CR06086-2017

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended

   Jun 30, 2017

2. SEC Identification Number

   10020

3. BIR Tax Identification No.

   000-596-509

4. Exact name of issuer as specified in its charter

   MJC INVESTMENTS CORPORATION

5. Province, country or other jurisdiction of incorporation or organization

   Manila, Philippines

6. Industry Classification Code(SEC Use Only)

7. Address of principal office

   MJC Drive, Sta. Cruz, Manila
   Postal Code
   1014

8. Issuer's telephone number, including area code

   (02) 632-7373

9. Former name or former address, and former fiscal year, if changed since last report

   N/A

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
COMMON	3,174,405,821

11. Are any or all of registrant's securities listed on a Stock Exchange?

   ☑ Yes ☐ No

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

   PHILIPPINE STOCK EXCHANGE, COMMON

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the

Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports)

☑ Yes ☐ No

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

☑ Yes ☐ No

MJC Investments Corporation
MJIC

PSE Disclosure Form 17-2 - Quarterly Report
References: SRC Rule 17 and
Sections 17.2 and 17.8 of the Revised Disclosure Rules

For the period ended	Jun 30, 2017
Currency (indicate units, if applicable)	Philippine Pseo

Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Jun 30, 2017	Dec 31, 2016
Current Assets	769,332,066	796,509,099
Total Assets	6,542,965,681	6,691,410,788
Current Liabilities	883,971,166	660,273,522
Total Liabilities	4,360,463,880	4,133,060,987
Retained Earnings/(Deficit)	-991,904,020	-616,056,020
Stockholders' Equity	2,182,501,802	2,558,349,802
Stockholders' Equity - Parent	-	-
Book Value per Share	0.69	0.81

Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Gross Revenue	109,763,760	51,096,968	192,778,372	62,921,220
Gross Expense	240,185,914	110,299,287	460,525,856	158,554,913
Non-Operating Income	82,832	417,104	144,515	928,376
Non-Operating Expense	52,576,141	96,301,427	105,388,035	96,314,803
Income/(Loss) Before Tax	-182,998,295	-155,503,746	-373,135,519	-191,948,496
Income Tax Expense	1,483,776	294,725	2,712,481	396,895
Net Income/(Loss) After Tax	-184,482,071	-155,798,471	-375,848,000	-192,345,392
Net Income Attributable to Parent Equity Holder	-174,358,965	-155,052,609	-359,269,754	-191,599,530
Earnings/(Loss) Per Share (Basic)	-0.11	-0.06	-0.11	-0.06
Earnings/(Loss) Per Share (Diluted)	-0.11	-0.06	-0.11	-0.06

	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	-0.18	-0.26
Earnings/(Loss) Per Share (Diluted)	-0.18	-0.26

Other Relevant Information
Please be informed that we have already provided the following, as per attached. 1. Complete date for "Audited" indicated in the Balance Sheet; 2. Comparative figures for January to June (Previous and Current Year); 3. Corrected figures indicated in the Gross Expense; and 4. Aging of Accounts of Receivable.

Filed on behalf by:

Name	Lemuel Santos
Designation	Corporate Information Officer

COVER SHEET

1 0 0 2 0

S.E.C. Registration Number

MJC INVESTMENTS CORPORATION DOING BUSINESS UNDER THE NAME AND STYLE OF WINFORD LEISURE AND ENTERTAINMENT COMPLEX AND WINFORD HOTEL AND CASINO

(Company's Full Name)

WINFORD HOTEL AND CASINO, MJC DRIVE, STA. CRUZ, MANILA

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

ATTY. LEMUEL M. SANTOS

Contact Person

632-7373

Company's Telephone Number

QUARTERLY REPORT
ENDED JUNE 30, 2017

1 2	3 1	17-Q	0 6	2 9
Month	*Day*	FORM TYPE	*Month*	*Day*

Fiscal Year

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **June 30, 2017.**

2. Commission identification number **10020**

3. BIR Tax Identification No.**000-596-509**

4. Exact name of issuer as specified in its charter

MJC INVESTMENTS CORPORATION DOING BUSINESS UNDER THE NAME AND STYLE OF WINFORD LEISURE AND ENTERTAINMENT COMPLEX AND WINFORD HOTEL AND CASINO

5. **Philippines**
Province, Country or other jurisdiction of incorporation or organization

6. **Holding Company**
Industry Classification Code:

7. **Winford Hotel and Casino, MJC Drive, Sta. Cruz Manila**
Address of principal office

1014
Postal Code

8. **632-7373**
Registrant's telephone number, including area code

9. Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding
Common	**3,174,405,821**

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

Yes [**X**] No [ ]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Philippine Stock Exchange, Inc. **Common shares**

12. Indicate by check mark whether the registrant:

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

    Yes [X] No [ ]

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

    Yes [X] No [ ]

PART I--FINANCIAL INFORMATION

Item 1.Financial Statements.

- Please see attached –

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

Total current assets as of 30 June 2017, amounted to P769.33 Million showing a decrease of P27.18 Million or (3.41%) as compared to the 31 December 2016 balance of P796.51 Million. The decrease is primarily due to lower cash and cash equivalents because of payments made to various contractors and quarterly bank interest on loans.

Total non-current assets as of 30 June 2017, decreased to P5,773.63 Million from the balance of P5,894.90 Million as of 31 December 2016, lower by P121.27 Million or (2.06%). The decrease is attributable to lower property, plant and equipment and other non-current assets because of depreciation recorded this period.

Accounts Payable and other liabilities as of 30 June 2017, amounted to P599.22 Million showing a decrease of P42.00 Million or (6.55%), compared to the 31 December 2016 balance of P641.22 Million. The decrease is mainly due to the settlements made to various construction related payables.

For the six-month period ending 30 June 2017, the Corporation's revenues amounted to P192.63 Million, P130.64 Million or 210.74% higher compared to the same period in 2016 which was on soft-opening only. The company full operations started October 2016. Revenues for the 2nd quarter of 2017 includes Revenue share in gaming operations, hotel, food and beverage and others.

Operating Costs and Expenses for the six-month period ended 30 June 2017 amounting to P460.53 Million, P301.97 Million or 190.45% higher compare to same period in 2016. Gaming and hotel operating expenses, salaries and utilities are the main expenses for the 2nd quarter of 2017.

Other Expenses for the six-month period ended 30 June 2017 amounting to P105.24 Million, P9.86 Million or 10.33% higher compare to same periods last year. Major other expense pertains to interest on bank loan.

Net loss amounted to P375.85 Million for the six-month period ending 30 June 2017 compare to P192.35 Million same periods last year.

The following are the comparative key performance indicators of the Corporation and the manner of its computation as of the period ended 30 June 2017 and 2016:

Indicators	Manner of Computation	As of the Period Ended June 30, 2017	Dec 31, 2016
Current Ratio	Current Assets / Current Liabilities	0.87:1	1.21:1
Debt Equity Ratio (Solvency Ratio)	Total Liabilities / Total Equities	2.0:1	1.62:1
Asset Liability Ratio	Total Assets / Total Liabilities	1.50:1	1.62:1
Asset to Equity Ratio	Total Assets / Total Equity	3.00:1	2.62:1
Interest Coverage Ratio	Earnings Before Income Tax) / Interest Expense	(3.56:1)	(3.46:1)
Return on Assets (Profitability Ratio)	Net Income (Loss) / Total Assets	(5.74%)	(6.67%)
Basic Earnings(Losses) Per Share	Net Income (Loss) / Outstanding Common Shares	(P0.12)	(P0.14)
Trailing 12 Mos. Earnings (Loss)per Share (Basic)	Trailing 12 Mos Net Income - Dividends Paid on Preferred Stock / WA No. of Common Shares Outstanding	(P0.18)	(P0.26)

Current ratio is regarded as a measure of the Corporation's liquidity or its ability to meet maturing obligations. As of 30 June 2017, the current ratio decreased to 0.87 compared to 1.21 as of December 31, 2016. The outstanding payable in 2017 mostly consists of balances on construction-related expenditures and deposit for future subscription. The Corporation has P0.87 current assets to support a P1.00 current liabilities.

The debt to equity ratio measures the riskiness of the Corporation's capital structure in terms of relationship between the funds supplied by the creditors (debt) and investors (equity). As of 30 June 2017, the debt to equity ratio increased to 2.0 from 1.62 from December 31, 2016. Low debt to equity ratio indicates lower risk, as debt holders may have lower claims on the Corporation's assets.

The asset-liability ratio, exhibits the relationship of the total assets of the Corporation with its total liabilities. As of 30 June 2017, the ratio decreased to 1.50 from 1.62 on December 31, 2016. The result indicates that for every P1.00 of liability, the Corporation has P1.50 of assets.

The asset-equity ratio is an investment leverage or solvency ratio that measures the amount of assets that are financed by owners' investments by comparing the total equity in the company to the total assets. As of 30 June 2017 the company's ratio increased to 3.00 from 2.62 on December 31, 2016. A higher equity ratio or a higher contribution of shareholders to the capital indicates a company's better long-term solvency position. A low equity ratio, on the contrary, includes higher risk to the creditors.

The interest coverage ratio is a financial ratio that measures a company's ability to make interest payments on its debt in a timely manner. As of 30 June 2017 the company have (3.56). The company is optimistic that the improving results of operations will satisfy the cash requirements and obligations of the company.

Return on Assets is computed by dividing net income over total assets. This allows the Corporation to see how much the income is, per peso asset. As of 30 June 2017 the ratio changed to (5.74%) from (6.67%) in December 31, 2016. This profitability ratio is not yet feasible to the Corporation.

As of 30 June 2017, the Corporation's loss per share is (P0.12) from (P0.14) in December 31, 2016.

Trailing 12 Months Net Income(Loss) is computed as the sum of current year to date net income(loss) and latest annual net income(loss) less previous year to date net income(loss).

There are no known events or uncertainties that will have a material impact on liquidity.

There are no material-off balance sheet transactions, arrangements, obligations and other relationships of the Corporation with unconsolidated entities or other persons created during the reporting period.

There are substantial commitments on capital expenditures, specifically for the on-going construction of the hotel and entertainment project on its property located in Sta. Cruz, Manila.

PART II—OTHER INFORMATION

There is no material information which had not been previously disclosed under SEC Form 17-C.

SIGNATURES

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 thereunto duly authorized.

MJC INVESTMENTS CORPORATION
Issuer

Date: August 14, 2017

JOEMAR L. ONNAGAN
Director of Finance and Administration

LEMUEL M. SANTOS
Corporate Information Officer

MJC INVESTMENTS CORPORATION
Doing Business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Balance as of	
	JUNE 30, 2017	**DECEMBER 31, 2016**
	Unaudited	*Audited*
ASSETS		
Current Assets		
Cash and Cash Equivalent(Note 7)	77,290,020	124,984,895
Receivables(Note 8)	249,132,655	262,003,756
Inventories(Note 9)	26,921,037	21,308,091
Input value added tax (VAT)(Note 10)	402,030,840	387,795,739
Other Current Asset(Note 11)	13,957,514	416,618
Total Current Assets	**769,332,066**	**796,509,099**
Noncurrent Assets		
Investment in Subsidiary	-	-
Property and Equipment(Note 12)	5,652,966,176	5,753,968,763
Deferred Input VAT(Note 10)	20,474,988	25,883,288
Other Non-Current Asset(Note 13)	100,192,450	115,049,638
Total Noncurrent Assets	**5,773,633,615**	**5,894,901,689**
TOTAL ASSETS	**6,542,965,681**	**6,691,410,788**
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts Payable and other current liabilities(Note 14)	599,219,383	641,217,686
Deposit For Future Subscription	267,937,824	-
Interest Payable	16,813,959	19,055,836
Total Current Liabilities	**883,971,166**	**660,273,522**
Noncurrent Liabilities		
Loans Payable(Note 15)	3,475,679,996	3,471,974,746
Retirement Liability(Note 16)	812,718	812,718
Total Non-Current Liabilities	**3,476,492,714**	**3,472,787,464**
Total Liabilities	**4,360,463,880**	**4,133,060,987**
Equity		
Capital Stock(Note 21)	3,174,405,822	3,174,405,822
Deficit - Current Year	(991,904,020)	(616,056,020)
Total Equity	**2,182,501,802**	**2,558,349,802**
TOTAL LIABILITIES AND EQUITY	**6,542,965,681**	**6,691,410,788**

MJC INVESTMENTS CORPORATION
Doing Business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the period Ended	
	JUNE 30, 2017	**JUNE 30, 2016**
REVENUE		
Revenue Share in Gaming Operations(Note 17)	124,650,090	57,011,391
Hotel, Food And Beverage	49,763,271	2,632,630
Other Operating Income(Note 23)	18,220,496	2,348,822
TOTAL REVENUE	**192,633,857**	**61,992,843**
OPERATING COST AND EXPENSES	(460,525,856)	(158,554,913)
LOSS BEFORE OTHER INCOME(EXPENSES) AND INCOME TAX	**(267,891,999)**	**(96,562,070)**
OTHER INCOME(EXPENSES)		
Interest Expense(Note 15)	(104,589,000)	(96,271,174)
Interest Income(Note 7)	144,515	928,376
Miscellaneous Incom(Expense) - Net	(799,035)	(43,629)
	(105,243,520)	**(95,386,427)**
INCOME(LOSS) BEFORE INCOME TAX	**(373,135,519)**	**(191,948,496)**
Provision for Income Tax(Note 18)	(2,712,481)	(396,895)
NET INCOME(LOSS)	**(375,848,000)**	**(192,345,392)**
Other Comprehensive Income	-	-
TOTAL COMPREHENSIVE INCOME(LOSS)	**(375,848,000)**	**(192,345,392)**
Basic Earnings(Losses) per Share	(0.118)	(0.061)

MJC INVESTMENTS CORPORATION
Doing Business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the 2nd quarter	
	April-June 2017	**April-June 2016**
REVENUE		
Revenue Share in Gaming Operations(Note 17)	68,572,660	45,765,374
Hotel, Food And Beverage	29,923,329	2,600,169
Other Operating Income(Note 23)	11,184,939	2,314,322
TOTAL REVENUE	**109,680,928**	**50,679,865**
OPERATING COST AND EXPENSES	(240,185,914)	(110,299,287)
LOSS BEFORE OTHER INCOME(EXPENSES) AND INCOME TAX	**(130,504,987)**	**(59,619,422)**
OTHER INCOME(EXPENSES)		
Interest Expense(Note 15)	(52,293,605)	(96,271,174)
Interest Income(Note 7)	82,832	417,104
Miscellaneous Incom(Expense) - Net	(282,536)	(30,253)
	(52,493,309)	**(95,884,323)**
INCOME(LOSS) BEFORE INCOME TAX	**(182,998,295)**	**(155,503,745)**
Provision for Income Tax(Note 18)	(1,483,776)	(294,725)
NET INCOME(LOSS)	**(184,482,071)**	**(155,798,470)**
Other Comprehensive Income	-	-
TOTAL COMPREHENSIVE INCOME(LOSS)	**(184,482,071)**	**(155,798,470)**

MJC INVESTMENTS CORPORATION
Doing Business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Quarter Ended June 30, 2017 and June 30, 2016

	Issued and Subscribed	Subscription Receivable	Deposit for Future Subscription	Net	Deficit	Total
Balances at December 31, 2015*	**3,174,405,821**	**(38,739,719)**	**-**	**3,135,666,102**	**(169,692,654)**	**2,965,973,448**
Total Comprehensive income for the year					(446,363,366)	**(446,363,366)**
Balance at December 31, 2016*	3,174,405,821	(38,739,719)	-	3,135,666,102	(616,056,020)	2,519,610,082
Collection of subscription receivable		38,739,719		38,739,719		38,739,719
Total Comprehensive income for the year				-	(375,848,000)	(375,848,000)
Balance at June 30, 2017**	**3,174,405,821**	**-**	**-**	**3,174,405,821**	**(991,904,020)**	**2,182,501,802**

	Issued and Subscribed	Subscription Receivable	Deposit for Future Subscription	Net	Deficit	Total
Balances at December 31, 2014*	**3,174,405,821**	**(38,739,719)**		**3,135,666,102**	**(112,383,887)**	**3,023,282,215**
Total Comprehensive income for the year					(57,308,767)	**(57,308,767)**
Balance at December 31, 2015*	**3,174,405,821**	**(38,739,719)**	**-**	**3,135,666,102**	**(169,692,654)**	**2,965,973,448**
Collection of subscription receivable		38,739,719		38,739,719		38,739,719
Total Comprehensive income for the year				-	(192,492,485)	(192,492,485)
Balance at June 30, 2016	**3,174,405,821**	**-**	**-**	**3,174,405,821**	**(362,185,139)**	**2,812,220,682**

* Audited
** Unaudited

MJC INVESTMENTS CORPORATION
Doing Business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino

CONSOLIDATED STATEMENT OF CASH FLOW

	Balance as of	
	June 30, 2017	**June 30, 2016**
	Unaudited	*Audited*
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(373,135,519)	(191,948,496)
Adjustments for:		
Depreciation and amortization	254,333,806	53,482,001
Interest expense	104,589,000	96,271,174
Interest income	(144,515)	(928,376)
Retirement benefit expense		
Gain on sale of disposal of transportation equipment		
Operating loss before working capital changes	**(14,357,229)**	**(43,123,698)**
Decrease (increase) in:		
Receivables	12,871,101	149,964,536
Inventories	(5,612,947)	(12,577,688)
Input VAT :		
Current	(14,235,101)	(42,571,349)
Deferred	5,408,300	(1,608,614)
Other current assets	(13,540,895)	(6,958,364)
Decrease in accounts payable and other current liabilities	(44,240,181)	(70,714,312)
Net cash used in operations	**(73,706,952)**	**(27,589,488)**
Income taxes paid	(2,712,481)	(396,895)
Interest received	144,515	928,376
Net cash flows provided by (used in) operating activities	**(76,274,918)**	**(27,058,007)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(136,371,979)	(1,512,799,341)
Decrease(increase) in Other Non-Current Asset	14,857,188	(65,884,836)
Proceeds from disposal		
Net cash flows used in investing activities	**(121,514,791)**	**(1,578,684,177)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from availment of loans		999,225,000
Payment of Interest	(117,842,989)	(91,404,337)
Collection of subscriptions receivable		38,739,496
Deposit For Future Subscription	267,937,824	
Net cash flows provided by financing activities	**150,094,835**	**946,560,159**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(47,694,875)**	**(659,182,025)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	124,984,895	1,240,357,420
CASH AND CASH EQUIVALENTS AT END OF THE QUARTER	**77,290,020**	**581,175,395**

MJC INVESTMENTS CORPORATION
Doing Business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino

Aging of Accounts Receivable
as of June 30, 2017

PARTICULARS	1-30 DAYS	31-60 DAYS	61-90 DAYS	91-120 DAY	OVER 121 DAY	TOTAL
Trade Receivables	110,149,287	6,913,798	5,251,040	6,262,947	108,802,678	**237,379,750**
Advances to Related Parties	1,019,157					**1,019,157**
Advances to Employees	52,828	9,200			172,977	**235,005**
Total	**111,221,272**	**6,922,998**	**5,251,040**	**6,262,947**	**108,975,656**	**238,633,912**

MJC INVESTMENTS CORPORATION
Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. **Corporate Information**

MJC INVESTMENTS CORPORATION Doing business under the name and style of Winford Leisure And Entertainment Complex and Winford Hotel and Casino (the "Parent Company") and Trafalgar Square Leisure Corporation ("TSLC") (the "Group") are incorporated in the Philippines. The Parent Company was incorporated on July 15, 1955 as Palawan Consolidated Mining Company, Inc. and was listed in the Philippine Stock Exchange (PSE) on November 11, 1955.

The following are the series of changes in corporate name of the Parent Company and their effective dates of change as approved by the Philippine Securities and Exchange Commission (SEC):

Date	Corporate Name
February 12, 1997	Ebecom Holdings, Inc.
September 25, 2003	Aries Prime Resources, Inc.
September 30, 2008	MJCI Investments, Inc.
October 15, 2009	MJC Investments Corporation
June 29, 2015	MJC INVESTMENTS CORPORATION Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino

In 2005, the SEC approved the extension of the parent company's corporate life for another fifty years starting July 2005.

On January 19, 2010, the SEC approved the amendment of the parent company's primary purpose from engaging in mining operation to that of an investment holding company, which is to acquire by purchase, lease or otherwise, lands or interest in lands and realty, and to own, hold, improve or develop said land or real estate so acquired, and to build or cause to be built on any lands owned, held, occupied or acquired, buildings, facilities, and other structures with their appurtenances, for residential, commercial, mixed-use, leisure, gaming, amusement and entertainment purposes.

On March 18, 2010, the Parent Company was granted a permit to operate (PTO) by the Philippine Amusement and Gaming Corporation (PAGCOR) for the establishment, maintenance and operation of a casino, PAGCOR San Lazaro, within the San Lazaro Tourism and Business Park in Sta. Cruz, Manila. The permit shall be for a period of ten (10) years, commencing on January 6, 2016, the date of actual operation of PAGCOR San Lazaro (see Note 2). On November 25, 2015, the Board of Directors of PAGCOR approved the guidelines that shall govern the implementation of the PTO, which also extended the term of the PTO to fifteen (15) years commencing from the start of commercial operations of PAGCOR San Lazaro.

On April 21, 2016, the Parent Company incorporated its wholly owned subsidiary, Trafalgar Square Leisure Corp. (TSLC), in the Philippines and registered it with the SEC. The authorized and subscribed capital stock of TSLC is ₱20.0 million with a par value of one peso per share. TSLC's primary purpose is to establish, engage, operate and manage, gaming enterprises, amusement, entertainment and recreation centers, as well as providing services including but not limited to business process outsourcing services to foreign clients, support solutions, such as back office technology support, call or contact center activities, data entry and encoding, data management, general human resource functions, business planning, accounts receivable management, general financial support services, customer support services and customer relationship management, sales support and other industry specific purposes, and to companies and operations, and other clients, and to do any and all things necessary for or conducive to the attainment of such purposes, including, articles of merchandise necessary or desirable in its operations, the provision of professional, consulting and other related services, and the licensing of application, software and other solutions required or related to the above services. The principal place of business of TSLC is at Winford Hotel and Casino, MJC Drive, Sta. Cruz, Manila.

The registered office address of the parent company is Winford Hotel and Casino, MJC Drive, Sta. Cruz, Manila.

On May 16, 2016, TSLC was granted the authority by PAGCOR to bring in pre-registered foreign players to play in designated junket gaming areas within PAGCOR San Lazaro.

2. Permit to Operate (PTO)

As discussed in Note 1 to the consolidated financial statements, the Parent Company was granted a PTO by PAGCOR for the establishment, maintenance and operation of PAGCOR San Lazaro on March 18, 2010. The PTO shall be for a period of ten (15) years commencing on January 6, 2016, the date of actual operation of PAGCOR San Lazaro. Management has assessed that the Parent Company is the operator of PAGCOR San Lazaro, as embodied in the provisions of the PTO.

As the operator of PAGCOR San Lazaro, the Parent Company shall undertake the following:

a.) Shoulder the cost of designing and furnishing the PAGCOR San Lazaro;

b.) Shoulder the cost of maintaining PAGCOR San Lazaro, including the required major and minor repairs to the gaming facility;

c.) Acquire, install, maintain and upgrade to keep abreast with the worldwide industry of casino gaming the following to be used for the operation of PAGCOR San Lazaro, as provided and deemed necessary by PAGCOR;

- At least ten (10) gaming tables, table layout, chairs and other equipment, and paraphernalia. The number of tables maybe adjusted subject to PAGCOR’s approval;
- A minimum of two hundred (200) new slot machines and an online tokenless system of linking and networking all slot machines. The Parent Company shall on its account train the technical personnel of PAGCOR for the operation, repair and maintenance of the slot machine networking system and shall ensure the transfer of appropriate and necessary technology, for this purpose;
- Playing cards and playing chips, the design of which shall be separate and distinct from PAGCOR’s playing cards and chips;
- Surveillance equipment and paraphernalia; and
- All other capital expenditures such as treasury vaults, furniture and other office equipment and paraphernalia, and other pre-operating requirements, necessary for the operation of PAGCOR San Lazaro.

d.) Shoulder any illegitimate slot credit/payout of payers which may arise due to malfunction or error in the slot machine online tokenless system provided by the Parent Company for the operations of PAGCOR San Lazaro;

e.) Bear the cost of maintenance and minor repairs of the equipment, furniture and fixtures installed at PAGCOR San Lazaro, and shall be responsible for replacing such equipment, furniture and fixtures, which are deemed to be beyond repair. The Parent Company shall also make available to PAGCOR, at any time of the day, repair and maintenance services, to address the immediate needs of PAGCOR San Lazaro;

f.) Shoulder the costs of all shipping and freight charges, as well as the covering marine insurance, relative to all the gaming and non-gaming equipment, furnishing and fixtures to be brought into the Philippines to be installed at PAGCOR San Lazaro;

g.) Shoulder the cost of insurance for loss or damaged gaming equipment, slot machines or other gaming paraphernalia, and the network system, due to force majeure including but not limited to fire, typhoons, and other incidents and calamities;

h.) Shoulder any restoration that maybe required by the building owner after cessation of the casino operation

i.) Provide the required cash capital for PAGCOR San Lazaro;

j.) Shoulder and provide for other operating expenses necessary in the operation of the casino including but not limited to space rental, utilities expenses;

k.) Secure all necessary local permits required for the renovation of PAGCOR San Lazaro;

l.) Provide hotel accommodation for PAGCOR San Lazaro's guests;

m.) Provide required communication facilities at the casino offices and gaming areas;

n.) Hold PAGCOR free and harmless from third party claims for injuries and damages suffered within the premises resulting from, or occasioned by any faulty construction, non-maintenance or any defect that pertains to the building, structural integrity or of the PAGCOR casino premises, and to indemnify and hold PAGCOR harmless from and against costs of defending any such action suit or proceedings including legal fees and other legal expenses incurred in relation to such third party claims.

The same agreement provides that while the Parent Company is in the process of forming its own management team and is cognizant of PAGCOR's expertise, experience and competence in gaming operations, the Parent Company requested PAGCOR to manage PAGCOR San Lazaro by giving PAGCOR an exclusive and direct control to supervise and manage PAGCOR San Lazaro's casino operations.

For the duration of the agreement, the Parent Company shall receive forty percent (40%) of PAGCOR San Lazaro's monthly gross revenues after deducting the players' winnings/ prizes, the taxes that may be imposed on these winnings/prizes, franchise tax, and applicable subsidies and rebates.

Upon revocation or termination of the agreement for PAGCOR to manage PAGCOR San Lazaro and if the same is without fault of the Parent Company or PAGCOR, PAGCOR shall surrender to the Parent Company PAGCOR San Lazaro's premises, furnishing and equipment without delay subject to proper accounting and auditing of liabilities of PAGCOR and the Parent Company.

Should PAGCOR unreasonably delay or unjustifiably fail to immediately surrender said contributions, the Parent Company shall have the right to take possession of PAGCOR San Lazaro's premises, furnishing and equipment from PAGCOR. This is without prejudice to PAGCOR's right to take possession of the properties from the Parent Company and apply the same for payment or satisfaction of its claims against the Parent Company.

Furthermore, upon revocation, termination or expiration of the PTO, the Parent Company undertakes to ship out of the Philippine territory, the gaming equipment and gaming paraphernalia in pursuance of Presidential Decree 519 and Letter of Instruction 1176 within 60 calendar days from the date of receipt or possession of the gaming equipment and gaming paraphernalia.

For income tax purposes, as the entity is granted the permit to operate PAGCOR San Lazaro, the parent company's income from casino operations is exempt from income tax in accordance with Section 13 of P.D. 1869, as amended, otherwise known as the PAGCOR Charter. Under P.D. 1869, earnings derived from the operation of casinos shall be imposed a 5% franchise tax, in lieu of all kinds of taxes, levies, fees or assessments of any kind, nature or description, levied, established or collected by any municipal, provincial, or national government authority.

3. Basis of Preparation and Statement of Compliance

Basis of Preparation

The consolidated financial statements are prepared using the historical cost basis, except for AFS financial assets, which are carried at fair value. The consolidated financial statements are presented in Philippine Peso (Peso or ₱), which is the parent company's functional and presentation currency. All amounts are rounded off to the nearest Peso, except when otherwise indicated.

Statement of Compliance

The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

4. Summary of Changes in Accounting Policies and Disclosures

New and Amended Standards and Interpretation

The Group applied for the first time certain pronouncements, which are effective for annual periods beginning on or after January 1, 2016. Adoption of these pronouncements did not have a significant impact on the Group's financial position or performance unless otherwise indicated.

- Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 28, *Investments in Associates and Joint Ventures*, *Investment Entities: Applying the Consolidation Exception*

  These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value. They also clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture) to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries when applying the equity method.

  These amendments are not applicable to the Group since none of the entities within the Group is an investment entity nor does the Group have investment entity associates or joint ventures.

- Amendments to PFRS 11, *Joint Arrangements, Accounting for Acquisitions of Interests in Joint Operations*

The amendments to PFRS 11 require a joint operator that is accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business (as defined by PFRS 3, *Business Combinations*), to apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation.

These amendments do not have any impact on the Group as there has been no interest acquired in a joint operation during the period.

- PFRS 14, *Regulatory Deferral Accounts*

  PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of income and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements.

  Since the Group is an existing PFRS preparer, this standard would not apply.

- Amendments to PAS 1, *Presentation of Financial Statements*, *Disclosure Initiative*

  The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRSs. They clarify the following:

  - That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions
  - That specific line items in the statement of income and other comprehensive income and the statement of financial position may be disaggregated
  - That entities have flexibility as to the order in which they present the notes to financial statement
  - That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

  These amendments do not have any impact to the Group.

- Amendments to PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets*, *Clarification of Acceptable Methods of Depreciation and Amortization*

The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

These amendments are applied prospectively and do not have any impact to the Group, given that the Group has not used a revenue-based method to depreciate or amortize its property and equipment and the Group does not have any intangible assets.

- Amendments to PAS 16 and PAS 41, Agriculture*: Bearer Plants*

  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply.

  The amendments are applied retrospectively and do not have any impact on the Group as the Group does not have any bearer plants.

- Amendments to PAS 27, *Separate Financial Statements, Equity Method in Separate Financial Statements*

  The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively.

  These amendments do not have any impact on the consolidated financial statements.

- Annual Improvements to PFRSs 2012 - 2014 Cycle

  - Amendment to PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations, Changes in Methods of Disposal*

    The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

    The amendments do not have any impact on the consolidated financial statements.

  - Amendment to PFRS 7, *Financial Instruments: Disclosures, Servicing Contracts*

PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

The amendments do not have any impact on the consolidated financial statements.

- Amendment to PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*

  This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

  The amendments do not have any impact on the consolidated financial statements.

- Amendment to PAS 19, *Employee Benefits*, *Discount Rate: Regional Market Issue*

  This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

  The amendments do not have any impact on the consolidated financial statements.

- Amendment to PAS 34, *Interim Financial Reporting*, *Disclosure of Information 'Elsewhere in the Interim Financial Report'*

  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

  The amendments do not have any impact on the consolidated financial statements.

Future Changes in Accounting Policies

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

Effective beginning on or after January 1, 2017

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

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

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

  The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted.

  Application of amendments will result in additional disclosures in the 2017 financial statements of the Group.

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

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

  Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted.

  These amendments are not expected to have any impact on the Group.

Effective beginning on or after January 1, 2018

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

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

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

These amendments are not expected to have any impact on the Group.

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

  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

  The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

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

- PFRS 9, *Financial Instruments*

  PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

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

- PFRS 15, *Revenue from Contracts with Customers*

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

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018.

The Group is assessing the potential effect of the amendments on its consolidated financial statements.

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

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

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

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

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

  The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*

  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

  The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

  Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

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

  Deferred effectivity

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

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

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

5. **Summary of Significant Accounting and Financial Reporting Policies**

<u>Basis of Consolidation</u>
The consolidated financial statements comprise the financial statements of the Group and its subsidiary as at June 30, 2017 and December 31, 2016. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

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

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.
Subsidiary. Subsidiary is an entity controlled by the Parent Company. Subsidiary is consolidated from the date of acquisition or incorporation, being the date on which the Group obtains control, and continue to be consolidated until the date such control ceases.

Transactions Eliminated on Consolidation.

All intragroup transactions and balances including income and expenses, and unrealized gains and losses are eliminated in full.

Accounting Policies of Subsidiaries. The financial statements of subsidiary are prepared for the same reporting year using uniform accounting policies as those of the Parent Company.

Functional and Presentation Currency. The consolidated financial statements are presented in Philippine Peso, which is the Group's functional and presentation currency. Each entity in the Group determines its own functional currency, which is the currency that best reflects the economic substance of the underlying transactions, events and conditions relevant to that entity, and items included in the financial statements of each entity are measured using that functional currency.

<u>Business Combinations and Goodwill</u>
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred at acquisition date fair value, and the amount of any noncontrolling interest in the acquiree.

For each business combination, the Group elects to measure the noncontrolling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in the profit or loss under "General and administrative expenses" account.

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

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

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

Goodwill acquired in a business combination is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for noncontrolling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

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

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

When subsidiaries are sold, the difference between the selling price and net assets and goodwill is recognized in the profit or loss.

Acquisition of Assets

When assets are acquired through corporate acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents an acquisition of a business.

When such acquisition is not judged to be an acquisition of business, it is not treated as a business combination. Rather, the cost to acquire the entity is allocated between the identified assets and liabilities of the entity based on their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred tax arises.

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statements of financial position based on current or noncurrent classification.

An asset is current when it is:

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

All other assets are classified as noncurrent.

A liability is current when:

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

The Group classifies all other liabilities as noncurrent.

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

Fair Value Measurement

The Group measures financial instruments at each reporting date. Additional fair value related disclosures including fair values of financial instruments measured at amortized cost are disclosed in Note 25.

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

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

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

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

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

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

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

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of financial position comprise of cash on hand and in banks and on short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

Financial instruments – initial recognition and subsequent measurement

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

Financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- AFS financial assets

As of June 30, 2017 and December 31, 2016, the Group only has financial assets classified as loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is presented as “Interest expense” in the consolidated statements of comprehensive income. The losses arising from impairment are recognized in the consolidated statements of comprehensive income in “Interest expense” for loans and in “Operating costs and expenses” for receivables.

This category generally applies to cash and cash equivalents, receivables (excluding advances to contractors and suppliers) and long term deposits (as presented under “Other noncurrent assets” in the consolidated statements of financial position) as of June 30, 2017 and December 31, 2016.

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

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

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

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

Other financial liabilities
This category pertains to financial liabilities that are not held for trading or not designated at FVPL upon the inception of the liability. These include financial liabilities arising from accounts payable (excluding statutory payables), interest payable, and loans payable. The liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the EIR method of amortization (or accretion) for any related premium (or discount) and any directly attributable transaction costs. Gains and losses on amortization and accretion are recognized in profit or loss.

As of June 30, 2017 and December 31, 2016, the Group's financial liabilities include other financial liabilities consisting of accounts payable (excluding statutory payables), interest payable, and loans payable.

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

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

Comparative information
The amounts in the prior period financial statements have been adjusted in comparative period of the current period financial statements.

Inventories
Inventories are valued at the lower of cost and net realizable value. Costs incurred in bringing each product to its present location and condition are accounted for using the first-in/first-out basis. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Property and equipment
Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in in the consolidated statements of comprehensive income as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Category	Years
Building	30 years
Machinery	10 years
Gaming equipment	8 years
Nongaming equipment	5 years
Kitchen and bar equipment, computer software and hardware	3 years

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. 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 asset) is included in the consolidated statements of comprehensive income when the asset is derecognized.

Construction in progress represents structures under construction and is stated at cost. This includes cost of construction and other direct cost. Construction in progress is not depreciated until such time the relevant assets are completed and are available for use.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Operating Equipment
Operating equipment (shown as part of "Other noncurrent assets" account) includes linens, uniforms and utensils, which are carried at cost. Bulk purchases of items of operating equipment with expected usage period of beyond one year are classified as noncurrent assets and are amortized over two to three years.

Impairment of nonfinancial assets
The Group assesses at each reporting date whether there is an indication that the nonfinancial assets may be impaired or whether there is an indication that a previously recognized impairment loss may no longer exist or may have decreased. If such indications exist, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of the assets' fair value less costs to sell and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent from other asset or group of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In cases where the impairment loss no longer exists or may have decreased due to a change in estimates, the carrying amount of an asset is increased to its recoverable amount to the extent that the amount cannot exceed the carrying amount, net of depreciation or amortization, had no impairment loss been recognized in prior years. Impairment loss or its reversal is recognized in the consolidated statements of comprehensive income in those expense categories consistent with the function of the impaired asset.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The specific recognition criteria described below must also be met before revenue is recognized.

Revenue Share in Gaming Operations
Gaming revenue share represents a certain percentage share of gross revenues after deducting the players' winnings/prizes, franchise tax and applicable subsidies and rebates. The revenue share in gaming operations comprise of the revenue from allowing PAGCOR to use the Group's gaming facilities and gaming equipment.

Hotel and food and beverage
Hotel and food and beverage are recognized when services are performed or the goods are sold.

Other income consists of:

Revenue from Bingo
Revenue from Bingo operations represents net sales from the conduct of bingo operations. Net sales is defined as the total gross receipts from sale of bingo tickets and cards less prizes/winnings. This is included at “Other income” in the consolidated statements of comprehensive income.

Rental Income
Rental revenue from the leasing of properties held under operating lease are recognized on a straight line basis over the periods of the respective leases.

Interest Income
Interest income is recognized as it accrues on a time proportion basis taking into account the principal amount outstanding and the EIR. Interest income represents interest earned from cash and cash equivalents and advances to related parties.

<u>Expenses</u>
Expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Costs and expenses are recognized in the consolidated statements of comprehensive income upon utilization of the service or at the date they are incurred.

<u>Taxes</u>
Current income tax
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statements of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized

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

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.
Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

<u>Retirement Benefits Cost</u>
The Group has noncontributory funded defined benefit plans, administered by trustees, covering substantially all of its regular employees.
The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit actuarial valuation method. Projected unit credit method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

Defined benefit costs comprise service cost, net interest on the net defined benefit liability or asset and remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Leases
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that asset is or those assets are not explicitly specified in an arrangement.

Group as a lessee
Lease where the lessor retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are charged against profit or loss.

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

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

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

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of the "Input VAT" or "Accounts payables and other current liabilities" accounts in the consolidated statements of financial position.

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statements of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Earnings Per Share
Earnings per share is computed by dividing the total comprehensive income and net income attributable to equity holders of the parent company for the year by the weighted average number of shares outstanding during the year adjusted to give retroactive effect to any stock dividends declared during the year.

Basic earnings per share is calculated by dividing the total comprehensive income and net income attributable to equity holders of the parent company for the year by the weighted average number of shares outstanding during the year.

Diluted earnings per share is computed by dividing the adjusted total comprehensive income and net income attributable to equity holders of the parent company for the year by the weighted average number of shares taking into account the effects of all potential dilutive common shares.

6. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS requires the Group to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The judgments, estimates and assumptions used are based on management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from the estimates and assumptions used. The effects of any change in estimates or assumptions are reflected in the consolidated financial statements when these become reasonably determinable.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on amounts recognized in the consolidated financial statements.

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

Group as the lessor - Operating Lease commitments
The Group has entered into various operating lease agreements as a lessor. The Group has determined that it has retained substantially all the risks and benefits of ownership of the assets. The ownership of the asset is not transferred to the Group by the end of the lease term, the Group has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable, and, the lease term is not for the major part of the asset's economic life. Accordingly, the lease is accounted for as an operating lease (see Note 17).

Estimates and Assumptions
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 financial years are discussed below.

Estimation of the useful lives of property and equipment
The useful lives of each of the Group's property and equipment are estimated based on the period over which the assets are expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives of each asset are reviewed periodically and 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. It is possible, however, that future financial performance could be materially affected by changes in the amounts and timing of recorded expenses brought about by the changes in the factors mentioned above. A reduction in

the estimated useful lives of any property and equipment would increase the recorded operating expenses and decrease noncurrent assets.

There were no changes in the useful lives of property and equipment in June 2017 and 2016. The carrying value of property and equipment as of June 30, 2017 and December 31, 2016 are disclosed in Note 12 to the consolidated financial statements.

Recoverability of input VAT
The Group assesses the recoverability of input VAT based on the estimated sale of services subject to VAT. Management has assessed that the recognized input VAT as of June 30, 2017 and December 31, 2016 are recoverable from future revenue that will be generated from the hotel operations and are disclosed in Note 10 to the consolidated financial statements.

7. **Cash and Cash Equivalents**

This account consists of:

	June 30, 2017	Dec. 31, 2016
Cash on hand	₱2,747,009	₱7,859,930
Cash in banks	74,543,010	110,480,529
Cash equivalents	-	6,644,436
	₱ 77,290,020	₱124,984,895

Cash in banks generally earns interest at the respective bank deposit rates. Cash equivalents are short-term deposits made for varying periods of up to three months and earn interest at the respective short-term deposit rates. Interest income earned from cash in banks and short-term deposits amounted to ₱.14 million in June 30, 2017 and ₱.93 million in December 2016.

8. **Receivables**

This account consists of:

	June 30, 2017	Dec. 31, 2016
Trade and other receivables	₱119,945,583	₱118,406,579
Receivable from PAGCOR	26,543,693	18,246,057
Advances to contractors and suppliers	101,389,215	124,118,786
Advances to employees (Note 20)	235,005	213,177
Others	1,019,157	1,019,156
	₱249,132,655	₱262,003,755

Trade and other receivables are claims for corporate accounts and against the lessees of the building spaces for commercial operations and are usually collected within 30 to 60 days.

Receivable from PAGCOR pertains to the outstanding balance of the Group’s revenue share in gaming operations after deducting the players’ winnings and prizes, the taxes that may be imposed on these winnings/prizes, franchise tax, and applicable subsidies and rebates, which shall be remitted within 15 days of the following month.

Advances to contractors and suppliers are noninterest-bearing down payments which are applied against future billings by the contractors and suppliers.

9. Inventories

This account consists of:

	June 30, 2017	Dec. 31, 2016
Operating supplies	₱24,145,238	₱18,116,614
Food, beverage, tobacco	2,775,799	3,191,477
	₱26,921,037	₱21,308,091

All of the inventories recorded at second quarter end are carried at cost. Operating supplies include cards, seals and dice.

10. Input VAT

This account consists of:

	June 30, 2017	Dec. 31, 2016
Input VAT	₱402,030,840	₱387,795,739
Deferred input VAT	20,474,988	25,883,288
	₱422,505,829	₱413,679,027

Input VAT pertains mainly to the Group's purchases related to the construction of Winford Hotel building and company operations, while deferred input VAT pertains to the VAT related to certain retention payable and noncurrent portion of input VAT related to acquisition of capital goods over one million.

11. Other current assets

This account consists of:

	June 30, 2017	Dec. 31, 2016
Prepayments	₱12,561,015	₱41,618
Deposits/Advances	1,396,499	375,000
	₱13,957,514	₱416,618

Prepayments consist of prepaid taxes and insurance for 2017.

Deposits/Advances pertain to the creditable withholding taxes and security deposit for the rental of billboard space.

12. **Property and Equipment**

This account consists of:

2017

	Land	Building	Machinery	Gaming Equipment	Non-gaming Equipment	Kitchen & bar equipment, Computer software & hardware	Construction in Progress	Total
Cost								
Balance at beginning of year	600,800,000	3,873,911,663	190,019,679	310,230,879	423,670,553	587,926,327	-	**5,986,559,101**
Additions	-	93,269,655	11,237,046	-	5,083,413	26,781,866	-	**136,371,979**
Reclassifications								-
Disposal								-
Balance at end of year	**600,800,000**	**3,967,181,318**	**201,256,725**	**310,230,879**	**428,753,966**	**614,708,193**	**-**	**6,122,931,080**
Accumulated depreciation								
Balance at beginning of year	-	93,440,349	1,562,485	35,778,249	33,277,436	68,531,817	-	**232,590,336**
Depreciation		66,272,567	9,618,428	19,389,430	43,449,132	98,645,009		**237,374,566**
Disposal								-
Balance at end of year	**-**	**159,712,916**	**11,180,913**	**55,167,679**	**76,726,568**	**167,176,826**	**-**	**469,964,902**
Net book value	**600,800,000**	**3,807,468,401**	**190,075,812**	**255,063,200**	**352,027,398**	**447,531,367**	**-**	**5,652,966,178**

2016

	Land	Building	Machinery	Gaming Equipment	Non-gaming Equipment	Kitchen & bar equipment, Computer software & hardware	Construction in Progress	Total
Cost								
Balance at beginning of year	600,800,000	–	–	203,095,681	102,527,807	111,794,599	2,799,184,871	**3,817,402,958**
Additions	–	234,685,850	2,521,448	107,072,824	83,304,270	68,207,848	1,674,389,794	**2,170,182,034**
Reclassifications	–	3,639,225,813	187,498,231	62,374	238,864,368	407,923,880	(4,473,574,665)	**1**
Disposal	–	–	–	–	(1,025,892)	–	–	**(1,025,892)**
Balance at end of year	**600,800,000**	**3,873,911,663**	**190,019,679**	**310,230,879**	**423,670,553**	**587,926,327**	**-**	**5,986,559,101**
Accumulated depreciation								
Balance at beginning of year	–	–	–	–	732,238	442,679	–	**1,174,917**
Depreciation	–	93,440,349	1,562,485	35,778,249	33,058,144	68,089,138	–	**231,928,365**
Disposal	–	–	–	–	(512,946)	–	–	**(512,946)**
Balance at end of year	**-**	**93,440,349**	**1,562,485**	**35,778,249**	**33,277,436**	**68,531,817**	**-**	**232,590,336**
Net book value	**600,800,000**	**3,780,471,314**	**188,457,194**	**274,452,630**	**390,393,117**	**519,394,510**	**-**	**5,753,968,765**

Construction in progress pertains mainly to the construction of the Winford Hotel building in San Lazaro Tourism and Business Park in Sta. Cruz, Manila. It was substantially completed on December 2016 and was reclassified to its appropriate property and equipment account.

Land and building with carrying value of P4.6 billion as of June 30, 2017 were pledged as collateral for the loan facility (see Note 15)

13. **Other noncurrent assets**

This account consists of:

	June 30, 2017	Dec. 31, 2016
Operating equipment	₱72,274,202	₱87,131,389
Long term deposit	27,918,248	27,918,249
	₱100,192,450	115,049,638

Other noncurrent assets comprise of long term deposit and operating equipment.

Operating equipment pertains to linens, uniforms and utensils purchased by the Parent Company to be amortized over a period of three years. Amortization amounted to ₱26.68 million for the quarter ended June 30, 2017.

Long term deposit pertains to guarantee payment for utility bills and cash deposits of Trafalgar to PAGCOR.

14. **Accounts Payable and Other Current Liabilities**

This account consists of:

	June 30, 2017	Dec. 31, 2016
Retention payable	₱324,545,315	₱349,373,245
Accounts payable	217,568,900	267,171,320
Accrued expenses	36,473,843	11,377,579
Advances from related parties (Note 20)	4,970,819	4,970,819
Withholding taxes payable	1,041,409	2,192,513
Final Tax Payable	551,000	–
Customers’ deposits	3,834,620	1,722,579
Unearned income	2,710,945	1,669,510
Service charge payable	2,636,450	1,580,132
Others	4,886,081	1,159,989
	₱ 599,219,383	₱641,217,686

Accounts payable are noninterest-bearing and are normally settled within the next financial year. As of June 30, 2017 and December 31, 2016, a significant amount of the accounts payable pertains to the construction cost incurred for the Winford Hotel building in Sta. Cruz, Manila (see Note 12).

Accrued expenses pertain to accrual of utilities, travel and transportation, meeting and conferences, among others, which are normally settled in the next financial year.

Retention payable represents the portion of construction billings which will be paid upon satisfaction by the contractors of the conditions specified in the contracts or until defects have been corrected.

Withholding tax payable pertains to taxes withheld by the Group for its contractors and suppliers from payments made mainly in relation to the construction of building.

Deposit for Future Subscription

On June, 2017 the company received cash deposits from the stockholders the amount of ₱267.94 Million for future subscription.

15. Loans Payable

This account consists of:

	June 30, 2017	Dec. 31, 2016
Principal	**₱3,500,000,000**	₱3,500,000,000
Less unamortized debt discount	**24,320,004**	28,025,253
	₱3,475,679,996	₱3,471,974,747

The movements in unamortized debt discount follow:

	June 30, 2017	Dec. 31, 2016
Unamortized debt discount at beginning of year	**₱28,025,253**	₱24,548,140
Additions		10,000,000
Less: amortization*	**3,705,249**	6,522,887
Unamortized debt discount at end of year	**₱24,320,004**	₱28,025,253

**Included in "Interest expense" presented in the consolidated statements of comprehensive income*

In 2015, the Parent Company signed a 7-year loan agreement with a local bank for a ₱3.5 billion loan facility with an interest rate of 7-year PDST R2 +125 basis points at drawdown date, plus gross receipts tax. The proceeds from the loan was initially availed to fund the acquisition of gaming system and equipment, hotel furniture and equipment and permanent working capital of the Parent Company. In November 2015, the Parent Company drew ₱2.5 billion from the loan facility, receiving proceeds of ₱2.47 billion, net of related debt issue cost of ₱30.0 million. The debt issue cost includes documentary stamp tax amounting to ₱12.5 million and upfront fees amounting to ₱17.5 million. Out of the ₱17.5 million upfront fee, ₱5.0 million pertains to the undrawn portion amounting to ₱1.0 billion as at December 31, 2015 which was presented as part of Other current assets.

In April 2016, the Parent Company drew the remaining ₱1.0 billion from the loan facility, receiving proceeds of ₱995.0 million, net of documentary stamp tax amounting ₱5.0 million.

The related interest recognized amounted to ₱104.59 million and ₱192.1 million in June 30, 2017 and 2016, respectively. Part of the said interest in 2016 was recognized as borrowing cost in relation to the construction of the building which amounted to ₱63.9 million in 2016.

The loan is secured by the parent company's land and building with a carrying value of ₱4.6 billion as of June 30, 2017 (see Note 12).

Loan covenants

The loan imposes certain restrictions with respect to corporate reorganization, debt to equity ratio, disposition of all or substantial part of the parent company's assets, declaration or payments of dividends to its shareholders (other than dividends payable solely in share of capital stock) and payments of loans or advances from its shareholders, affiliates, subsidiaries or related entities when the Parent Company is in default. The Parent Company continues to comply with the loan covenants. Refer to Note 25.

Future repayment of the principal follows:

	June 30, 2017	Dec. 31, 2016
After one year but not more than five years	₱2,800,000,000	₱ 2,800,000,000
Beyond five years	700,000,000	700,000,000
	₱3,500,000,000	₱3,500,000,000

16. **Retirement Benefits**

The Group does not have an established retirement plan and only conforms to the minimum regulatory benefit under the Retirement Pay Law (Republic Act No. 7641) which is of the defined benefit type and provides a retirement equal to 22.5 days' pay for every year of credited service. The regulatory benefit is paid in a lump sum upon retirement. An independent actuary conducted the valuation of the fund. The latest actuarial valuation reports are as of December 31, 2016.

The retirement cost and retirement liability for the year ended June 30, 2017 amounted to ₱0.8 million.

The cost of the retirement plan and the present value of the defined benefit obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions. The principal assumptions used in determining the retirement liability of the Group in 2016 are shown below:

Discount rate	**5.86%**
Salary Increase rate	**3.00%**

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant. Established on historical data, the behavior in error of the standard deviation is within the range:

	Effect on Net Retirement Liability	
	Increase (Decrease)	2017
Discount Rate	+1.00%	(₱113,017)
	-1.00%	138,064
Salary increase rate	+1.00%	131,641
	-1.00%	(110,054)

The weighted average duration of the defined benefit obligation as of June 30, 2017 is 18.2 years.

As of June 30, 2017, the expected future benefit payments in six to ten years amounted to ₱1.1 million.

17. **Commitments**

Accounting treatment for the Permit to Operate

As discussed in Note 1 and 2, the Parent Company was granted a Permit to Operate by PAGCOR. In the accounting treatment of the provisions of the Permit to Operate, management uses judgment in assessing the risk and rewards related to the use of specific assets. Based on IFRIC 4, the arrangement entered into by the Parent Company with PAGCOR is similar to an arrangement that entitles another party to a right to use specific assets.

Under this arrangement, the Parent Company allowed PAGCOR, the following:

a. The use of certain floors in its building as gaming facility (two floors as of June 30, 2017), and
b. The use of slot machines and gaming tables ("Gaming equipment").

Based on applicable accounting standards, the Group retained substantially the risks and rewards of the gaming facilities and gaming equipment. Accordingly, as of June 30, 2017, the Parent Company continues to recognize these assets in the consolidated statements of financial position. The income received from PAGCOR for the use of these assets amounted to ₱51.06 million and are presented as "Revenue share in gaming operations" in the consolidated statements of comprehensive income.

<u>Operating Lease Commitment – the Parent Company as Lessor</u>

a. The Parent Company entered into a lease contract with CBTC Bank (Philippines) Corp. to lease a space in Winford Hotel, Ground floor with an area of 3 sq. m. The lease term is for a period of one year commencing on February 1, 2016 and expiring on January 31, 2017 and subsequently renewed. The monthly payment amounts to ₱30,000, inclusive of electrical consumption but exclusive of VAT. The terms of the contract also state that rental payment shall escalate by 10% per annum.

b. The Parent Company also entered into an agreement of lease with Ifoods Group Inc. (the lessee) to lease a 315.5 sq. m area of Winford Hotel and Casino for a lease term of five years from the commencement of operations of the lessee, unless sooner terminated in accordance with the Termination Clause. Upon completion of all hotel rooms of Winford Hotel, base rental shall be ₱600 per sq. m per month, exclusive of VAT. Percentage rental rate shall be 10% of Gross Sales for the period commencing from the execution of the lease agreement until completion of all hotel rooms and 7% of Gross Sales upon completion of all hotel rooms. The contract also states that base rent shall escalate at a rate to be agreed by both parties.

c. The Parent Company also entered into a lease contract with Golden Arches Development Corporation to lease a space in Winford Hotel and Casino with an area of 406.14 sq. m. The lease term is upon execution of the lease agreement until 10 years after the Rental Commencement Date, unless sooner terminated in accordance with Termination Clause. Base rental rate is ₱750 per square meter per month, exclusive of VAT, but subject to 5% withholding tax, or a percentage rental rate at the rate of 5% of Gross Sales, exclusive of VAT but subject to 5% Withholding Tax, whichever is higher.

d. The Parent Company also entered into a lease contract with Philippine Seven Corporation for five years commencing July 7, 2016 to lease an area of 45.09 sq. m for a basic rent of ₱1,300 per sq. m plus a percentage of gross sales (1.5% of gross sales) or minimum guaranteed rent (₱1,500 per sq. m per month), whichever is higher.

   Rent escalation shall separately apply to both Basic Rent and Minimum Guaranteed Rent.

e. The Parent Company also entered into an agreement of lease with SM Kenko Sauna Corporation (the lessee) to lease a 390 sq. m area of Winford Hotel and Casino to be used for spa and salon services. The base rental rate amounts to ₱650 per sq. m per month. In addition to the amount the lessee shall pay during the initial term and any renewal term of this lease, a percentage rental which is 10% of Gross Revenue from the operations. Rent shall escalate by 7.5% per annum commencing upon lapse of the first 2 years of lease.

f. The Parent Company also entered into a lease contract with BDO Unibank, Inc. to lease a space in Winford Hotel, Second floor with an area of 3 sq. m. The lease term is for a period of one year commencing on January 1, 2017 and expiring on December 31, 2017 and subsequently renewed. The monthly payment amounts to ₱20,000, inclusive of electrical consumption but exclusive of VAT.

g. The Parent Company also entered into a lease contract with Choi Garden Manila Corp. for ten years commencing January 1, 2017 to lease an area of 927 sq. m for a percentage rental of 10% of Gross Revenue from dining, takeout service, banquet and food delivery at the second floor, ballroom at fourth floor and Hawkers at the ground floor.

Rent income amounted to ₱7.9 million (as presented under "Other income" in consolidated statements of comprehensive income) as of June 30, 2017. (Note 23)

18. **Income Taxes**

The provision for income tax consists of the following:

	June 2017	June 2016
Current:		
Final	₱2,712,481	₱396,895
MCIT	–	–
	₱2,712,481	₱396,895

There were no deferred tax liabilities as of June 30, 2017 and 2016.

As of June 30, 2017 no deferred tax assets were recognized as management believes that the Parent Company may not have sufficient future taxable income from its hotel operations against which the deferred tax assets may be applied.

No deferred tax assets will be recognized as it relates to the casino operations since the Parent Company's income from casino operations is exempt from income tax in accordance with Section 13 of P.D. 1869, as amended (see Note 2).

For income tax purposes, as the entity granted the permit to operate PAGCOR San Lazaro, the Parent Company's income from casino operations is exempt from income tax in accordance with Section 13 of P.D. 1869, as amended, otherwise known as the PAGCOR Charter. Under P.D. 1869, earnings derived from the operation of casinos shall be imposed a 5% franchise tax, in lieu of all kinds of taxes, levies, fees or assessments of any kind, nature or description, levied, established or collected by any municipal, provincial, or national government authority (see Note 2)

19. **PEZA Registration**

On February 10, 2015, the registration as an Ecozone Tourism Enterprise for the development and operation of tourist, leisure and entertainment facilities is approved by Philippine Economic Zone Authority (PEZA).

As provided in its Registration Agreement dated February 24, 2015, the Parent Company shall be entitled only to tax and duty-free importation and zero-VAT rating on local purchases of capital equipment in accordance with PEZA Board Resolution No. 12-610 dated November 13, 2012, except for casino operations and other gaming/gambling operations, if any, subject to all evaluation and/or processing requirements and procedures prescribed under PEZA Rules and Regulations, pertinent circulars and directives.

20. **Related Party Transactions**

Entities and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by or under common control with the Group, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Group. Entities and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the entity, key management personnel, including directors and officers of the Group and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.

Transactions with Related Parties

In the ordinary course of business, the Group has significant transactions with related parties as follows:

			2017		2016			
Entity	Relationship	Nature	**Amount**	**Receivable (Payable)**	Amount	Receivable (Payable)	Terms	Condition
Manila Jockey Club, Inc. (MJCI)	Stockholder	Proceeds from subscription[a]	**₱–**	**₱–**	**₱–**	**₱–**	Noninterest-bearing; payable upon call	Unsecured, unguaranteed
		Advances[b]\	**8,059,110**	**(4,970,819)**	**8,059,110**	**(4,970,819)**	Noninterest-bearing; due and demandable	Unsecured, unguaranteed
		Commission from the off-track betting[c]	**124,054**	**124,054**	**10,137**	**10,137**	Noninterest-bearing	Unsecured, unguaranteed
Manila cockers Club, Inc. (MCI)	Subsidiary of a stockholder	Commission from the off-track betting[d]	**173,105**	**173,105**	**75,934**	**75,934**	Noninterest-bearing	Unsecured, unguaranteed

[a] Shares subscribed by MJCI were already fully collected as of December 31, 2015.

[b] The Parent Company obtains advances for expenses such as office rental, utilities and other allowances of the Parent Company's employees.

[c] Share of the Parent Company on horse racing gross bets from off track betting station of MJCI located at Winford Hotel and Casino.

[d] Share of the Parent Company on cockfighting gross bets from off track betting station of MCI located at Winford Hotel and Casino.

Key Management Personnel

Total key management personnel compensation of the Group as of 30 June 2017 amounted to P4.1 million and P11.2 Million as of December 31, 2016.

The Corporation has no standard arrangement with regard to the remuneration of its directors. As of June 30, 2017, and as of December 31, 2016 and 2015, the BOD received directors' fee aggregating P.7 million, P.6 million and P.4 million respectively.

21. Equity

Capital Stock

Details of capital stock are as follows:

	June 30, 2017		December 31, 2016	
	Number of shares	Amount	Number of shares	Amount
Common shares – ₱1 par value				
Authorized – 5,000,000,000 shares				
Issued and outstanding shares	3,174,405,821	₱3,174,405,821	3,174,405,821	₱3,174,405,821
Subscribed shares	–	–	-	-
Additional subscription during the year	–	–	-	-
Subscriptions receivable	–	–	-	-
Total issued and outstanding and subscribed capital (held by 443, 444 and 452 equity holders in 2016, 2015 and 2014, respectively)	₱3,174,405,821	₱3,174,405,821	3,174,405,821	₱3,174,405,821

In 2010 and 2013, the Group received series of additional subscription aggregating 83,652,958 shares from shareholders in which ₱20.9 million were paid up. In 2015, ₱24.0 million of the subscription receivable was paid by the shareholder while the remaining balance amounting to ₱ 38.7 million was collected on May 30, 2016.

On January 14, 2015, the Group received from a group of strategic investors the amount of ₱673.8 million, representing full payment of the subscription of 673,791,662 shares to be taken from the unsubscribed portion of the authorized capital stock at a subscription price of ₱1.0 per share. The related documentary stamp tax on the issuance of capital stock amounting to ₱3.4 million was charged to "Deficit" in the consolidated statements of changes in equity.

22. Basic/Diluted Loss Per Share

	June 30, 2017	June. 30, 2016
Net loss for the year	₱375,848,000	₱192,345,392
Divided by weighted average number of outstanding common shares	3,174,405,821	3,174,405,821
Basic/diluted losses per share	₱0.120	₱0.061

The Parent Company has no potential dilutive common shares as of June 30, 2017 and 2016 Therefore, the basic and diluted loss per share are the same as of those dates.

23. **Other Operating Income**

Other income consists of:

	June 2017	June 2016
Revenue from bingo operations	₱8,986,546	₱2,052,835
Rent income (Note 17)	7,933,762	-
Miscellaneous income	1,300,188	295,987
	₱18,220,496	₱2,348,822

24. **Financial Risk Management Objectives and Policies and Fair Value Measurement**

Financial Risk Management Objectives and Policies

The Group's financial instruments comprise of cash and cash equivalents, receivables (excluding advances to contractors and suppliers), deposits/advances (presented as part of "Other current assets" in the consolidated financial statements), accounts payable and other current liabilities (excluding statutory payables) and loans payable. The main purpose of these financial instruments is to finance the Group's operations. The main risks arising from the use of these financial instruments include credit risk and liquidity risk. The Group's BOD reviews and approves the policies for managing these risks and these are summarized below.

Credit Risk

Credit risk arises because the counterparty may fail to discharge its contractual obligations. As a matter of policy, the Group limits its maximum exposure to credit risk to the amount of carrying value of the instruments. The Group transacts only with related parties and with recognized and creditworthy third parties. Receivable balances are monitored on an ongoing basis. Further, management intensifies its collection efforts to collect from defaulting third parties

The table below shows the maximum exposure to credit risk of the Group as at June 30, 2017 and 2016.

	June 30, 2017	Dec 31, 2016
Loans and receivables:		
Cash and cash equivalents*	₱74,543,011	₱117,124,965
Receivables**	147,743,440	137,884,970
Long term deposit***	27,918,249	6,976,249
	₱250,204,700	₱261,986,184

**Excluding cash on hand amounting to ₱2,747,009 and ₱7,859,930 for the year ended June 30, 2017 and 2016, respectively.*
***Excluding advances to contractors and suppliers amounting to ₱101,389,215 and ₱124,118,786 for June 30, 2017 and 2016, respectively.*
****Presented under "Other noncurrent assets" in consolidated financial statements.*

The credit quality of the financial assets was determined as follows:

Cash and cash equivalents

As of June 30, 2017, cash and cash equivalents (except cash on hand) are maintained in 6 highly reputable universal banks with a minimum deposit of ₱0.5 million, which comprises approximately 94% (2016: 94%) of the total cash and cash equivalents.

Receivables
As at June 30, 2017, receivables (excluding advances to contractors and suppliers) pertain to receivable from PAGCOR for the monthly revenue of gaming operations, receivable from hotel operations, receivable from rental of building premises, advances to related parties, employees and other counterparties that have no history of default or delinquency in collection. Receivable from related parties approximate 0.005% of the outstanding receivable.

Liquidity Risk
Liquidity risk is defined as the risk that the Group would not be able to settle or meet its obligations on time or at a reasonable price. The Group's objective is to maintain a balance between continuity of funding and flexibility by regularly evaluating its projected and actual cash flows and through the use of bank loans and extension of suppliers' credit terms. The Group maximizes the net cash inflows from operations to finance its working capital requirements.

The tables below summarize the maturity profile of the Group's financial liabilities as at June 30, 2017 and 2016 based on contractual undiscounted payments (principal and interest).

	2017			
	Due and Demandable	Less than 1 year	1 year or above	Total
Loans payable	₱–	₱–	₱4,162,323,232	₱4,162,323,232
Accounts payable and other current liabilities*	4,970,819	593,207,155	–	598,177,974
	₱4,970,819	₱592,207,155	₱4,162,323,232	₱4,760,501,206

**Excluding withholding taxes payable amounting to ₱1,041,409.*

	2016			
	Due and Demandable	Less than 1 year	1 year or above	Total
Loans payable	₱–	₱–	₱4,212,351,992	₱4,212,351,992
Accounts payable and other current liabilities*	4,970,819	634,054,354	–	639,025,173
	₱4,970,819	₱634,054,354	₱4,212,351,992	₱4,851,377,165

**Excluding withholding taxes payable amounting to ₱2,192,513.*

The following tables show the profile of financial assets used by the Group to manage its liquidity risk:

	2017			
	Due and Demandable	Less than 1 year	1 year or above	Total
Loans and receivables:				
Cash and cash equivalents*	₱74,543,011	₱–	₱–	₱74,543,011
Receivables**	1,019,157	19,845,621	126,878,662	147,743,440
Long term deposit***	–	–	27,928,249	27,918,249
	₱75,562,168	₱19,845,621	₱154,806,911	₱250,204,700

**Excluding cash on hand amounting to ₱2,747,009.*
***Excluding advances to contractors and suppliers amounting to ₱101,389,215.*
****Presented under "Other noncurrent assets" in consolidated financial statements.*

	2016			
	Due and Demandable	Less than 1 year	1 year or above	Total
Loans and receivables:				
Cash and cash equivalents*	₱117,124,965	₱–	₱–	₱117,124,965
Receivables**	1,019,157	213,177	136,652,636	137,884,970
Long term deposit***	–	–	6,976,249	6,976,249
	₱118,144,122	₱213,177	₱143,628,885	₱261,986,184

***Excluding cash on hand amounting to ₱7,859,930.*
***Excluding advances to contractors and suppliers amounting to ₱124,118,786.*
****Presented under "Other noncurrent assets" in consolidated financial statements.*

Fair Value Measurement

The carrying values of cash and cash equivalents (excluding cash on hand), receivables (excluding advances to contractors and suppliers), accounts payable and other current liabilities (excluding withholding taxes payable) approximate their fair values due to the short-term nature of these accounts. The estimated fair value of loans payable approximates the carrying amount as of reporting date.

There were no financial instruments carried at fair value as of June 30, 2017 and 2016.

25. Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximize stockholders' value. The Group considers its total equity amounting to ₱2.18 billion and ₱2.56 billion as its capital as of June 30, 2017 and December 31, 2016.

The Group maintains a capital base to cover risks inherent in the business. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payments to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

The Group's loan is subject to a covenant that the ratio of its Debt (defined as "total liabilities") to Net Worth (defined as "total stockholder's equity) should not exceed 2.0x.

Debt to equity ratio of Group as of June 30, 2017 and 2016 is as follows:

	2017	**2016**
Total Liabilities	**₱4,360,463,880**	**₱4,133,060,987**
Total Equity	**2,182,501,802**	**2,558,349,801**
Debt to equity ratio	**2.00**	**1.62**

As of June 30, 2017, the Group complies with the covenant.