables amounting to P134,980,641 and P159,974,088 as at April 30, 2018 and 2017, respectively, are shown as part of Trade receivables under Trade and Other Receivables account in the consolidated statements of financial position (see Note 8).

## 7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	<u>2018</u>	<u>2017</u>
Cash on hand and in banks	P 948,341,348	P 886,267,519
Short-term placements	<u>246,835,946</u>	<u>174,583,193</u>
	<b><u>P1,195,177,294</u></b>	<b><u>P1,060,850,712</u></b>

Cash in banks generally earn interest based on daily bank deposit rates. Short-term placements have an average maturity of 30 days and average annual effective interest ranging from 1.50% to 2.25% in 2018, and 0.75% to 1.50% in both 2017 and 2016 (see Note 21.1).

## 8. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	<u>Notes</u>	<u>2018</u>	<u>2017</u> (As Restated – see Note 2.1)
Trade receivables	6	P 801,798,625	P 764,017,517
Deposits		1,171,695,083	1,364,337,218
Payments for future acquisition of investments	22.3	91,831,035	12,199,624
Manufacturer's bonuses		452,346,630	437,445,806
Due from related parties	22.9	21,752,409	8,439,435
Advances to officers and employees	22.12	4,760,526	5,083,970
Other receivables	16	<u>94,788,208</u>	<u>80,246,782</u>
		2,638,972,516	2,671,770,352
Allowance for impairment		( 18,347,257)	( 12,646,898)
		<b><u>P2,620,625,259</u></b>	<b><u>P2,659,123,454</u></b>

Trade receivables are usually due within 60 days and do not bear any interest.

Deposits represent amounts provided to a foreign asset management firm engaged in the business of general trading and financing services.

Payments for future acquisition of investments represent deposits made to foreign parties for future acquisition of investment securities. These include deposits made to Inter-Pacific Securities Sdn Berhad (IPSSB), a related party under common ownership who acts as stockbroker of the Parent Company (see Note 22.3).

Manufacturer's bonuses pertain to incentives received by H.R. Owen from its customers for the sale of vehicles and related parts, and various services rendered such as marketing event support and promotions.

Other receivables include receivables from TF Ventures, Inc. (TF) arising from payment made by the Group on behalf of TF (see Note 16).

All of the Group's trade and other receivables have been reviewed for indications of impairment. Certain receivables were found to be impaired; hence, adequate amounts of allowance for impairment have been recognized accordingly.

A reconciliation of the allowance for impairment at the beginning and end of fiscal years 2018 and 2017 is shown below.

	<u>2018</u>	<u>2017</u>
Balance at beginning of year	P 12,646,898	P 32,123,034
Provision during the year	5,600,337	-
Translation adjustment	1,769,067	( 1,314,159 )
Write-off during the year	( 1,669,045 )	( 18,161,977 )
Balance at end of year	<u>P 18,347,257</u>	<u>P 12,646,898</u>

## 9. INVENTORIES

The composition of this account are shown below.

	<u>2018</u>	<u>2017</u>
At cost:		
Vehicles	P3,724,603,211	P2,923,521,725
Parts and components	195,755,294	153,099,741
Work in progress	31,270,833	48,083,466
Spare parts and accessories	22,314,001	14,760,988
Hotel supplies	5,173,062	5,840,189
	<u>3,979,116,401</u>	<u>3,145,306,109</u>
At net realizable value:		
Vehicles	1,239,338,951	1,116,532,836
Parts and components	50,787,710	46,555,940
	<u>1,290,126,661</u>	<u>1,163,088,776</u>
Allowance for inventory write down	( 206,590,560 )	( 180,866,700 )
	<u>1,083,536,101</u>	<u>982,222,076</u>
	<u>P5,062,652,502</u>	<u>P4,127,528,185</u>

Certain vehicles are carried at net realizable value which is lower than their cost. An analysis of the movements in allowance for inventory writedown is presented below.

	<u>2018</u>	<u>2017</u>
Balance at beginning of year	P 180,866,700	P 135,820,397
Additional provision during the year	3,659,802	52,855,932
Translation adjustment	22,064,058	( 7,809,629 )
Balance at end of year	<u>P 206,590,560</u>	<u>P 180,866,700</u>

The additional provision in 2018 and 2017 is presented as part of Cost of vehicles sold under Cost and Operating Expenses account in the consolidated statements of comprehensive income.

# 10. PREPAYMENTS AND OTHER CURRENT ASSETS

The details of this account are as follows:

	Note	2018	2017
Prepaid expenses		P 244,725,787	P 322,410,568
VAT recoverable		136,410,508	-
Refundable deposits		50,906,435	30,004,048
Input VAT		39,445,598	49,089,004
Advances to suppliers		33,554,422	7,966,115
Prepaid taxes		25,939,717	28,112,139
Advance rental	22.10	12,020,000	13,070,000
Creditable withholding tax		3,603,722	3,240,421
Other current assets		9,232,641	14,403,657
		<u>P 555,838,830</u>	<u>P 468,295,952</u>

Prepaid expenses include subscriptions, refurbishment costs, maintenance expenses, license and support arrangements, prepaid insurance, benefits and advertising which are expected to be realized in the next reporting period.

VAT recoverable pertains to the excess of input tax over output tax on sale of vehicles which the Group can reclaim under the tax laws in the United Kingdom (UK).

# 11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

This account consists of the following financial assets as at April 30:

	2018	2017
Equity securities:		
Quoted	P1,248,845,520	P 814,669,332
Not quoted	116,921,250	77,033,450
Quoted debt securities	120,346,028	85,321,583
Others	14,206,921	15,496,352
	1,500,319,719	992,520,717
Allowance for impairment	( 300,950,277)	( 90,711,955)
	<u>P1,199,369,442</u>	<u>P 901,808,762</u>

Quoted equity securities include those listed in Malaysia and in England.

Certain equity securities with carrying amount of P116,921,250 and P77,033,450 in 2018 and 2017, respectively, are carried at cost as the fair values of these unquoted equity securities are not reliably determinable (see Note 27.2). Management believes that the cost approximates the fair value of such securities as at April 30, 2018 and 2017.

In 2018 and 2017, the Group disposed certain AFS financial assets at a selling price of P158,659,172 and P106,255,575, respectively. Accordingly, the cumulative fair value losses recognized in other comprehensive income amounting to P9,564,509 in 2017 (nil in 2018) were reclassified from equity to profit or loss and are presented as Reclassification Adjustments to Profit or Loss in the 2018 and 2017 consolidated statements of comprehensive income (see Note 23.4). Net realized loss arising from sale of AFS financial assets amounted to P54,533,062 and P19,523,036 in 2018 and 2016, respectively, and net realized gain of P1,181,117 in 2017 are presented as Net Gain (Loss) on Sale of Available-for-sale Financial Assets under Other Income (Charges) in the consolidated statements of comprehensive income.

The movements of AFS financial assets follow:

	<u>2018</u>	<u>2017</u>
Balance at beginning of year	P 901,808,762	P 869,409,393
Additions during the year	578,017,157	184,727,645
Fair value gains (losses)	73,700,839	( 44,375,819)
Disposals during the year	( 213,192,234)	( 105,074,458)
Impairment losses	( 140,965,082)	( 2,877,999)
Balance at end of year	<u>P1,199,369,442</u>	<u>P 901,808,762</u>

Dividend income from these shares amounted to P23,393,052, P16,228,724, and P13,473,677 in 2018, 2017, and 2016, respectively, and are presented as part of Finance Income under Other Income (Charges) section in the consolidated statements of comprehensive income (see Note 21.1).

In 2018, 2017 and 2016, management determined that certain investments were found to be impaired, that is, there is a significant or prolonged decline in the fair value of the securities below cost. Accordingly, impairment loss amounting to P210,238,322 in 2018, P2,877,999 in 2017 and P91,158,267 in 2016, of which P69,273,240 in 2018 and P5,294,045 in 2016 (nil in 2017) has been previously accumulated in equity, was recognized in profit or loss.

A reconciliation of the allowance for impairment at the beginning and end of the reporting periods is shown below.

	<u>2018</u>	<u>2017</u>
Balance at beginning of year	P 90,711,955	P 91,158,267
Impairment losses during the year	210,238,322	2,877,999
Write-off of investment	-	( 3,324,311)
Balance at end of year	<u>P 300,950,277</u>	<u>P 90,711,955</u>

In 2017, certain investments with an allowance for impairment of P3,324,311 were written-off as the investee has been dissolved.

The fair values of all of the Group's investments, except for those carried at cost, which are categorized under Level 3, are categorized under Level 1 in fair value hierarchy, since these have been determined directly by reference to published prices in active markets and retained at cost for having no observable market data (see Note 27.2).

## 12. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of fiscal years 2018 and 2017 are shown below.

	Computers and On-line Lottery Equipment	Buildings	Transportation Equipment	Workshop Equipment	Office Furniture, Fixtures and Equipment	Hotel and Kitchen Equipment and Utensils	Communication Equipment	Leasehold Improvements	Land	Construction in Progress	Total
April 30, 2018											
Cost	P 1,501,969,726	P 720,291,386	P 78,568,331	P 754,311,812	P 48,067,482	P 12,822,617	P 3,782,238	P 1,380,181,970	P 93,617,473	P -	P 4,593,633,035
Accumulated depreciation and amortization	( 1,467,261,907 )	( 112,607,332 )	( 53,291,459 )	( 437,468,354 )	( 40,735,517 )	( 11,274,552 )	( 3,676,737 )	( 700,993,325 )	-	-	( 2,825,309,183 )
Net carrying amount	P 34,707,819	P 607,684,054	P 27,296,872	P 316,843,458	P 7,331,965	P 1,548,065	P 105,501	P 679,188,645	P 93,617,473	P -	P 1,768,323,852
April 30, 2017											
Cost	P 1,501,060,111	P 954,450,637	P 65,740,851	P 689,587,568	P 45,182,027	P 12,935,363	P 3,782,237	P 1,236,045,533	P 83,502,415	P -	P 4,592,286,742
Accumulated depreciation and amortization	( 1,455,057,067 )	( 101,217,243 )	( 45,898,668 )	( 383,043,870 )	( 38,657,848 )	( 11,078,715 )	( 3,628,452 )	( 668,587,489 )	-	-	( 2,707,169,352 )
Net carrying amount	P 46,003,044	P 853,233,394	P 19,842,183	P 306,543,698	P 6,524,179	P 1,856,648	P 153,785	P 567,458,044	P 83,502,415	P -	P 1,885,117,390
May 1, 2016											
Cost	P 1,462,780,058	P 720,291,386	P 53,839,230	P 632,908,760	P 42,748,557	P 12,418,584	P 3,782,237	P 1,309,362,470	P 89,396,781	P 264,584,956	P 4,592,113,019
Accumulated depreciation and amortization	( 1,457,004,319 )	( 83,704,927 )	( 44,224,760 )	( 320,637,660 )	( 36,426,225 )	( 10,047,274 )	( 3,580,166 )	( 634,726,994 )	-	-	( 2,590,352,325 )
Net carrying amount	P 5,775,739	P 636,586,459	P 9,614,470	P 312,271,100	P 6,322,332	P 2,371,310	P 202,071	P 674,635,476	P 89,396,781	P 264,584,956	P 2,001,760,694

The reconciliation of the carrying amounts at the beginning and end of fiscal years 2018 and 2017, of property and equipment is shown below.

	Computers and On-line Lottery Equipment	Buildings	Transportation Equipment	Workshop Equipment	Office Furniture, Fixtures and Equipment	Hotel and Kitchen Equipment and Utensils	Communication Equipment	Leasehold improvements	Land	Construction in Progress	Total
Balance at May 1, 2017											
net of accumulated depreciation and amortization	P 46,003,044	P 853,233,394	P 19,842,183	P 306,543,698	P 6,524,179	P 1,856,648	P 153,785	P 567,458,044	P 83,502,415	P -	P 1,885,117,390
Additions	1,440,983	-	20,752,190	76,362,175	3,439,813	201,563	-	167,789,675	-	-	269,986,399
Disposals	( 3,000)	-	( 6,000)	( 340,179)	( 18,000)	( 19,000)	-	-	-	-	( 386,179)
Transfers (see Note 15)	-	( 256,346,568)	-	-	-	-	-	-	-	-	( 256,346,568)
Depreciation and amortization charges for the year	( 12,733,208)	( 17,085,225)	( 14,143,671)	( 98,677,116)	( 2,614,027)	( 491,146)	( 48,284)	( 118,786,629)	-	-	( 264,579,306)
Translation adjustment	-	27,882,453	852,170	32,954,880	-	-	-	62,727,555	10,115,058	-	134,532,116
Balance at April 30, 2018											
net of accumulated depreciation and amortization	P 34,707,819	P 607,684,054	P 27,296,872	P 316,843,458	P 7,331,965	P 1,548,065	P 105,501	P 679,188,645	P 93,617,473	P -	P 1,768,323,852
Balance at May 1, 2016											
net of accumulated depreciation and amortization	P 5,775,739	P 636,586,459	P 9,614,470	P 312,271,100	P 6,322,332	P 2,371,310	P 202,071	P 674,635,476	P 89,396,781	P 264,584,956	P 2,001,760,694
Additions	42,176,753	-	15,260,030	89,494,861	2,433,470	516,779	-	48,722,012	-	-	198,603,905
Disposals	( 22,000)	( 699,030)	( 6,000)	-	-	-	-	( 1,000)	-	-	( 728,030)
Reclassifications	-	252,303,661	-	12,281,295	-	-	-	-	-	( 264,584,956)	-
Depreciation and amortization charges for the year	( 1,927,448)	( 17,447,373)	( 5,009,312)	( 85,069,985)	( 2,231,623)	( 1,031,441)	( 48,286)	( 110,723,058)	-	-	( 223,488,526)
Translation adjustment	-	( 17,510,323)	( 17,005)	( 22,433,573)	-	-	-	( 45,175,386)	( 5,894,366)	-	( 91,030,653)
Balance at April 30, 2017											
net of accumulated depreciation and amortization	P 46,003,044	P 853,233,394	P 19,842,183	P 306,543,698	P 6,524,179	P 1,856,648	P 153,785	P 567,458,044	P 83,502,415	P -	P 1,885,117,390
Balance at May 1, 2015											
net of accumulated depreciation and amortization	P 41,946,263	P 651,037,724	P 9,689,243	P 204,926,151	P 3,529,313	P 4,060,466	P 250,357	P 427,574,426	P 89,343,937	P -	P 1,432,357,880
Property and equipment of new subsidiary	-	-	-	9,845,257	-	-	-	9,435,306	-	-	19,280,563
Additions	1,061,944	-	5,917,641	169,119,575	5,261,368	313,176	-	339,772,088	-	264,584,956	786,030,748
Disposals	( 12,000)	-	-	( 180,088)	-	-	-	-	-	-	( 192,088)
Depreciation and amortization charges for the year	( 37,220,468)	( 14,451,265)	( 5,992,414)	( 72,505,128)	( 2,468,349)	( 2,002,332)	( 48,286)	( 103,671,102)	-	-	( 238,359,344)
Translation adjustment	-	-	-	1,065,333	-	-	-	1,524,758	52,844	-	2,642,935
Balance at April 30, 2016											
net of accumulated depreciation and amortization	P 5,775,739	P 636,586,459	P 9,614,470	P 312,271,100	P 6,322,332	P 2,371,310	P 202,071	P 674,635,476	P 89,396,781	P 264,584,956	P 2,001,760,694

Workshop equipment includes fixtures and fittings utilized for bodyshop works.

Construction in progress pertains to buildings and leased properties undergoing renovation. The total cost was reclassified to the appropriate accounts upon completion in 2017.

The Group recognized gain on disposal of certain property and equipment totaling P562,738, P3,395,202, and P1,438,383 in 2018, 2017 and 2016, respectively, and are presented as part of Other Income under Other Income (Charges) section in the consolidated statements of comprehensive income (see Note 19.1).

The cost of fully depreciated assets still being used in operations as at April 30, 2018 and 2017, amounted to P1,617,372,841 and P1,572,231,317, respectively.

### 13. INVESTMENTS IN AND ADVANCES TO ASSOCIATES AND NON-CONTROLLING INTEREST

#### 13.1 Breakdown of Carrying Values

The components of the carrying values (amounts in thousands of pesos) of investments in associates are shown below. These investments are accounted for under the equity method in the consolidated financial statements of the Group:

	Notes	PLPI	BPPI	BAPI	CPI	SBMPI	NPI (As restated — see Note 2)	CBFC	VideoDoc	Total
<b>April 30, 2018</b>										
Investment:										
Acquisition costs:										
Beginning balance		P 8,000	P 180,400	P 178,380	P 400	P 22,500	P 82,283	P -	P -	P 471,963
Additional investment	1.2	-	-	25,516	-	-	-	62,500	125,803	213,819
Translation adjustment		-	-	-	-	-	-	-	6,604	6,604
		<u>8,000</u>	<u>180,400</u>	<u>203,896</u>	<u>400</u>	<u>22,500</u>	<u>82,283</u>	<u>62,500</u>	<u>132,407</u>	<u>692,386</u>
Deduction of interest in associate —										
Loss on deemed disposal	21.2	-	-	( 99,084)	-	-	-	-	-	( 99,084)
Dividend income		-	-	( 50,904)	-	-	-	-	-	( 50,904)
Accumulated equity share										
in net profit (losses):										
Share in net profit										
(losses) in prior years		35,228	( 180,400)	333,077	( 400)	( 5,638)	87,981	-	-	269,848
Share in net profit										
(losses) during the year		119,180	-	89,038	-	( 6,202)	( 13,557)	-	(21,394)	167,065
Share in other comprehensive										
income during the year		-	-	31	-	-	-	-	-	31
Translation adjustment		-	-	-	-	-	-	-	(906)	( 906)
		<u>154,408</u>	<u>(180,400)</u>	<u>422,116</u>	<u>(400)</u>	<u>(11,840)</u>	<u>74,424</u>	<u>-</u>	<u>(22,300)</u>	<u>436,038</u>
Total investments in associates		<u>162,408</u>	<u>-</u>	<u>476,054</u>	<u>-</u>	<u>10,660</u>	<u>156,707</u>	<u>62,500</u>	<u>110,107</u>	<u>978,436</u>
Advances	22.1	<u>373,749</u>	<u>207,692</u>	<u>-</u>	<u>2,724</u>	<u>-</u>	<u>920,365</u>	<u>-</u>	<u>11,311</u>	<u>1,515,841</u>
		<u>P 536,157</u>	<u>P 207,692</u>	<u>P 476,054</u>	<u>P 2,724</u>	<u>P 10,660</u>	<u>P 1,077,072</u>	<u>P 62,500</u>	<u>P 121,418</u>	<u>P 2,494,277</u>
<b>April 30, 2017</b>										
Investment:										
Acquisition costs:										
Beginning balance		P 8,000	P 117,400	P 178,380	P 400	P 22,500	P -	P -	P -	P 326,680
Reclassification		-	-	-	-	-	82,283	-	-	82,283
Additional investment	1.2	-	63,000	-	-	-	-	-	-	63,000
		<u>8,000</u>	<u>180,400</u>	<u>178,380</u>	<u>400</u>	<u>22,500</u>	<u>82,283</u>	<u>-</u>	<u>-</u>	<u>471,963</u>
Deduction of interest in associate —										
Loss on deemed disposal	21.2	-	-	( 99,084)	-	-	-	-	-	( 99,084)
Accumulated equity share										
in net profit (losses):										
Share in net profit										
(losses) in prior years		34,609	( 117,400)	223,226	( 400)	-	-	-	-	140,035
Share in net profit										
(losses) during the year		618	( 63,000)	109,851	-	( 5,638)	87,981	-	-	129,812
		<u>35,227</u>	<u>( 180,400)</u>	<u>333,077</u>	<u>( 400)</u>	<u>( 5,638)</u>	<u>87,981</u>	<u>-</u>	<u>-</u>	<u>269,847</u>
Total investments in associates		<u>43,227</u>	<u>-</u>	<u>412,373</u>	<u>-</u>	<u>16,862</u>	<u>170,264</u>	<u>-</u>	<u>-</u>	<u>642,726</u>
Advances	22.1	<u>31,683</u>	<u>165,040</u>	<u>-</u>	<u>2,623</u>	<u>-</u>	<u>790,678</u>	<u>-</u>	<u>-</u>	<u>990,024</u>
		<u>P 74,910</u>	<u>P 165,040</u>	<u>P 412,373</u>	<u>P 2,623</u>	<u>P 16,862</u>	<u>P 960,942</u>	<u>P -</u>	<u>P -</u>	<u>P 1,632,750</u>

The accumulated equity share in net profit (losses) relates to the Group's equity in the net income or loss of its associates.

In 2017, NPI became an associate of the Group due to reclassification of certain advances for future stock subscription to an investment in associate [see Note 2.1(g)].

Starting 2014, the Group ceased to recognize further losses of BPPI and CPI and carried the related investments at nil in the consolidated statements of financial position as a result of the accumulated share in net losses recognized to the extent of the original cost of the investments [see Note 2.3(b)]. In 2018, the unrecognized share in net losses over BPPI and CPI amounted to P37,699,815 and P24,880, respectively. In 2017 and 2016, the Group recognized share in net losses of BPPI equivalent to the additional investment made during those years (see Note 22.1). There was no additional investment in 2018. The cumulative unrecognized share in net losses over BPPI and CPI amounted to P41,982,444 and P1,025,876, respectively in 2018, while P4,233,317 and P1,000,996, respectively in 2017.

### 13.2 Summarized Financial Information

Significant financial information as at and for the years ended April 30 is presented as follows:

2018				
	Assets	Liabilities	Equity (Capital Deficiency)	Net Profit (Loss)
BAPI	P 2,795,488,625	P 1,175,240,723	P 1,620,247,902	P 342,245,961
NPI	1,148,778,113	928,621,887	220,156,226 (	32,663,607)
PLPI	975,960,116	570,109,806	405,850,310	297,949,266
CBFC	325,746,160	120,341,421	205,404,739 (	44,595,261)
BPPI	168,067,199	522,406,475 (	354,339,276)	( 77,924,379)
SBMPI	68,131,925	20,085,824	48,046,101 (	31,011,754)
VideoDoc	6,527,844	26,429,051 (	19,901,207)	( 106,172,265)
CPI	194,815	2,759,496 (	2,564,681)	( 62,200)
	<u>P 5,488,894,797</u>	<u>P 3,365,994,683</u>	<u>P 2,122,900,114</u>	<u>P 347,765,761</u>
2017				
	Assets	Liabilities	Equity (Capital Deficiency)	Net Profit (Loss)
BAPI	P 2,454,993,018	P 998,244,921	P 1,456,748,097	P 390,410,931
NPI	1,051,745,927	798,926,095	252,819,832	212,171,196
BPPI	222,277,258	498,590,229 (	276,312,972)	( 92,600,138)
PLPI	199,264,734	91,363,690	107,901,044	1,548,221
SBMPI	178,614,073	99,556,218	79,057,855 (	28,192,497)
CPI	155,515	2,657,996 (	2,502,481)	( 255,805)
	<u>P 4,107,050,525</u>	<u>P 2,489,339,149</u>	<u>P 1,617,711,376</u>	<u>P 483,081,908</u>

### 13.3 Subsidiary with Material Non-controlling Interest

Non-controlling interest (NCI) pertains to equity share of minority holders over H.R. Owen. As at April 30, 2018 and 2017, minority holders held 0.70% and 1.62%, respectively, interest over H.R. Owen. Profit allocated to NCI amounted to P10,540,789 and P30,025,157 respectively. There were no dividends paid to NCI in 2018 and 2017.

The summarized financial position of H.R. Owen, before intragroup eliminations, as at April 30 is shown below.

	<u>2018</u>	<u>2017</u>
Assets	<u>P10,338,044,026</u>	<u>P 8,421,660,487</u>
Liabilities	<u>P 8,352,803,127</u>	<u>P 6,970,265,760</u>
Equity	<u>1,985,240,899</u>	<u>1,451,394,727</u>
	<u>P10,338,044,026</u>	<u>P 8,421,660,487</u>

The summarized financial performance and cash flows of H.R. Owen, before intragroup eliminations, for the years ended April 30, 2018 and 2017 is shown below.

	<u>2018</u>	<u>2017</u>
Revenues	<u>P29,055,821,268</u>	<u>P 26,775,974,154</u>
Net profit	<u>282,057,565</u>	<u>129,903,676</u>
Other comprehensive income	<u>64,033,285</u>	<u>2,745,754</u>
Net cash from (used in):		
operating activities	<u>1,056,904,039</u>	<u>434,164,958</u>
investing activities	<u>( 658,687,944)</u>	<u>( 533,433,670)</u>
financing activities	<u>( 436,943,397)</u>	<u>287,272,800</u>
Net cash outflow	<u>(P 38,727,302)</u>	<u>(P 188,004,088)</u>

## 14. INTANGIBLE ASSETS

The compositions of this account as at April 30 are shown below.

	<u>2018</u>	<u>2017</u>
Goodwill	<u>P 1,205,393,035</u>	<u>P 1,114,063,397</u>
Dealership rights	<u>740,580,624</u>	<u>660,563,886</u>
Customer relationship	<u>32,021,545</u>	<u>32,328,468</u>
	<u>P 1,977,995,204</u>	<u>P 1,806,955,751</u>

The reconciliation of the carrying amounts of intangible assets at the beginning and end of fiscal years 2018 and 2017 is shown below.

		<u>Goodwill</u>	<u>Dealership Rights</u>	<u>Customer Relationship</u>	<u>Total</u>
Balance at May 1, 2017	P	1,114,063,397	P 660,563,886	P 32,328,468	P 1,806,955,751
Amortization		-	-	( 4,051,462)	( 4,051,462)
Translation adjustment		<u>91,329,638</u>	<u>80,016,738</u>	<u>3,744,539</u>	<u>175,090,915</u>
Balance at April 30, 2018		<u><b>P 1,205,393,035</b></u>	<u><b>P 740,580,624</b></u>	<u><b>P 32,021,545</b></u>	<u><b>P 1,977,995,204</b></u>
Balance at May 1, 2016	P	1,167,284,328	P 707,192,546	P 40,323,373	P 1,914,800,247
Amortization		-	-	( 5,222,975)	( 5,222,975)
Translation adjustment		( <u>53,220,931</u> )	( <u>46,628,660</u> )	( <u>2,771,930</u> )	( <u>102,621,521</u> )
Balance at April 30, 2017		<u><b>P 1,114,063,397</b></u>	<u><b>P 660,563,886</b></u>	<u><b>P 32,328,468</b></u>	<u><b>P 1,806,955,751</b></u>

Goodwill primarily relates to growth expectations arising from operational efficiencies and synergies that will be achieved by combining the resources, skills and expertise of the individual components of the Group.

Dealership rights were determined as separately identifiable intangible assets acquired separately from the net assets of H.R. Owen. The dealership rights pertain to agreements with various luxury car manufacturers which authorized H.R. Owen to sell new and used cars as well as provide after-sale services across England.

Goodwill and dealership rights have indefinite useful lives, thus, not subject to amortization but would require an annual test for impairment. Goodwill and dealership rights are subsequently carried at cost less accumulated impairment losses.

The Group monitors goodwill and dealership rights with indefinite useful lives on the cash-generating units to which these assets were allocated. An analysis of the value-in-use and the amount of intangible assets allocated to such groups of cash-generating units is presented as follows (amounts in millions of pesos):

	2018				2017			
	<u>Allocated Intangible Assets</u>	<u>Value in Use</u>	<u>Terminal Growth Rate</u>	<u>Discount Rate</u>	<u>Allocated Intangible Assets</u>	<u>Value in Use</u>	<u>Terminal Growth Rate</u>	<u>Discount Rate</u>
<b>Goodwill:</b>								
Body Technics	P 127.1	P 170.3	1.00%	11.84%	P 113.3	P 127.5	1.00%	11.84%
Bentley	606.9	1,065.3	1.00%	11.84%	541.3	322.8	1.00%	11.84%
Aston Martin	55.5	830.8	1.00%	11.84%	49.5	29.3	1.00%	11.84%
Lamborghini	37.3	1,817.9	1.00%	11.84%	33.3	857.6	1.00%	11.84%
Ferrari	18.5	1,226.8	1.00%	11.84%	16.5	540.6	1.00%	11.84%
PGMC	360.1	1,103.6	-	4.40%	360.2	1,534.9	-	3.86%
<b>Dealership rights:</b>								
Bentley	324.6	1,065.3	1.00%	11.84%	289.5	322.8	1.00%	11.84%
Ferrari	270.8	1,226.8	1.00%	11.84%	241.6	540.6	1.00%	11.84%
Lamborghini	145.2	1,817.9	1.00%	11.84%	129.5	857.6	1.00%	11.84%

The value-in-use of each group of cash-generating unit was determined using five-year cash flow projections and extrapolating cash flows beyond the projection period using a steady terminal growth rate. The discount rates and growth rates are the key assumptions used by management in determining the value-in-use of the cash-generating units. Based on management's analysis, no impairment is required to be recognized on goodwill and dealership rights with indefinite useful lives.

Management has also determined that a reasonably possible change in the key assumptions used would not cause the carrying value of the cash-generating units to exceed their respective value-in-use.

Customer relationship pertains to the association of Bodytechnics with its insurers and franchised garages. Customer relationship is amortized over the estimated useful life of 10 years. No impairment loss was recognized at end of the periods presented based on management's assessment.

## **15. INVESTMENT PROPERTY**

In 2017, the Group acquired certain residential property amounting to 2,218,235GBP (about P132,720,106), which is classified by the Group as investment property. The translated amount of investment property as at April 30, 2017 amounted to P141,608,573. There were minimal changes in the fair value of the investment property in 2018, thus, the fair value of investment property approximates its carrying amount as at April 30, 2018 and 2017.

In 2018, the Group ceased to occupy and leased out a property with a carrying amount of 3,581,690GBP (about P256,346,568) that have been previously classified as Buildings under Property and Equipment account in the consolidated statements of financial position (see Note 12). The property was revalued to fair value of 4,125,000GBP (about P295,232,025) at the date of transfer and the Group recognized gain, net of related deferred tax, amounting to 450,948GBP (about P32,274,979) which is presented under Other Comprehensive Income (Loss) in the 2018 consolidated statement of comprehensive income. The fair value of investment property approximates its carrying amount as at April 30, 2018 due to the proximity of the purchase date to the reporting date (see Note 27.4).

The Group has not yet earned rental income from investment property in 2018 and 2017. Real estate taxes on investment property amounting to P12,506,600 and P13,408,602 were recognized as direct operating expenses in 2018 and 2017, respectively.

## **16. MEMORANDUM OF AGREEMENT AND DEED OF ASSIGNMENTS**

In December 2009, the Parent Company entered into a Memorandum of Agreement (MOA) with the stockholders of TF, whereby the stockholders agreed to sell all their interest in TF and to consent to the sale of TF's assets to PHPI and PLPI for a total consideration of P785,000,000.

Previously, both the hotel building and land were attached as a lien to an obligation of TF, which was then under court rehabilitation. Subsequently, the court approved the sale of the hotel to PHPI and the land to PLPI together with the settling of the lien over the hotel building and land. Accordingly in 2010, the Parent Company advanced funds to PHPI for the acquisition of the hotel building. On the other hand, the land was acquired by PLPI for an amount of P70,000,000 payable in equal installments over eight years (see Note 22.1). The outstanding balance of P8,750,000 and P17,500,000 as at April 30, 2018 and 2017, respectively, is presented as part of Other receivables under Trade and Other Receivables account in the consolidated statements of financial position (see Note 8).

## 17. TRADE AND OTHER PAYABLES

This account consists of the following:

	<u>Notes</u>	<u>2018</u>	<u>2017</u>
Current:			
Trade payables	22.5, 22.6	<b>P1,307,044,834</b>	P 1,025,537,981
Advances from customers		<b>2,071,907,790</b>	1,285,343,581
Accrued expenses		<b>387,661,634</b>	314,559,038
Withholding taxes payable		<b>42,865,450</b>	40,327,109
Deferred output VAT		<b>35,477,524</b>	174,161,012
Deferred income		<b>23,179,615</b>	22,648,754
Management fee payable	22.4	<b>19,947,000</b>	20,223,000
Due to related parties	22.8	<b>945,621</b>	512,644
Accrued interest payable	18.1	-	1,078,767
Other payables		<b>138,759,904</b>	278,455,227
		<b>4,027,789,372</b>	3,162,847,113
Non-current –			
Advances from a director	22.12	<b>17,892,850</b>	-
		<b>P4,045,682,222</b>	P 3,162,847,113

Advances from customers pertain to amounts received as deposits in anticipation of future sale of vehicles before title passes to the customer.

Accrued expenses include unpaid salaries and wages, commissions, utilities, supplies, and other operating expenses of the Group.

## 18. LOANS PAYABLE AND BORROWINGS

This account consists of the following:

	<u>Notes</u>	<u>2018</u>	<u>2017</u>
Current:			
Vehicle stocking loans	18.2	<b>P4,132,408,531</b>	P 3,230,268,108
Bank loans	18.1	<b>165,352,065</b>	630,888,960
		<b>4,297,760,596</b>	3,861,157,068
Non-current –			
Bank loans	18.1	<b>400,668,588</b>	367,393,973
		<b>P4,698,429,184</b>	P 4,228,551,041

### **18.1 Bank Loans**

In 2016, the Parent Company obtained a secured loan amounting to P200,000,000 which represents the initial drawdown of a P700,000,000 loan from a local bank for its working capital requirements. Such loan bears a fixed annual interest based on prevailing market rate and is secured by surety from PGMC and a real estate mortgage over parcels of land owned by PLPI. Outstanding balance of such loan amounted to P100,000,000 as at April 30, 2016. In 2017, the Parent Company fully paid such loan. Interest expense on this loan amounted to P892,593 and P3,222,222 in 2017 and 2016, respectively, and is presented as part of Finance Costs and Other Charges under Other Income (Charges) section in the 2017 and 2016 consolidated statements of comprehensive income (see Note 21.2). There was no unpaid interest as at April 30, 2017.

In 2017, the Parent Company obtained a secured loan amounting to P700,000,000 from a local bank for its working capital requirements and other purposes. Such loan bears a fixed annual interest based on prevailing market rate and is secured by a real estate mortgage over parcels of land owned by PLPI and a building owned by PHPI. Outstanding balance of such loan amounted to P583,333,333 as at April 30, 2017, which was fully paid in 2018. Interest expense on this loan amounted to P15,171,062 in 2018 and P10,873,972 in 2017 and is presented as part of Finance Costs and Other Charges under Other Income (Charges) section in the 2018 and 2017 consolidated statements of comprehensive income. As at April 30, 2017, unpaid interest amounting to P1,078,767 is presented as Accrued interest payable under Trade and Other Payables account in the 2017 consolidated statement of financial position (see Note 17). There was no unpaid interest as at April 30, 2018.

In 2018, the Parent Company obtained a secured loan amounting to P450,000,000 from a local bank for the repayment of the loan obtained in 2017. Such loan bears a fixed annual interest based on prevailing market rate and is secured a real estate mortgage over parcels of land owned by PLPI and a building owned by PHPI. Outstanding balance of such loan amounted to P412,500,000 as at April 30, 2018. Interest expense on this loan amounted to P4,530,822 in 2018 and is presented as part of Finance Costs and Other Charges under Other Income (Charges) section in the 2018 consolidated statement of comprehensive income. There was no unpaid interest as at April 30, 2018.

H.R. Owen has an outstanding loan from a financial institution, which bears a fixed annual interest based on prevailing market rate. Outstanding balance of such loan amounted to P153,520,653 and P414,949,600 as at April 30, 2018 and 2017. Interest expense on this loan amounted to P6,584,312, P6,985,961, and P7,293,309 in 2018, 2017 and 2016, respectively, and is presented as part of Finance Costs and Other Charges under Other Income (Charges) section in the consolidated statements of comprehensive income (see Note 21.2).

### **18.2 Vehicle Stocking Loans**

Manufacturers' vehicle stocking loans and other loans amounting to P2,790,867,267 and P1,660,520,737 as at April 30, 2018 and 2017, respectively, are all at variable, floating commercial rates of interest. These are secured at any time by fixed and floating charges on stocks of new and demonstrator cars and commercial vehicles held. Other third party vehicle stocking loans amounting to P1,341,541,264 and P1,569,747,371 as at April 30, 2018 and 2017, respectively, are secured by fixed and floating charges on stocks of used cars.

Finance costs incurred related to H.R. Owen's vehicle stocking loans amounted to P125,897,184, P113,605,472, and P112,066,288 in 2018, 2017 and 2016, respectively, and are presented as part of Finance Costs and Other Charges under Other Income (Charges) section in the consolidated statements of comprehensive income (see Note 21.2).

### ***18.3 Reconciliation of Liabilities Arising from Loans Payable***

Presented below is the reconciliation of the Group's liabilities arising from bank loans, which include both cash and non-cash changes.

Balance at beginning of year	P 998,282,933
Cash flows from financing activities:	
Additional borrowings	638,826,550
Repayment of borrowings	( 1,228,786,160)
Non-cash financing activity –	
Translation adjustment	<u>157,697,330</u>
Balance at end of year	<b><u>P 566,020,653</u></b>

## **19. OTHER INCOME AND EXPENSES**

### ***19.1 Other Income***

Other income consists of the following:

	<u>Note</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Excess of 7% standard input VAT over actual input VAT related to revenues with the PCSO		<b>P 33,281,621</b>	P 42,288,155	P 55,140,463
Net gain on disposal of property and equipment	12	<b>562,738</b>	3,395,202	1,438,383
Gain on reversal of impairment loss		-	1,528,706	-
Manufacturer support		-	-	27,866,840
Miscellaneous		<b><u>15,398,255</u></b>	<u>24,165,632</u>	<u>33,279,541</u>
		<b><u>P 49,242,614</u></b>	<u>P 71,377,695</u>	<u>P 117,725,227</u>

Income from excess of 7% standard input VAT over actual input VAT consists of the excess of 7% standard input VAT over actual input VAT on purchases related to revenues with the PCSO.

In 2016, manufacturer support pertains to a one-time gain related to the amount received by H.R. Owen from a manufacturer as an incentive for dealing vehicles in London. There is no similar transaction in 2018 and 2017.

Miscellaneous income include rental income from sublease of certain properties and unutilized service charge income attributable to the management.

## 19.2 Other Operating Expenses

Other operating expenses account is composed of the following:

	Notes	2018	2017	2016
Advertising and promotions	P	817,362,588	P 501,254,805	P 704,742,326
Stationery and office supplies		169,241,143	80,069,728	115,556,592
Repairs and maintenance		82,398,570	59,148,974	76,637,025
Insurance		71,489,082	72,211,800	65,853,705
Provision for losses	1.3, 28.3	63,985,202	-	-
Settlement expense		40,269,900	-	-
Outside services		26,992,477	65,341,730	28,399,991
Hotel supplies		5,797,533	10,499,974	9,519,342
Membership fees, dues and subscription		5,501,787	4,128,426	5,354,910
Security services		4,472,635	4,382,365	4,177,485
Commissions		3,324,694	5,343,632	5,304,884
Laundry		2,924,039	3,018,579	3,209,739
Computer supplies		1,592,079	1,990,233	1,623,632
Sponsorships		869,498	10,257,708	1,249,968
Miscellaneous expenses		<u>68,108,502</u>	<u>113,983,838</u>	<u>62,320,610</u>
		<u>P 1,364,329,729</u>	<u>P 931,631,792</u>	<u>P 1,083,950,209</u>

Miscellaneous expenses include gas and oil, store supplies consumable and vehicle storage.

## 20. EMPLOYEE BENEFITS

### 20.1 Salaries and Employee Benefits

Details of salaries and employee benefits are presented below.

	2018	2017	2016
Short-term employee benefits:			
Salaries	P 1,630,881,738	P 1,494,502,837	P 1,399,044,914
Social security cost	184,115,759	173,518,187	159,611,204
Fringe benefits	13,298,854	12,772,112	10,016,282
Bonuses	11,873,020	12,797,871	17,408,151
Compensated absences	2,413,900	2,690,502	2,199,779
Health benefits	1,184,958	1,271,995	1,251,341
Others	<u>17,494,445</u>	<u>16,201,595</u>	<u>16,763,236</u>
	<u>1,861,262,674</u>	<u>1,713,755,099</u>	<u>1,606,294,907</u>
Post-employment benefits:			
Defined benefit plan	7,385,839	8,696,218	7,132,699
Defined contribution plan	<u>13,037,454</u>	<u>9,673,836</u>	<u>11,787,604</u>
	<u>20,423,293</u>	<u>18,370,054</u>	<u>18,920,303</u>
	<u>P 1,881,685,967</u>	<u>P 1,732,125,153</u>	<u>P 1,625,215,210</u>

## 20.2 Post-employment Defined Benefit Obligation

### (a) Characteristics of Defined Benefit Plan

PGMC maintains a tax-qualified, non-contributory post-employment plan covering all regular full-time employees. PHPI, on the other hand, has an unfunded, non-contributory post-employment defined benefit plan covering all regular full-time employees; while H.R. Owen's retirement benefit plan administered by a trustees operates on a pre-funded basis.

### (b) Explanation of Amounts Presented in the Consolidated Financial Statements

Actuarial valuations are made annually to update the post-employment benefit costs and the amount of contributions. All amounts presented below and in the succeeding pages are based on the actuarial valuation report obtained from independent actuaries in 2018 and 2017.

The amounts relating to the Group's post-employment benefit obligation (asset) recognized in the consolidated statements of financial position are as follows:

	<u>2018</u>	<u>2017</u>
Present value of the obligation	P 965,848,887	P 927,419,911
Fair value of plan assets	( 988,668,490)	( 890,300,678)
	<u>(P 22,819,603)</u>	<u>P 37,119,233</u>

These are presented in the consolidated statements of financial position at gross amounts for each defined benefit plan.

The movements in present value of the post-employment defined benefit obligation recognized in the books are as follows:

	<u>2018</u>	<u>2017</u>
Balance at beginning of year	P 927,419,911	P 845,937,277
Translation adjustment	105,940,841	( 49,916,995)
Liabilities extinguished on settlement	( 41,635,499)	-
Actuarial gain	( 38,605,589)	137,924,064
Current service and interest costs	34,534,465	36,140,906
Benefits paid	( 21,805,242)	( 42,665,341)
Balance at end of year	<u>P 965,848,887</u>	<u>P 927,419,911</u>

The movements in the fair value of plan assets are presented below.

	<u>2018</u>	<u>2017</u>
Balance at beginning of year	P 890,300,678	P 805,138,451
Translation adjustment	105,547,404	( 49,999,559)
Assets distributed on settlement	( 41,148,532)	-
Interest income	25,407,007	25,485,667
Employer's contribution	22,411,544	22,373,112
Benefits paid by the plan	( 21,805,242)	( 42,665,341)
Return on plan assets	6,770,082	129,834,566
Actuarial gain	<u>1,185,549</u>	<u>133,782</u>
Balance at end of year	<u>P 988,668,490</u>	<u>P 890,300,678</u>

The plan assets consist of the following:

	<u>2018</u>	<u>2017</u>
Cash in banks	P 4,436,471	P 7,219,671
Equity securities	664,909,901	587,711,632
Debt securities	310,052,949	292,433,907
Unit investment trust funds	5,009,394	2,829,788
Government bonds	4,259,765	84,195
Miscellaneous receivables	<u>10</u>	<u>21,485</u>
	<u>P 988,668,490</u>	<u>P 890,300,678</u>

Cash in banks includes deposit to a trustee bank and a special deposit account with Bangko Sentral ng Pilipinas. The fair values of the above plan assets, except for miscellaneous receivables which is at Level 3, are determined based on quoted market prices in active markets and are classified as Level 1 of the fair value hierarchy.

The plan assets do not comprise any of the Group's own financial instruments or any of its assets occupied and/or used in its operations.

The components of amounts recognized in profit or loss and in other comprehensive income in respect of the defined benefit post-employment plan are as follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<i>Reported in consolidated profit or loss:</i>			
Current service costs	P 7,872,806	P 8,696,218	P 7,132,699
Net interest costs	1,254,652	1,959,021	2,004,242
Settlement gain	( 486,967)	-	-
	<u>P 8,640,491</u>	<u>P 10,655,239</u>	<u>P 9,136,941</u>

	2018	2017	2016
<i>Reported in consolidated other comprehensive income:</i>			
Remeasurement			
gains (losses) arising			
from changes in:			
Demographic			
assumptions	P 27,900,536	(P 15,641,238)	P 44,765,779
Financial			
assumptions	12,024,139	( 137,733,728)	1,850,492
Experience			
adjustments	( 1,319,086)	12,563,794	5,359,505
Return on plan assets	7,955,631	132,782,636	( 44,047,523)
Share in OCI of			
an associate	31,480	-	-
Tax effect	( 9,998,564)	2,065,397	( 1,585,678)
	<u>P 36,594,136</u>	<u>(P 5,963,139)</u>	<u>P 6,342,575</u>

Current service cost including settlement gain is allocated and presented as part of Salaries and Employee Benefits under Costs and Operating Expenses section in the consolidated statements of comprehensive income. The net interest cost is included in Finance Costs and Other Charges under Other Income (Charges) section in the consolidated statements of comprehensive income (see Note 21.2).

Settlement gain on the exercise of enhance transfer value is presented as part of Salaries and Employee Benefits under Costs and Operating Expenses section in the consolidated statements of comprehensive income (see Note 20.1).

Amounts recognized in other comprehensive income were included within items that will not be reclassified subsequently to profit or loss.

In determining the amounts of the defined post-employment benefit obligation, the discount rate used by the Group ranges from 2.70% to 6.37% in 2018, 2.70% to 5.08% in 2017, and 3.50% to 5.11% in 2016.

(c) *Risks Associated with the Retirement Plan*

The plan exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) *Investment and Interest Risks*

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, majority of the plan asset has been invested in equity and debt securities.

(ii) *Longevity and Salary Risks*

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) *Other Information*

The information on the sensitivity analysis for certain significant actuarial assumptions, the Group's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described below and in the succeeding page.

(i) *Sensitivity Analysis*

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation as at April 30:

	Maximum Impact on			
	Post-employment Defined Benefit Obligation			
	Change in		Increase in	Decrease in
	Assumption		Assumption	Assumption
<u>2018</u>				
Salary rate	+/- 1.00%	P	4,694,695	P 4,694,695
Discount rate	+/- 1.00%	(	4,014,745)	4,014,745
Turn-over rate	+/-10.00%	(	17,045)	17,045
<u>2017</u>				
Salary rate	+/- 1.00%	P	5,622,880	P 5,622,880
Discount rate	+/- 1.00%	(	4,821,295)	4,821,295
Turn-over rate	+/-10.00%	(	30,317)	30,317

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the consolidated statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) *Asset-liability Matching Strategies*

PGMC, through its BOD, envisions that the investment positions shall be managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. This aims to match the plan assets to the retirement obligations by investing in equities and maintaining cash and cash equivalents that match the benefit payments as they fall due and in the appropriate currency.

There are no asset-liability matching strategies currently being used by H.R. Owen's retirement plan.

*(iii) Funding Arrangements and Expected Contributions*

The undiscounted expected benefit payment from the plan is expected to be paid more than 15 years from the reporting date. The weighted average duration of the defined benefit obligation at the end of the reporting period is 15 years.

The best estimate of contribution to be paid by H.R. Owen to the plan for the fiscal year 2019 is P14,767,542.

**20.3 Post-employment Defined Contribution Plan**

*(a) Characteristics of Defined Contribution Plan*

H.R. Owen operates a small number of defined contribution pension schemes which are administered by trustees. The contributions recognized in respect of defined contribution plans are expensed as they fall due.

In 2018, 2017 and 2016, post-employment benefit expense for the defined contribution plans amounted to P13,058,071, P9,673,836, and P11,787,604, respectively, and is presented as part of Salaries and Employee Benefits under Costs and Operating Expenses section in the consolidated statements of comprehensive income (see Note 20.1).

**21. FINANCE INCOME AND FINANCE COSTS**

The components of this account follow:

**21.1 Finance Income**

	<u>Notes</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Interest income	7, 22.1	<b>P110,277,860</b>	P106,988,671	P 98,589,178
Foreign currency gains – net		<b>47,934,001</b>	-	-
Dividend income	11	<b>23,393,052</b>	<b>16,228,724</b>	<b>13,473,677</b>
		<b><u>P 181,604,913</u></b>	<b><u>P123,217,395</u></b>	<b><u>P112,062,855</u></b>

**21.2 Finance Costs and Other Charges**

	<u>Notes</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Interest expense	18, 20	<b>P155,704,879</b>	P141,814,994	P117,419,526
Impairment losses	11	<b>210,238,322</b>	2,877,999	111,478,534
Bank charges		<b>36,169,158</b>	32,924,358	41,149,156
Loss on deemed disposal of investment	13	-	99,084,160	-
Foreign currency losses – net		-	<b>71,998,410</b>	<b>19,077,234</b>
		<b><u>P402,112,359</u></b>	<b><u>P348,699,921</u></b>	<b><u>P289,124,450</u></b>

## 22. RELATED PARTY TRANSACTIONS

The significant transactions of the Group with related parties are described below.

Related Party Category	Notes	Amount of Transactions			Outstanding Balance Receivable (Payable)	
		2018	2017	2016	2018	2017
<b>Associates:</b>						
Cash advances granted	13.1, 22.1	P 469,622,710	P 31,040,000	P 34,540,000	P 1,515,841,109	P 990,024,321
Advances for stock subscription	22.2	-	( 82,283,456 )	( 26,000,000 )	-	-
<b>Related party under common ownership:</b>						
Payments for future acquisition of investment securities	8, 22.3	( 4,977,146 )	( 60,378,722 )	( 41,240,000 )	7,222,478	12,199,624
Management services	8, 22.4	-	1,491,243	8,992,211	21,752,409	-
Purchase of spare parts and accessories	17, 22.5	1,440,983	12,941,389	11,226,954	( 94,132 )	( 560,214 )
Software support services	22.7	20,370,965	19,343,632	18,535,298	-	-
Rental	22.10	6,250,000	6,000,000	6,000,000	-	-
Share in allocated expenses	17, 22.8	432,977	329,392	( 366,081 )	945,621	512,644
Payment for certain expenses (net)	8, 22.9	( 87,547 )	348,752	29,760	-	87,547
Advance rental	10, 22.10	( 1,070,000 )	1,070,000	-	12,020,000	13,070,000
Vehicle services	22.9	-	10,307,111	-	8,351,965	-
<b>Stockholders –</b>						
Purchase of inventories	17, 22.6	-	299,923,200	8,472,687,812	-	( 70,222,240 )
<b>Directors, officers and employees:</b>						
Key management compensation	22.11	85,114,299	82,795,789	107,477,108	-	-
Advances	8, 22.12	( 332,506 )	( 377,784 )	1,166,105	4,760,526	5,083,970
Sale of vehicles	22.12	79,581,808	-	40,725,445	-	-
Loan obtained	22.12	17,892,850	-	-	17,892,850	-
<b>Entity owned by a key management personnel –</b>						
Management services	17, 22.4	71,655,000	76,083,000	85,910,000	19,947,000	20,223,000
<b>Others –</b>						
Deposits	22.15	384,037,094	255,708,180	139,689,400	776,434,674	392,397,580

Unless otherwise stated, advances granted to related parties are unsecured, noninterest-bearing and are payable in cash upon demand. These advances have been reviewed for impairment. Based on management's assessment, no impairment loss is required to be recognized.

## 22.1 Advances to Associates

The Group grants advances to its associates for working capital purposes. These advances are unsecured, noninterest-bearing and due on demand, except for the loan granted to BPPI, NPI and VideoDoc. The balances of these advances, presented as Advances to Associates account in the consolidated statements of financial position as at April 30, are shown below.

	2018	2017 (As Restated – see Note 2.1)
NPI	P 920,365,229	P 790,677,694
PLPI	373,749,072	31,683,131
BPPI	207,692,311	165,040,000
VideoDoc	11,311,001	-
CPI	2,723,496	2,623,496
	<b><u>P 1,515,841,109</u></b>	<b><u>P 990,024,321</u></b>

Since 2013, the Parent Company has an outstanding unsecured loan to NPI, an associate beginning in 2017, amounting to P790,677,694 as of April 30, 2017. The loan is payable in cash to the Parent Company on demand subject to interest based on current bank rate. In 2018, additional loan was advanced to NPI amounting to P86,980,200. Interest income amounting to P39,917,264 in 2018, 2017 and 2016 is recorded as part of Finance Income in the consolidated statements of comprehensive income (see Note 21.1).

In 2009, the Parent Company granted advances to PLPI as a result of the execution of a MOA, which is part of the Group's strategy to acquire an interest in the operation of a hotel located in Makati City (see Note 16). In 2018, additional cash advances, which bear an annual interest rate of 6.00%, were granted by the Group to PLPI amounting to P336,806,800 for the acquisitions of parcels of land. Collections of P2,000,000 were also made from PLPI in 2018.

In 2018 and 2017, the Parent Company made advances to CPI for its pre-operating activities which amounted to P100,000 and P200,000, respectively.

In 2011, the Parent Company provided P100,000,000 loan to BPPI, bearing an annual interest rate of 7.00% payable in cash within two years from the borrowing date. The loan is secured by a guaranty from a major stockholder of BPPI. In 2013, the Parent Company extended the term of this loan for an additional three years. The loan was further extended for another three years in 2016 bearing the same terms with the original loan except that the Parent Company now has the discretion to recall the loan any time prior to maturity; hence, the loan is presented under current assets in the consolidated statements of financial position. Interest income amounting to P7,000,000 in 2018, 2017 and 2016 is recorded as part of Finance Income in the consolidated statements of comprehensive income (see Note 21.1).

The Parent Company granted cash advances to BPPI amounting to P56,000,000, of which P35,000,000 and P21,000,000 were provided in 2018 and 2017, respectively. The advances bear an annual interest rate of 7.00% and is payable in cash upon demand. Interest income amounting to P812,311 in 2018 (nil in 2017 as the advances were granted at year-end) is recorded as part of Finance Income in the 2018 consolidated statement of comprehensive income. Consequently, the Parent Company also made collections from BPPI amounting to P1,000,000 and P2,000,000 in 2018 and 2017, respectively.

In 2018, the Group also provided 150,000GBP (equivalent to P10,735,710) unsecured loan to VideoDoc, bearing an annual interest rate of 8.00% payable on each interest payment date from the borrowing date. Interest income amounting to P575,291 is recorded as part of Finance Income in the 2018 consolidated statement of comprehensive income (see Note 21.1).

The movements of Advances to Associates account recognized in the books are as follows:

	Note	2018	2017 (As Restated – see Note 2.1)
Balance at beginning of year		P 990,024,321	P 170,306,627
Interest recognized during the year		64,970,620	7,000,000
Additions during the year:			
PLPI		331,030,258	2,000,000
NPI		86,980,200	790,677,694
BPPI		35,000,000	21,840,000
VideoDoc		10,735,710	-
CPI		100,000	200,000
		<u>1,518,841,109</u>	<u>992,024,321</u>
Collections during the year		( 3,000,000)	( 2,000,000)
Balance at end of year	13	<u>P 1,515,841,109</u>	<u>P 990,024,321</u>

## 22.2 Advances for Stock Subscription

In 2017, the Parent Company's outstanding advances for stock subscription to NPI as at April 30, 2016 were reclassified as part of Investments in Associates account which represent 41.46% effective ownership interest; hence, obtaining significant influence over NPI. There was no similar transaction in 2018.

## 22.3 Payments for Future Acquisition of Investments

The Group deposited funds to IPSSB on client-trust basis for future acquisition of investment securities. IPSSB, a related party under common ownership, is principally engaged in the business of stock brokerage. Outstanding balance of deposits to IPSSB for future acquisition of investments as at April 30, 2018 and 2017 amounted to P7,222,478 and P12,199,624, respectively, and are presented as part of Payments for future acquisition of investments under Trade and Other Receivables account in the consolidated statements of financial position (see Note 8). These advance payments are noninterest-bearing and collectible in cash upon demand of the Group.

#### ***22.4 Management Service Agreement***

Total management fees paid to an entity owned by a key management personnel of the Group based on Management Services Agreement amounted to P71,655,000, P76,083,000, and P85,910,000 in 2018, 2017 and 2016, respectively, and are shown as part of Professional Fees under Costs and Other Operating Expenses section in the consolidated statements of comprehensive income. The net outstanding liability arising from this transaction amounted to P19,947,000 and P20,223,000 as at April 30, 2018 and 2017, respectively, and is presented as Management fee payable under the Trade and Other Payables account in the consolidated statements of financial position (see Note 17). The payable arising from this transaction is unsecured, noninterest-bearing and payable in cash within a year.

In 2017, Berjaya Sports Toto Berhad, a related party under common ownership, invoiced a total of P1,491,243 to the Group for the provision of management consultancy services, which is presented as part of Professional Fees under Costs and Other Operating Expenses section in the 2017 consolidated statement of comprehensive income. There was no outstanding liability arising from this transaction as at April 30, 2018 and 2017.

#### ***22.5 Purchase of Goods and Services***

The Group made purchases of imported spare parts and accessories of on-line lottery equipment from International Lottery Totalizator System (ILTS). The outstanding payable related to this transaction amounted to P94,132 and P560,214 as at April 30, 2018 and 2017, respectively, and is presented as part of Trade payables under Trade and Other Payables account in the consolidated statements of financial position (see Note 17). The outstanding balance is unsecured, noninterest-bearing and payable in cash within a year.

#### ***22.6 Purchase of Inventories***

In 2017, Bentley Motors Limited (Bentley Motors) held 26.3% ownership of H.R. Owen. Accordingly, Bentley Motors had been deemed to be a related party throughout the fiscal year ended April 30, 2017. In the normal course of business, the Group purchased a total value of vehicles and parts from Bentley Motors amounting to P299,923,200 in 2017. As at April 30, 2017, outstanding payable to Bentley Motors amounted to P70,222,240, and is presented as part of Trade payables under Trade and Other Payables account in the 2017 consolidated statement of financial position (see Note 17). The payable arising from this transaction is unsecured, noninterest-bearing and payable in cash within a year. There are no such related party transactions for 2018 since the H.R. Owen shares were disposed by Bentley Motors during fiscal year ended April 30, 2017.

## 22.7 Software Support Services Agreement

The Group entered into a Software Support Services Agreement (Software Agreement) with Sports Toto Malaysia Sdn. Bhd. (STMSB), a related party under common ownership, for the maintenance of the Group's on-line lottery equipment. The Software Agreement is automatically renewed annually unless terminated by either party. In 2018, 2017 and 2016, the Group recognized royalty expenses arising from the transaction amounting to P20,370,965, P19,343,632, and P18,535,298, respectively, and are presented as part of Maintenance of Computer Equipment under Costs and Other Operating Expenses account in the consolidated statements of comprehensive income. The Group has no outstanding payable arising from this transaction as at April 30, 2018 and 2017.

## 22.8 Due to a Related Party

Berjaya Resorts Management Services Sdn Bhd (Berjaya Resorts), a related party under common ownership, allocates costs and expenses to the Group related to advertising and promotion, among others. The outstanding allocated expenses are presented as part of Due to related parties under Trade and Other Payables account in the consolidated statements of financial position (see Note 17). The payable arising from this transaction is unsecured, noninterest-bearing and payable in cash upon demand.

The details of the Group's transactions with Berjaya Resorts are presented below.

	<u>2018</u>	<u>2017</u>
Balance at beginning of year	P 512,644	P 183,252
Expenses incurred during the year	5,306,844	4,499,510
Payments made during the year	(4,873,867)	(4,170,118)
Balance at end of year	<u>P 945,621</u>	<u>P 512,644</u>

## 22.9 Due from Other Related Parties

In 2016, the Group paid certain expenses in behalf of Taaras Beach & Spa Resort (Taaras), a related party under common ownership. Total outstanding advances as at April 30, 2017, presented as Due from related parties under Trade and Other Receivables account in the 2017 statement of financial position, has been fully collected in 2018. The details of the Group's transactions with Taaras are presented below.

	<u>2018</u>	<u>2017</u>
Balance at beginning of year	P 87,547	P 135,929
Collections during the year	(87,547)	(48,382)
Balance at end of year	<u>P -</u>	<u>P 87,547</u>

In 2018 and 2017, H.R. Owen provided vehicle related services to STMSB. The total amount of income recognized in both 2018 and 2017 is presented as part of Servicing and bodyshop under Revenues in the consolidated statements of comprehensive income. The outstanding amount collectible from STMSB amounted to P21,752,409 and P8,351,978 as at April 30, 2018 and 2017, respectively and are presented as part of Due from related parties under Trade and Other Receivables – net in the consolidated statements of financial position (see Note 8).

## 22.10 Lease Agreement with PLPI

In 2012, the Group and PLPI amended its existing lease agreement making the lease term good for one year for an annual rental of P6,000,000 but renewable annually, at the option of the lessee, for a maximum of 25 years. On July 1, 2017, the lease was amended, making the annual rental to P6,250,000, with all other terms being retained.

Total rent expense related to this lease agreement amounted to P6,250,000 in 2018 and P6,000,000 in both 2017 and 2016, and is presented as part of Rental account in the consolidated statements of comprehensive income. The Group also has advance rental to PLPI amounting to P12,020,000 and P13,070,000 as at April 30, 2018 and 2017, respectively, which are presented as Advance rental under Prepayments and Other Current Assets account in the consolidated statements of financial position (see Note 10).

## 22.11 Key Management Personnel Compensation

The details of key management personnel compensation (from vice-president and up) are as follows:

	2018	2017	2016
Short-term benefits	P 81,046,700	P 81,795,680	P 105,073,156
Post-employment benefits	4,067,599	1,000,109	2,403,952
	<u>P 85,114,299</u>	<u>P 82,795,789</u>	<u>P 107,477,108</u>

Director emoluments in 2018, 2017 and 2016 amounted to P4,350,000, P3,950,000, and P4,000,000, respectively, and are presented as part of Professional Fees under Costs and Other Operating Expenses section in the consolidated statements of comprehensive income. There were no outstanding payable relating to this compensation as at April 30, 2018 and 2017.

## 22.12 Transactions with Officers and Employees

In the normal course of business, the Group grants interest-bearing advances to its officers and employees. Outstanding advances to officers and employees amounted to P4,760,526 and P5,083,970 as at April 30, 2018 and 2017, respectively, and are presented as Advances to officers and employees under Trade and Other Receivables account in the consolidated statements of financial position (see Note 8).

In 2018, the Group obtained a 5-year, interest-bearing loan from a director of a subsidiary amounting to 250,000GBP (equivalent to P17,892,850). The loan, which is payable in cash upon maturity on May 4, 2022, bears interest at a rate of 1% above Bank of England base rate per annum. The outstanding balance of the loan amounting to P17,892,850 is presented as part of the non-current portion of Trade and Other Payables account in the 2018 consolidated statement of financial position (see Note 17). There was no similar loan obtained in 2017.

In the normal course of business, the Group sold vehicles amounting to P79,581,808 to directors in 2018 (nil in 2017). There was no outstanding balance arising from this transaction as at April 30, 2018. Furthermore, total deposits of P7,157,140 are held by the Group from the directors for future vehicle purchases and is presented as part of Trade and Other Payables account in the 2018 consolidated statement of financial position.

### **22.13 Loan Guarantee**

The loans of BPPI from a certain financial institution amounting to P220,000,000 and P240,000,000 as at April 30, 2018 and 2017, respectively, are secured by the Parent Company (see Note 28.4).

### **22.14 Retirement Plan**

The details of the contributions of the Parent Company and benefits paid out by the plan is presented in Note 20.2.

The retirement plan neither provides any guarantee or surety for any obligation of the Group nor its investments covered by any restrictions or liens.

### **22.15 Deposits**

A foreign subsidiary company has placements, inclusive of interest receivable, amounting to P776,434,674 and P392,397,580, as at April 30, 2018 and 2017, respectively, with a foreign asset management firm of which a director of the foreign subsidiary company has an interest. These placements are presented as part of Deposits under Trade and Other Receivables account in the consolidated statements of financial position (see Note 8).

### **22.16 Related Party Transactions that are Eliminated in the Consolidated Financial Statements**

The following are the related party transactions (amounts and balances) that are eliminated in the consolidated financial statements:

#### **(a) Advances to Subsidiaries**

In 2009, the Parent Company granted advances to PHPI as a result of the execution of a MOA, which is part of the Group's strategy to acquire an interest in the operation of a hotel located in Makati City. The outstanding balance as at April 30, 2018 and 2017 amounted to P648,020,377 and P669,020,377, respectively.

In October 2016, the Parent Company granted a loan to H.R. Owen amounting to 2,000,000GBP (about P127,676,800) for business expansion. The loan remained outstanding as at April 30, 2017 and was fully paid in June 2017.

In April 2018, the Parent Company granted a loan to FEC amounting to P40,000,000. The loan bears an annual interest rate of 6% and is payable in cash upon demand.

#### **(b) Advances from a Subsidiary**

In 2017, the Parent Company obtained advances from PGMC amounting to P258,348,250 for working capital requirements and other purposes. The advances are unsecured, noninterest-bearing and payable in cash upon demand, or through offsetting arrangements. Outstanding balance as at April 30, 2018 and 2017 amounted to P112,881,839 and P258,348,250, respectively.

(c) *Dividends from a Subsidiary*

The Parent Company recognized dividend income amounting to P650,000,000, P170,000,000 and P680,000,000 arising from the declaration of dividends by PGMC in 2018, 2017 and 2016, respectively. Consequently, the Parent Company received the cash dividends of P440,000,000, P325,600,000 and P524,000,000 in 2018, 2017 and 2016, respectively. There was no dividend receivable as at April 30, 2018 and 2017.

## 23. EQUITY

### 23.1 Capital Management Objectives, Policies and Procedures

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk.

The Group sets the amount of capital in proportion to its overall financing structure. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

The Group monitors capital on the basis of the carrying amount of equity as presented on the face of the consolidated statements of financial position and also evaluates its capital in terms of debt-to-equity ratio as shown below.

	<u>2018</u>	<u>2017</u>
Total liabilities	<b>P 8,995,106,303</b>	P7,550,375,430
Total equity	<b><u>8,502,260,698</u></b>	<u>7,205,086,278</u>
Debt-to-equity ratio	<b><u>1.06 : 1.00</u></b>	<u>1.05 : 1.00</u>

### 23.2 Capital Stock

As at April 30, 2018 and 2017, the Parent Company has 6,000,000,000 authorized shares with P1 par value, of which 4,427,009,132 shares are issued (see Note 23.5).

The details of the Parent Company's capital stock as at April 30 is shown below.

	<u>Number of Shares</u>		<u>Amount</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Common shares – P1 par value				
Authorized:				
Balance at beginning of year	6,000,000,000	2,000,000,000	P 6,000,000,000	P 2,000,000,000
Increase in capital stock	-	4,000,000,000	-	4,000,000,000
Balance at end of year	<b><u>6,000,000,000</u></b>	<b><u>6,000,000,000</u></b>	<b><u>P 6,000,000,000</u></b>	<b><u>P 6,000,000,000</u></b>
Issued and outstanding:				
Balance at beginning of year	4,427,009,132	953,984,448	P 4,427,009,132	P 953,984,448
Stock dividends	-	3,473,024,684	-	3,473,024,684
Balance at end of year	<b><u>4,427,009,132</u></b>	<b><u>4,427,009,132</u></b>	<b><u>P 4,427,009,132</u></b>	<b><u>P 4,427,009,132</u></b>

As at April 30, 2018 and 2017, there are 142 holders of the Parent Company's total outstanding shares. In November 1948, the Parent Company listed 953,984,448 shares in the Philippine Stock Exchange (PSE). An additional 3,473,024,684 shares were listed in July 2016. The Parent Company's listed shares are bid at P5.01 per share and P5.30 per share as at April 30, 2018 and 2017, respectively.

The Parent Company has 126 stockholders owning 100 or more shares each of the Parent Company's capital stock, as at April 30, 2018 and 2017.

### 23.3 Treasury Shares

The Parent Company's treasury shares represent the cost of 85,728,277 shares bought back by the Parent Company prior to 2014.

The Parent Company's retained earnings is restricted for dividend declaration to the extent of the cost of treasury shares (see Note 23.5).

### 23.4 Revaluation Reserves

The movements of Revaluation Reserves follow:

	Note	2018	2017	2016
<b>Revaluation of AFS</b>				
Balance at beginning of year		(P 61,531,716)	(P 26,720,406)	P 122,458,347
Net unrealized fair value losses on AFS financial assets	11	73,700,839	( 44,375,819)	( 163,685,750)
Reclassification adjustments:				
Due to impairment of AFS financial asset	11	69,273,240	-	5,294,045
Due to disposal of AFS financial asset	11	-	9,564,509	9,212,952
Balance at end of year		<u>81,442,363</u>	<u>( 61,531,716)</u>	<u>( 26,720,406)</u>
<b>Measurement of post-employment benefits</b>				
Balance at beginning of year		( 5,704,487)	214,171	( 4,354,438)
Net actuarial gain (loss) on remeasurement of post-employment benefit obligation – net of tax		36,340,348	( 2,745,754)	6,342,575
Actuarial gain (loss) attributable to minority interest		<u>31,480</u>	<u>( 3,172,904)</u>	<u>( 1,773,966)</u>
Balance at end of year		<u>30,667,341</u>	<u>( 5,704,487)</u>	<u>214,171</u>
<b>Revaluation surplus</b>				
Balance at beginning of year		-	-	-
Fair value adjustment on property and equipment transferred to investment properties		<u>32,049,054</u>	<u>-</u>	<u>-</u>
Balance at end of year		<u>32,049,054</u>	<u>-</u>	<u>-</u>
		<u>P 144,158,758</u>	<u>(P 67,236,203)</u>	<u>(P 26,506,235)</u>

### 23.5 Retained Earnings

In 2015, the BOD of the Parent Company approved the appropriation of retained earnings amounting to P1,150,000,000 for future investments, expansion and various expenditures which are expected to be carried out within the next two to five years in line with the Group's growth plans.

On October 5, 2015, the Parent Company's BOD approved the following resolutions:

- (i) increase in authorized capital stock from P2,000,000,000 divided into 2,000,000,000 shares to P6,000,000,000 divided into 6,000,000,000 shares;

- (ii) reversal of P4,000,000,000 previously allocated funds for capital expenditures and corporate expansion back to unrestricted retained earnings; and,
- (iii) declaration of stock dividends at a rate of 4 common shares for every common share held to be taken from the increase in authorized capital stock.

Consequently, the Parent Company set apart portion of the unappropriated retained earnings amounting to P3,473,024,684 for distribution of stock dividends.

On May 27, 2016, the Parent Company filed the declaration of stock dividends and the increase in authorized capital stock for approval of the SEC. Subsequently, the SEC approved the increase in authorized capital stock on May 31, 2016. Further, on June 6, 2016 the SEC approved the declaration of stock dividends setting the date of record on June 24, 2016 and the date of payment on July 20, 2016.

Consequently on July 20, 2016, the Parent Company issued stock dividends of 3,473,024,684 shares at par and the amount of retained earnings previously appropriated was reversed.

There was no cash dividend declaration by the Parent Company in 2018, 2017 and 2016.

## 24. CURRENT AND DEFERRED TAXES

The components of tax expense relating to profit or loss and other comprehensive income follow:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<i>Reported in profit or loss:</i>			
Current tax expense:			
Regular corporate income tax (RCIT) at 30% and 22.5%	P357,431,332	P303,686,910	P257,896,593
Minimum corporate income tax (MCIT)	2,959,486	711,912	2,957,475
Final tax on passive income at 20% and 7.5%	241,592	466,008	410,643
Tax benefit from application of unrecognized MCIT	<u>-</u>	<u>( 4,583,464)</u>	<u>-</u>
	360,632,410	300,281,366	261,264,711
Deferred tax income relating to the origination, reversal of temporary differences, and unused tax losses	<u>( 48,172,182)</u>	<u>( 20,205,905)</u>	<u>( 36,338,378)</u>
	P312,460,228	P280,075,461	P224,926,333
<i>Reported in other comprehensive income –</i>			
Deferred tax expense (income) relating to origination and reversal of temporary differences	P 16,609,042	(P 692,361)	(P 2,405,814)

The reconciliation of tax on pre-tax income computed at the applicable statutory rates to tax expense reported in profit or loss follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Tax on pretax income at 30%	<b>P 332,647,749</b>	P295,250,537	P279,375,733
Adjustments for:			
Income subjected to lower income tax rates	( 45,114,674)	( 18,550,194)	( 11,726,542)
Application of optional standard deduction (OSD)	<b>6,313,079</b>	8,637,545	( 14,160,275)
Tax effects of:			
Non-taxable income	( 59,914,208)	( 39,381,155)	( 16,711,348)
Non-deductible expenses	<b>44,328,475</b>	33,413,052	12,880,331
Fixed-asset differences	<b>18,054,561</b>	15,491,908	-
Adjustments to current tax for prior years	<b>13,801,504</b>	749,808	( 18,614,074)
Unrecognized MCIT	<b>1,363,981</b>	( 4,583,464)	2,226,455
Remeasurement of deferred tax asset due to change in UK tax rate	<b>686,642</b>	( 1,749,552)	-
Expiration of MCIT	<b>240,321</b>	774,828	-
Unrecognized net operating loss carry over (NOLCO)	<b>52,798</b>	-	-
NOLCO	<u>-</u>	<u>( 9,977,852)</u>	<u>( 8,343,947)</u>
Tax expense reported in the consolidated profit or loss	<b><u>P 312,460,228</u></b>	<b><u>P280,075,461</u></b>	<b><u>P224,926,333</u></b>

The deferred tax assets and liabilities as at April 30 presented in the consolidated statements of financial position relate to the following:

	<u>2018</u>	<u>2017</u>
Deferred tax assets -- net:		
Impairment loss	<b>P 98,195,559</b>	P 35,124,062
Post-employment benefit obligation	<b>5,925,292</b>	9,285,513
Unamortized past service cost	<b>5,860,135</b>	4,461,563
Unrealized foreign currency losses -- net	<u><b>3,556,356</b></u>	<u>17,844,999</u>
	<b><u>P113,537,342</u></b>	<b><u>P 66,716,137</u></b>
Deferred tax liabilities -- net:		
Rolled-over and held over capital gains	<b>P 58,255,756</b>	P 46,663,062
Post-employment benefit obligation	<b>6,088,729</b>	( 2,078,786)
Depreciation in excess of capital allowance	( 3,864,856)	( 5,856,790)
Advance rental	<b>3,606,000</b>	3,606,000
MCIT	( 2,229,995)	( 1,683,253)
Capitalized direct cost	<b>1,333,429</b>	1,365,178
NOLCO	( 860,045)	( 537,945)
Other short-term timing differences	( 71,571)	347,281
Security deposit	( 57,458)	( 46,739)
Unrealized foreign currency gains	<u><b>43,911</b></u>	<u>42,530</u>
	<b><u>P 62,243,900</u></b>	<b><u>P 41,820,538</u></b>

The deferred tax income reported in the consolidated statements of comprehensive income is shown below.

<b>Consolidated Profit or Loss</b>			
	<b>2018</b>	<b>2017</b>	<b>2016</b>
Deferred tax income:			
Impairment losses	(P 63,071,497)	(P 863,400)	(P 31,448,162)
Unrealized foreign currency gain (loss) – net	14,290,024	( 19,757,139)	( 3,247,043)
Depreciation in excess of capital allowance	2,591,662	-	-
Post-employment benefit obligation	1,412,748	2,840,702	( 1,528,875)
Unamortized past service cost	( 1,398,571)	( 2,602,133)	( 616,889)
Rolled-over and held-over capital gains	( 643,040)	-	-
MCIT	( 546,742)	62,916	( 731,020)
NOLCO	( 322,100)	-	( 537,945)
Capitalized direct cost	( 31,749)	( 31,748)	( 31,748)
Security deposit	( 10,719)	( 14,700)	1,051,248
Advance rental	-	159,597	769,688
Pre-operating expenses	-	-	( 17,632)
Other short-term timing differences	( 442,198 )	-	-
	<b>(P 48,172,182)</b>	<b>(P 20,205,905)</b>	<b>(P 36,338,378)</b>
<b>Consolidated Other Comprehensive Income</b>			
	<b>2018</b>	<b>2017</b>	<b>2016</b>
Deferred tax expense (income):			
Post-employment benefit obligation	P 9,998,564	(P 692,361)	(P 2,405,814)
Investment property	6,610,478	-	-
	<b>P 16,609,042</b>	<b>(P 692,361)</b>	<b>(P 2,405,814)</b>

The details of the Group's NOLCO and MCIT, which can be applied against taxable income and RCIT, respectively, follow:

Year Incurred	Amount	Applied		Expired	Balance	Expiry Date
		Prior Year	Current Year			
NOLCO						
2018	P 1,177,578	P -	P -	P -	P 1,177,578	2021
2016	<u>1,793,151</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,793,151</u>	2019
	<b><u>P 2,970,729</u></b>	<b><u>P -</u></b>	<b><u>P -</u></b>	<b><u>P -</u></b>	<b><u>P 2,970,729</u></b>	
MCIT						
2018	P 2,150,234	P -	P -	P -	P 2,150,234	2021
2017	711,912	-	-	-	711,912	2020
2016	2,957,475	-	-	-	2,957,475	2019
2015	<u>3,164,378</u>	<u>( 876,129)</u>	<u>-</u>	<u>( 2,288,249)</u>	<u>-</u>	
	<b><u>P 8,983,999</u></b>	<b><u>(P 879,129)</u></b>	<b><u>P -</u></b>	<b><u>(P 2,288,249)</u></b>	<b><u>P 5,819,621</u></b>	

The Group's NOLCO and MCIT pertain to the Parent Company and PHPI. In 2018 and 2017, the management has taken a conservative position of not recognizing additional deferred tax assets arising from NOLCO and MCIT since their recoverability and utilization are unlikely at this time based on the assessment of management.

In 2018 and 2017, the Parent Company, PHPI and FEC opted to claim itemized deductions, while PGMC continued claiming OSD.

Taxation of H.R. Owen is in accordance with the tax laws of UK. The standard rate of corporate tax in the UK was reduced to 19.00% for the years starting April 1, 2017, 2018 and 2019, which was substantively enacted in April 2015. A law was enacted on September 2016 which further reduces the corporate tax to 17% for the year starting April 1, 2020. Consequently, deferred tax assets and liabilities arising from transactions of H.R. Owen have been calculated at 17.00% of the gross sum on the basis that they are expected to unwind after April 1, 2020.

## 25. EARNINGS PER SHARE

The earnings per share of the Group is presented below.

	2018	2017	2016
Net profit attributable to owners of the Parent Company	P 785,824,811	P 674,067,840	P 678,320,666
Divided by weighted average number of outstanding shares	<u>4,341,280,855</u>	<u>4,341,280,855</u>	<u>4,341,280,855</u>
Earnings per share	<u>P 0.18</u>	<u>P 0.16</u>	<u>P 0.16</u>

The Group has no potentially dilutive instruments; thus, basic and dilutive earnings per share are the same.

## 26. CATEGORIES, FAIR VALUES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

### 26.1 Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the consolidated statements of financial position are shown below.

Notes	2018		2017 (As Restated – see Note 2.1)	
	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
<b>Financial Assets</b>				
Loans and receivables:				
Cash and cash equivalents	7	P 1,195,177,294	P 1,195,177,294	P 1,060,850,712
Trade and other receivables - net	8	2,620,625,259	2,620,625,259	2,659,123,454
Advances to associates	22.1	1,515,841,109	1,515,841,109	990,024,321
Prepayments and other current assets	10	50,906,435	50,906,435	30,004,048
Other non-current assets		<u>3,217,271</u>	<u>3,217,271</u>	<u>4,706,098</u>
		<u>P 5,385,787,368</u>	<u>P 5,385,767,368</u>	<u>P 4,744,708,633</u>
AFS financial assets - net	11	<u>P 1,199,369,442</u>	<u>P 1,199,369,442</u>	<u>P 901,808,762</u>
<b>Financial Liabilities</b>				
Financial liabilities at amortized cost:				
Trade and other payables	17	P 3,967,339,248	P 3,967,339,248	P 1,856,934,874
Loans payable and borrowings	18	<u>4,698,429,184</u>	<u>4,709,005,437</u>	<u>4,228,551,041</u>
		<u>P 8,665,768,432</u>	<u>P 8,676,344,685</u>	<u>P 6,085,485,915</u>

See Notes 2.4 and 2.10 for a description of the accounting policies for each category of financial instruments. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 4.

### ***26.2 Offsetting of Financial Assets and Financial Liabilities***

Currently, financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instrument (particularly related parties) will have the option to settle all such amounts on a net basis through approval by both parties' BOD and stockholders or upon instruction by the Parent Company.

## **27. FAIR VALUE MEASUREMENT AND DISCLOSURES**

### ***27.1 Fair Value Hierarchy***

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- (a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- (b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- (c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Parent Company uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

## 27.2 Financial Instruments Measured at Fair Value

Quoted equity securities, debt securities and others classified as AFS financial assets are included in Level 1 as their prices are derived from quoted prices in active market that the entity can access at the measurement date, except for certain equity securities with carrying amount of P116,921,250 and P77,033,450, which are carried at cost as at April 30, 2018 and 2017, respectively (see Note 11).

The fair value of these shares increased by P73,700,839 in 2018 and decreased by P44,375,819 and P163,685,750 in 2017 and 2016, respectively. This was presented as Net Unrealized Fair Value Gains on Available-for-sale Financial Assets under Other Comprehensive Income (Loss) of the consolidated statements of comprehensive income.

The Group has no financial liabilities measured at fair value as at April 30, 2018 and 2017. There were no transfers across the levels of the fair value hierarchy in both years.

## 27.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The table below shows the fair value hierarchy of the Group's classes of financial assets and financial liabilities measured at fair value in the consolidated statements of financial position on a recurring basis as at April 30, 2018 and 2017:

		2018			
		Level 1	Level 2	Level 3	Total
<b>Financial assets:</b>					
Cash and cash equivalents	P	1,195,177,294	P -	P -	P 1,195,177,294
Trade and other receivables		-	-	2,620,625,259	2,620,625,259
Advances to associates		-	-	1,515,841,109	1,515,841,109
Prepayments and other current assets		-	-	50,906,435	50,906,435
Other non-current assets		-	-	3,217,271	3,217,271
	<b>P</b>	<b>1,195,177,294</b>	<b>P -</b>	<b>P 4,190,590,074</b>	<b>P 5,385,767,368</b>
<b>Financial liabilities:</b>					
Trade and other payables	P	-	P -	P 3,967,339,248	P 3,967,339,248
Loans payable and borrowings		-	-	4,709,005,437	4,709,005,437
	<b>P</b>	<b>-</b>	<b>P -</b>	<b>P 8,676,344,685</b>	<b>P 8,676,344,685</b>
		2017			
		(As Restated – see Note 2.1)			
		Level 1	Level 2	Level 3	Total
<b>Financial assets:</b>					
Cash and cash equivalents	P	1,060,850,712	P -	P -	P 1,060,850,712
Trade and other receivables		-	-	2,659,123,454	2,659,123,454
Advances to associates		-	-	990,024,321	990,024,321
Prepayments and other current assets		-	-	30,004,048	30,004,048
Other non-current assets		-	-	4,706,098	4,706,098
	<b>P</b>	<b>1,060,850,712</b>	<b>P -</b>	<b>P 3,683,857,921</b>	<b>P 4,744,708,633</b>
<b>Financial liabilities:</b>					
Trade and other payables	P	-	P -	P 1,856,934,874	P 1,856,934,874
Loans payable and borrowings		-	-	4,223,691,107	4,223,691,107
	<b>P</b>	<b>-</b>	<b>P -</b>	<b>P 6,080,625,981</b>	<b>P 6,080,625,981</b>

#### 27.4. Investment Property Measured at Fair Value

The fair value of the Group's investment property (see Note 15) are determined on the basis of the appraisals performed by an independent appraiser with appropriate qualifications. In estimating the fair value of the land, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management's assessment, the best use of the Group's non-financial assets indicated above is their commercial utility.

The Level 3 fair value of land was derived using the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations adjusted for differences in key attributes. Under this approach, when sales prices of comparable land in close proximity are used in the valuation of the subject property with no adjustment on the price, fair value is included in Level 2. On the other hand, if the observable recent prices of the reference properties were adjusted for differences in key attributes such as property size, zoning, and accessibility, the fair value is included in Level 3. The most significant input into this valuation approach is the price per square meter, hence, the higher the price per square meter, the higher the fair value. There were no transfers into or out of Level 3 fair value hierarchy in both years.

## 28. COMMITMENTS AND CONTINGENCIES

The following are the significant commitments and contingencies involving the Group:

### 28.1 Operating Lease Commitments – PGMC, PHPI and H.R. Owen as Lessees

PGMC and H.R. Owen lease its office and dealership spaces, respectively, under lease agreements from certain lessors, which will expire at various dates from 2017 to 2018. Other lease agreements by H.R. Owen are due until 2027. The lease agreements also provide for renewal options upon mutual consent of both parties.

In 2012, PHPI and PLPI amended its existing lease agreement making the lease term good for one year for an annual rental in 2012 of P6,000,000 but renewable annually for a maximum of 25 years at the option of the lessee. On July 1, 2017, the lease was amended, making the annual rental to P6,250,000, with all the other terms being retained.

Future minimum rental payable related to these leases as at April 30 are as follows:

	<u>2018</u>	<u>2017</u>
Within one year	P 341,617,786	P 384,890,523
After one year but not more than five years	1,144,442,757	1,046,810,401
More than five years	<u>1,139,036,501</u>	<u>1,229,742,273</u>
	<u>P2,625,097,044</u>	<u>P 2,661,443,197</u>

Rental expense arising from these leases amounted to P357,030,160, P321,414,367, and P330,015,723 in 2018, 2017 and 2016, respectively, and is presented as part of Rental under Costs and Other Operating Expenses section in the consolidated statements of comprehensive income.

H.R. Owen's total future minimum lease payments due later than five years as shown in the preceding page include P184,729,935 relating to two properties, which are sub-leased to third parties. Of this amount, P177,769,831 relates to a sub-lease for a single property, which is of the same duration as the Group's own lease, while the sub-lease for the remaining properties, amounting to future minimum lease payments of P6,960,104, can be terminated by the third party on six months' written notice.

### ***28.2 Operating Lease Commitments – PGMC as Lessor***

PGMC entered into an ELA with PCSO covering the lease of its on-line lottery equipment for a period of three years under certain conditions. Rental income derived from ELA amounted to P1,642,234,495, P1,601,472,285, and P1,580,259,448 in 2018, 2017 and 2016, respectively, and are recognized as Rental under Revenues in the consolidated statements of comprehensive income (see Note 6).

### ***28.3 Injunction Case Filed***

On June 11, 2012, PGMC filed an application for the issuance of a Writ of Preliminary Injunction against PCSO and subsequently filed a request for arbitration at the International Chamber of Commerce court on March 12, 2014.

The Arbitral Tribunal has rendered a Final Award on February 23, 2018 ordering PGMC to pay all of PCSO's reasonable costs and expenses in the arbitration. A provision was recognized and presented as Provision for Losses in the 2018 consolidated statement of financial position.

On March 26, 2018, PGMC filed a Petition to Vacate Final Award. As at April 30, 2018, the petition is still pending with the regional trial court.

### ***28.4 Surety Agreement***

In 2018 and 2017, the Parent Company acted as a surety in favor of a certain financial institution to the loan obtained by BPPI for the latter's working capital requirements (see Note 22.13).

### ***28.5 Contracts***

In December 2009, the Group entered into a MOA with the stockholders of TF, whereby the stockholders agreed to sell all their interest in TF and to agree to consent the sale of TF's assets for a total consideration of P785,000,000.

### ***28.6 Others***

There are other commitments, guarantees, litigations and contingent liabilities that arise in the normal course of the Group's operations which are not reflected in the consolidated financial statements. As at April 30, 2018, management is of the opinion that losses, if any, from these commitments and contingencies will not have material effect on the Group's consolidated financial statements.



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**Report of Independent Auditors  
to Accompany Supplementary  
Information Required by the  
Securities and Exchange  
Commission Filed Separately  
from the Basic Consolidated  
Financial Statements**

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**The Board of Directors and the Stockholders**  
**Berjaya Philippines Inc. and Subsidiaries**  
**[A Subsidiary of Berjaya Lottery Management (HK) Limited]**  
9th Floor, Rufino Pacific Tower  
6784 Ayala Avenue, Makati City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Berjaya Philippines Inc. and subsidiaries (the Group) for the year ended April 30, 2018, on which we have rendered our report dated July 27, 2018. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of Securities Regulation Code Rule 68, as amended, and is not a required part of the basic consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of the Group's management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

**PUNONGBAYAN & ARAULLO**

**By: Romualdo V. Murcia III**  
Partner

CPA Reg. No. 0095626  
TIN 906-174-059  
PTR No. 6616014, January 3, 2018, Makati City  
SEC Group A Accreditation  
Partner - No. 0628-AR-3 (until Nov. 29, 2019)  
Firm - No. 0002-FR-5 (until Mar. 26, 2021)  
BIR AN 08-002511-22-2016 (until Oct. 3, 2019)  
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

July 27, 2018

**Certified Public Accountants**  
Punongbayan & Araullo is the Philippine member firm of Grant Thornton International Ltd

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**Berjaya Philippines Inc. and Subsidiaries**  
**List of Supplementary Information**  
**April 30, 2018**

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Berjaya Philippines Inc. and Subsidiaries  
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Annex 68-E  
Schedule A - Financial Assets  
April 30, 2018

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Statement of Financial Position	Income Received and Accrued
<b>AVAILABLE-FOR-SALE FINANCIAL ASSETS</b>			
Equity securities	95,474,043	P 1,365,766,770	P 23,393,052
Debt securities	40,330,000	120,346,028	1,494,035
Others	6,000,000	14,206,921	-
	141,804,043	1,500,319,719	24,887,087
Allowance for impairment	-	( 300,950,277 )	-
<b>Total</b>	<b>141,804,043</b>	<b>P 1,199,369,442</b>	<b>P 24,887,087</b>

Berjaya Philippines Inc. and Subsidiaries  
SEC Released Amended SRC Rule 68  
Annex 68-E

Schedule E - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)  
April 30, 2018

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions			Balance at End of Period
			Amounts Collected	Amounts Reclassified	Amounts Written off	
<b>Related Parties:</b>						
Berjaya Pizza Philippines Inc.	P 165,040,000	P 43,652,311 ( P 1,000,000 )	P	-	P	P 207,692,311
Inter-Pacific Securities Sdn Berhad	12,199,623	601,807,358 ( 606,784,503 )	-	-	-	7,222,478
Sports Toto Malaysia Sdn. Bhd	8,351,978	13,400,431	-	-	-	21,752,409
Perdana Land Philippines Inc.	31,683,131	344,065,941 ( 2,000,000 )	-	-	-	373,749,072
Cosway Philippines Inc.	2,623,496	100,000	-	-	-	2,723,496
Taaras Bench & Spa Resort	87,547	- ( 87,547 )	-	-	-	-
Neptune Properties, Incorporated	790,677,694	129,687,535	-	-	-	920,365,229
VideoDoc Limited	-	11,311,001	-	-	-	11,311,001
<b>Total</b>	<b>P 1,010,663,469</b>	<b>P 1,144,024,577 ( P 609,872,050 )</b>	<b>P 609,872,050</b>	<b>P -</b>	<b>P -</b>	<b>P 1,544,815,996</b>

Berjaya Philippines Inc. and Subsidiaries  
SEC Released Amended SRC Rule 68

Annex 68-E

Schedule C - Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements  
April 30, 2018

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions		Ending Balance		Balance at End of Period
			Amounts Collected	Amounts Written off	Current	Non-current	
Perdana Hotel Philippines Inc.	P 669,020,377	P -	( P 21,000,000 )	P -	P 648,020,377	P -	P 648,020,377
H.R. Owen Plc	127,676,800	-	( 127,676,800 )	-	-	-	-
<b>Total</b>	<b>P 796,697,177</b>	<b>P -</b>	<b>( P 148,676,800 )</b>	<b>P -</b>	<b>P 648,020,377</b>	<b>P -</b>	<b>P 648,020,377</b>

Berjaya Philippines Inc. and Subsidiaries  
SEC Released Amended SRC Rule 68  
Annex 68-E  
Schedule D - Intangible Assets - Other Assets  
April 30, 2018

Description	Balance at Beginning of Period	Additions at Cost	Deductions			Other Changes - Additions (Deductions)	Balance at End of Period
			Charged to Cost and Expenses	Charged to Other Accounts			
<b>Intangible Assets:</b>							
Goodwill	P 1,114,063,397	P -	P -	P -		P 91,329,638	P 1,205,393,035
Dealership rights	660,563,886	-	-	-		80,016,738	740,580,624
Customer relationship	32,328,468	-	( 4,051,462 )	-		3,744,539	32,021,545
<b>Total</b>	<b>P 1,806,955,751</b>	<b>P -</b>	<b>( P 4,051,462 )</b>	<b>P -</b>		<b>P 175,090,915</b>	<b>P 1,977,995,204</b>

Berjaya Philippines Inc. and Subsidiaries  
 SEC Released Amended SRC Rule 68  
 Annex 68-E  
 Schedule E - Long-term Debt  
 April 30, 2018

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount Shown under Caption "Current Portion of Long-term Debt" in Relation to Statement of Financial Position	Amount Shown under Caption "Long-term Debt" in Relation to Statement of Financial Position
Loans Payable	P 566,020,653	P 165,352,065	P 400,668,588

Berjaya Philippines Inc. and Subsidiaries  
SEC Released Amended SRC Rule 68

Annex 68-E

Schedule F - Indebtedness to Related Parties (Long-term Loans from Related Companies)  
April 30, 2018

Name of Related Party	Amount Authorized by Indenture	Balance at Beginning of Period	Balance at End of Period
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**NOT APPLICABLE**

The Group has no indebtedness to related parties as at April 30, 2018.

Berjaya Philippines Inc. and Subsidiaries  
SEC Released Amended SRC Rule 68

Annex 68-E

Schedule G - Guarantees of Securities of Other Issuers  
April 30, 2018

Name of Issuing Entity of Securities Guaranteed by the Company for which this Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by Person for which this Statement is Filed	Nature of Guarantee
Berjaya Pizza Philippines Inc. (BPPI)*	Loan	P 220,000,000	P 220,000,000	Corporate guarantee

\* The loans of BPPI from a certain local financial institution are secured by Berjaya Philippines Inc.

Berjaya Philippines Inc. and Subsidiaries  
 SEC Released Amended SRC Rule 68

Annex 68-E

Schedule H - Capital Stock

April 30, 2018

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as shown under the Related Balance Sheet Caption	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Number of Shares Held by		
				Related Parties	Directors, Officers and Employees	Others
Common shares - P1 par value	6,000,000,000	4,341,280,855	-	3,831,443,430	981	509,836,444

**BERJAYA PHILIPPINES INC. AND SUBSIDIARIES**  
**[A Subsidiary of Berjaya Lottery Management (HK) Limited]**  
**Schedule of Philippine Financial Reporting Standards and Interpretations**  
**Adopted by the Securities and Exchange Commission and the**  
**Financial Reporting Standards Council as at April 30, 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		✓		
Practice Statement Management Commentary				✓
<b>Philippine Financial Reporting Standards (PFRS)</b>				
<b>PFRS 1 (Revised)</b>	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	✓		
	Amendments 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	✓		
	Amendments to PFRS 1: Deletion of Short-term Exemptions	✓		
<b>PFRS 2</b>	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions* (effective January 1, 2018)			✓
<b>PFRS 3 (Revised)</b>	Business Combinations	✓		
	Amendment to PFRS 3: Remeasurement of Previously Held Interests in a Joint Operation* (effective January 1, 2019)			✓
<b>PFRS 4</b>	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, <i>Financial Instruments</i> , with PFRS 4, <i>Insurance Contracts</i> * (effective January 1, 2018)			✓
<b>PFRS 5</b>	Non-current Assets Held for Sale and Discontinued Operations			✓
<b>PFRS 6</b>	Exploration for and Evaluation of Mineral Resources			✓
<b>PFRS 7</b>	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	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* (effective when PFRS 9 is first applied)			✓
<b>PFRS 8</b>	Operating Segments	✓		
<b>PFRS 9</b>	Financial Instruments (2014)* (effective January 1, 2018)			✓
	Amendments to PFRS 9: Prepayment Features with Negative Compensation* (effective January 1, 2019)			✓
<b>PFRS 10</b>	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance	✓		
	Amendments to PFRS 10: Investment Entities	✓		
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception	✓		
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (effective date deferred indefinitely)			✓
<b>PFRS 11</b>	Joint Arrangements			✓
	Amendments to PFRS 11: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
	Amendment to PFRS 11: Remeasurement of Previously Held Interests in a Joint Operation* (effective January 1, 2019)			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Transition Guidance	✓		
	Amendments to PFRS 12: Investment Entities	✓		
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers* (effective January 1, 2018)			✓
PFRS 16	Leases* (effective January 1, 2019)			✓
PFRS 17	Insurance Contracts* (effective January 1, 2021)			✓
<b>Philippine Accounting Standards (PAS)</b>				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	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: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: 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	✓		
	Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses	✓		
	Amendment to PAS 12 - Tax Consequences of Dividends* (effective January 1, 2019)			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Bearer Plants	✓		
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans - Employee Contributions	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendments: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
	Amendment to PAS 23: Eligibility for Capitalization	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27 (Revised)	Separate Financial Statements			✓
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Revised)	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28: Investment Entities - Applying the Consolidation Exception	✓		
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (effective date deferred indefinitely)			✓
	Amendment to PAS 28: Measurement of Investment in Associates at Fair Value through Profit or Loss* (effective January 1, 2018)			✓
	Amendment to PAS 28: Long-term Interest in Associates and Joint Venture* (effective January 1, 2019)			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 33	Earnings Per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
	Amendment 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 Depreciation and Amortization	✓		
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	✓		
	Amendments to PAS 39: Eligible Hedged Items	✓		
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	✓		
PAS 40	Investment Property	✓		
	Amendment to PAS 40: Reclassification to and from Investment Property* (effective January 1, 2018)			✓
PAS 41	Agriculture			✓
	Amendments to PAS 41: Bearer Plants			✓
<i>Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)</i>				
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 9	Reassessment of Embedded Derivatives**	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives**	✓		
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	PAS 19 - 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 and their Interaction			✓
IFRIC 16	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* (effective January 1, 2018)			✓
IFRIC 23	Uncertainty Over Income Tax Treatments* (effective January 1, 2019)			✓

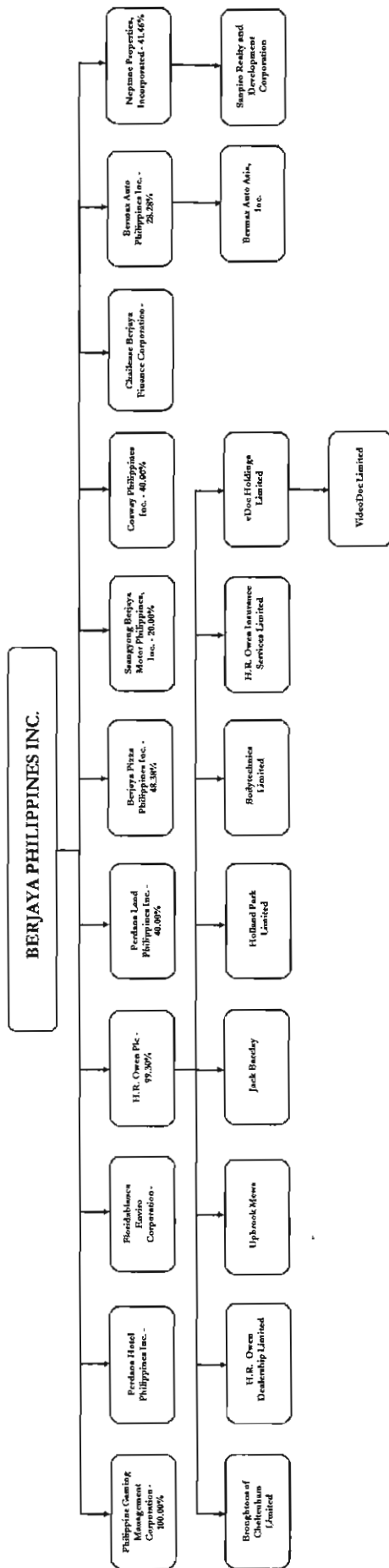
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
<i>Philippine Interpretations - Standing Interpretations Committee (SIC)</i>				
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating 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	✓		

\* These standards will be effective for periods subsequent to fiscal year 2018 and are not early adopted by the Group.

\*\* These standards have been adopted in the preparation of consolidated financial statements but the Group has no significant transactions covered in both years presented.

Berjaya Philippines Inc. and Subsidiaries  
 (A Subsidiary of Berjaya Lottery Management (HK) Limited)  
 9th Floor, Rufino Pacific Tower, 6784 Ayala Avenue, Makati City  
 (Amounts in Philippine Pesos)

Map Showing the Relationship Between and Among the Company and its Related Parties  
 April 30, 2018



Berjaya Philippines Inc.  
*[A Subsidiary of Berjaya Lottery Management (HK) Limited]*  
 9th Floor, Rufino Pacific Tower, 6784 Ayala Avenue, Makati City  
*(Amounts in Philippine Pesos)*

**Reconciliation of Retained Earnings Available for Dividend Declaration  
 For the Year Ended April 30, 2018**

<b>Unappropriated Retained Earnings at Beginning of Year, as Reported in the Audited Financial Statements</b>		P 1,343,086,493
<b>Prior Years' Outstanding Reconciling Items, net of tax</b>		
Unrealized foreign currency gain	( 66,020,035 )	
Deferred tax income	( 20,669,410 )	
Impairment loss	<u>90,711,955</u>	<u>4,022,510</u>
<b>Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year, as Adjusted</b>		1,347,109,003
<b>Net Profit Actually Earned during the Year</b>		
Net profit per audited financial statements	507,744,727	
Unrealized foreign currency gain	( 47,880,959 )	
Deferred tax income	( 63,071,497 )	
Impairment loss	<u>210,238,322</u>	<u>607,030,593</u>
<b>Unappropriated Retained Earnings Available for Dividend Declaration at End of Year</b>		<b><u>P 1,954,139,596</u></b>

The Company plans to appropriate portions of available retained earnings for business expansions within three to five years.

Berjaya Philippines Inc. and Subsidiaries  
*[A Subsidiary of Berjaya Lottery Management (HK) Limited]*  
9th Floor, Rufino Pacific Tower, 6784 Ayala Avenue, Makati City  
*(Amounts in Philippine Pesos)*

**Financial Indicators**  
April 30, 2018

Financial Indicators	Computation		Ratio	
	2018	2017	2018	2017
<b>Quick ratio</b>				
Cash and cash equivalents + Trade and other receivables - net + Advances to associates	5,331,643,662	4,370,864,839	0.63	0.62
Total Current Liabilities	8,426,949,871	7,104,041,686		
<b>Current/liquidity ratio</b>				
Total Current Assets	10,950,134,994	9,305,822,624	1.30	1.31
Total Current Liabilities	8,426,949,871	7,104,041,686		
<b>Debt-to-equity ratio</b>				
Total Liabilities	8,995,106,303	7,550,375,430	1.06	1.05
Total Equity	8,502,260,698	7,205,086,278		
<b>Debt-to-assets ratio</b>				
Total Liabilities	8,995,106,303	7,550,375,430	0.51	0.51
Total Assets	17,497,367,001	14,755,461,708		
<b>Equity-to-assets ratio</b>				
Total Equity	8,502,260,698	7,205,086,278	0.49	0.49
Total Assets	17,497,367,001	14,755,461,708		
<b>Return on assets</b>				
Net Profit	796,365,600	704,092,997	0.05	0.05
Total Assets	17,497,367,001	14,755,461,708		
<b>Return on equity</b>				
Net Profit	796,365,600	704,092,997	0.09	0.10
Total Equity	8,502,260,698	7,205,086,278		
<b>Earnings per share</b>				
Net Profit Attributable to Owners of the Parent Company	785,824,811	674,067,840	0.18	0.16
Weighted Average Number of Outstanding Common Shares	4,341,280,855	4,341,280,855		

REPUBLIC OF THE PHILIPPINES )  
MAKATI CITY ) §

### **CERTIFICATION OF INDEPENDENT DIRECTOR**

I, **DR. GEORGE T. YANG**, Filipino, of legal age and a resident of Urdaneta Village, Makati City, Metro Manila, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an independent director of BERJAYA PHILIPPINES INC. and have been its independent director since 12 November 1996.
2. I am affiliated with the following companies or organizations (including government-owned and controlled corporations), and my educational attainment is likewise listed below:

<b>COMPANY/ORGANIZATION</b>	<b>POSITION / RELATIONSHIP</b>	<b>PERIOD OF SERVICE</b>
Philippine Gaming Management Corporation	Independent Director	1996 to date
Golden Arches Development Corporation (McDonald's Philippines)	Chairman and Founder	1981 to date
First Georgetown Ventures, Inc.	Chairman of the Board	
MDS Call Solutions Inc.	Chairman of the Board	
Advance Food Concepts Mfg. Inc.	Chairman of the Board	
Ronald McDonald's House Charities	Chairman of the Board	
Klassikal Music Foundation Inc.	Chairman of the Board	2008 to date
Trojan Computer Forms, Inc.	Chairman of the Board	
Canyon Hills and Marina Inc.	Chairman of the Board	
Canyon Hills Real Estate and Development Inc.	Chairman of the Board	
GY Alliance Concepts Inc.	Chairman of the Board	
Northview Builder and Development Corporation	Chairman of the Board	
Laurel Lakeside Corp.	Chairman of the Board	
Golden Arches Realty Corporation	Chairman and President	
Paseo Premier Residences Inc.	Chairman	
Paseo Dormitories Inc.	Chairman	
Lead Logistics Innovations Inc	Chairman	
Fast Serve Solutions Systems Inc.	Chairman	
Clark Mac Enterprises Inc.	Chairman	
Creative Gateway Inc.	Chairman	
Davao City Food Industries Inc.	Chairman	
Golden City Food Industries Inc.	Chairman	
First Golden Laoag Ventures Inc.	Chairman	

First Creative Arch Restaurant Corporation	Chairman	
First Premiere Arches Restaurants Inc.	Chairman	
Golden Laoag Foods Corporation	Chairman	
Molino First Golden Food Inc.	Chairman	
Onzal Development Corporation	Chairman	
Prime Arch Creative Restaurants Inc.	Chairman	
Retiro Golden Foods Inc.	Chairman	
Oceonfront Properties Inc.	Vice-Chairman	
TransAire Development Holdings Corporation	Vice-Chairman	
Ayala Center Association	Member of the Board of Governors	
The Tower Club, Inc.	Member of the Board of Governors	
San Beda College Manila	Member of the Board of Trustees	
Asian Executive Board of the Wharton School, University of Pennsylvania	Member	
Consular Corps of the Philippines	Former Dean	2014
Wharton School	Doctorate Degree in Business Administration	
State of Eritrea	Consul General <i>ad honorem</i>	

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of BERJAYA PHILIPPINES INC. as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am not related to any director, officer or substantial shareholder of BERJAYA PHILIPPINES INC. other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code (where applicable
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its

Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

7. I shall inform the Corporate Secretary of BERJAYA PHILIPPINES INC. of any changes in the abovementioned information within five (5) days from its occurrence.

Executed this 19<sup>th</sup> day of June 2019 at Makati City, Metro Manila.

**DR. GEORGE T. YANG**

Affiant

**SUBSCRIBED AND SWORN** to before me this 19<sup>th</sup> day of June 2019 at the City of Makati, Metro Manila, affiant personally appeared before me and exhibited to me his Philippine Passport number P5880290A issued at the DFA on 2 February 2018.

Doc. No. \_\_\_\_\_;  
Page No. \_\_\_\_\_;  
Book No. \_\_\_\_\_;  
Series of 2019.

## CERTIFICATION OF INDEPENDENT DIRECTOR

I, **JAIME Y. LADAO**, Filipino, of legal age and a resident of the Ritz Towers, Makati City, Metro Manila, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **BERJAYA PHILIPPINES INC.** and have been its independent director since 23 March 2010.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY / ORGANIZATION	POSITION / RELATIONSHIP	PERIOD OF SERVICE
Berjaya Philippines Inc.	Independent Director, Chairman of the Audit and Nomination Committees	2010 to present
Philippine Dispute Resolution Center Inc.	Member	20 years
Corporate Governance Institute of the Philippines Inc.	Member	5 years
Dun & Bradstreet Philippines Inc.	Member	17 years
Financial Executive Institute of the Philippines	Member	50 years
Boy Scouts of the Philippines	National President and Member	3 years
Management Association of the Philippines	Past Board Member and Treasurer	1986 to 2014
Australian Institute of Corporate Directors	Fellow	5 years
Consumer Credit Score Philippines Inc. (licensed to issue FICO Consumer and SME Scores in the Philippines)	Founder and Executive Chairman	2 years
San Miguel Corporation	Independent Director, Member of the Executive Committee, and former Chair of the Audit Committee	2 years
Philippine Rating and Services Corporation	Founder and Past President	

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **BERJAYA PHILIPPINES INC.** as

provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any director, officer or substantial shareholder of **BERJAYA PHILIPPINES INC.** other than the relationship provided under Rule 38 of the Securities Regulation Code.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
7. I shall inform the Corporate Secretary of **BERJAYA PHILIPPINES INC.** of any changes in the abovementioned information within five days from its occurrence.

Executed this 19<sup>th</sup> day of June 2019 at Makati City, Metro Manila.

  
**JAIME Y. LADAO**

Affiant

**SUBSCRIBED AND SWORN** to before me this 19<sup>th</sup> day of June 2019 at the City of Makati, Metro Manila, affiant personally appeared before me and exhibited to me his Passport with number EC3891219 issued at DFA NCR South on 9 April 2015.

  
**DIANA ANN E. SOMERA**

Commission No. M-46

Notary Public – City of Makati

Until 31 December 2019

Bernas Law Offices

8<sup>th</sup> Floor Raha Sulayman Bldg., 108 Benavides St.

Legaspi Village, Makati City

IBP Membership No. 063010 / 03 January 2019 / Makati City

PTR No. 7333388 / 03 January 2019 / Makati City

Roll of Attorneys No. 69352

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