COVER SHEET

10020
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
FOR THE PERIOD ENDED 31 MARCH 2018

12	31	17-Q	06	29
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 **March 31, 2018.**

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. **528-2300**
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 31 March 2018, amounted to P548.8 Million showing a decrease of P349.1 Million or 38.9% as compared to the 31 December 2017 balance of P897.9 Million. The decrease is due to lower Cash and Cash Equivalents because of payment of portion of principal on loan and its interest in addition to payments made to various contractors this quarter. Moreover, the decrease is also attributable to lower prepaid taxes which was amortized over the quarter.

Total non-current assets as of 31 March 2018, decreased to P5,966.0 Million from the balance of P6,051.1 Million as of 31 December 2017, P85.1 Million or 1.4% lower is attributable to decrease of Property and Equipment and Other Non-Current Asset due to recorded depreciation and amortization this quarter.

Total current liabilities as of 31 March 2018, amounted to P1,050.4 Million showing decrease of P251.6 Million or 19.3% as compared to the 31 December 2017 balance of P1,302.0 Million due to principal on loan settlement and its interest in addition to payment of retention payable to various contractors.

Total non-current liabilities as of 31 March 2018 amounted to P3,880.2 Million from the balance of P3,878.2 Million as of 31 December 2017. Movement is due to amortization of interest.

For the three-month period ending 31 March 2018, the Corporation's total revenues amounted to P142.2 Million, higher by P64.3 Million or 82.5% compared to P77.9 Million same periods in 2017. Revenues for the 1st quarter of 2018 are attributable to revenue share in gaming operations, food and beverage sales, rentals and banquet events. The increase in revenue is due to higher gaming capacity, hotel occupancy and banquet events this quarter.

Operating costs and expenses for the three-month period ended 31 March 2018 and for the same period in 2017 amounted to P269.1 Million and P215.3 Million respectively. The P53.8 Million or 25.0% increase is due to higher depreciation and amortization, gaming and hotel operations expenses, salaries, repairs and maintenance, service fees and utilities this 1st quarter of 2018.

Net Loss amounted to P184.50 Million for the three-month period ending 31 March 2018. There is a decrease of net loss by P6.9 Million from the net loss of P191.4 Million for the same period in 2017.

The following are the comparative key performance indicators of the Corporation and the manner of its computation as of the period ended 31 March 2018 and 2017:

Indicators	Manner of Computation	As of the Period Ended March 31, 2018	December 31, 2017
Current Ratio	Current Assets / Current Liabilities	0.52:1	0.69:1
Debt Equity Ratio	Total Liabilities / Total Equities	1.44:1	1.43:1
Asset Liability Ratio	Total Assets / Total Liabilities	1.32:1	1.34:1
Return on Assets	Net Income (Loss) / Total Assets	(3%)	(3%)
Basic Earnings(Losses) Per Share	Net Income (Loss) / Outstanding Common Shares	(P0.06)	(P0.06)

Current ratio is regarded as a measure of the Corporation's liquidity or its ability to meet maturing obligations. As of 31 March 2018, the current ratio decreased to 0.52 compared to 0.69 as of December 31, 2017. The outstanding payable in 2018 mostly consists of balances on project-related expenditures and current portion of loan payable. The Corporation has P0.52 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 31 March 2018, the debt to equity ratio has increased to 1.44 from 1.43 from December 31, 2017. The effect of high debt to equity ratio indicates higher risk, as debt holders may have higher 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 March 31, 2018, the ratio has slight decreased to 1.32 from 1.34 on December 31, 2017. The result indicates that for every P1.00 of liability, the Corporation has P1.32 of assets.

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 March 31, 2018 the ratio of (3%) is the same as with December 31, 2017. This profitability ratio is not yet feasible to the Corporation.

As of 31 March 2018, the Corporation's loss per share is (P0.06) same with December 31, 2017.

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.

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: May 15, 2018

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

	March 31, 2018 *Unaudited*	DECEMBER 31, 2017 *Audited*
ASSETS		
Current Assets		
Cash and Cash Equivalent(Note 7)	232,721,719	558,855,778
Receivables(Note 8)	180,356,856	181,045,664
Inventories(Note 9)	23,622,398	28,268,696
Input value added tax (VAT)(Note 10)	18,839,443	24,777,789
Other Current Asset(Note 11)	93,286,098	104,971,061
Total Current Assets	**548,826,514**	**897,918,988**
Noncurrent Assets		
Property and Equipment(Note 12)	5,535,035,403	5,630,328,457
Input VAT -net of Current portion	356,226,022	337,794,085
Other Non-Current Asset(Note 13)	74,738,095	82,983,232
Total Noncurrent Assets	**5,965,999,520**	**6,051,105,774**
TOTAL ASSETS	**6,514,826,034**	**6,949,024,762**
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts Payable and other current liabilities(Note 14)	308,181,525	310,870,849
Retention Payable	204,552,062	279,174,193
Interest Payable	19,763,794	19,055,836
Current portion of loans payable	517,879,656	692,879,656
Total Current Liabilities	**1,050,377,038**	**1,301,980,534**
Noncurrent Liabilities		
Loans Payable - net Payable and other current liabilities	2,788,435,176	2,786,527,326
Deposit for future stock subscription (Note 16)	1,086,132,641	1,086,132,641
Retirement liability	1,760,049	1,760,049
Other noncurrent liabilities	3,821,020	3,821,020
Total Non-Current Liabilities	**3,880,148,885**	**3,878,241,035**
Total Liabilities	**4,930,525,923**	**5,180,221,569**
Equity		
Capital Stock(Note 21)	3,174,405,821	3,174,405,821
Deficit - Current Year	(1,590,794,277)	(1,406,291,195)
Actuarial gains on retirement liability	688,566	688,566
Total Equity	**1,584,300,110**	**1,768,803,192**
TOTAL LIABILITIES AND EQUITY	**6,514,826,034**	**6,949,024,762**

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	
	March 31, 2018	**March 31, 2017**
	Unaudited	*Unaudited*
REVENUE		
Revenue Share in Gaming Operations(Note 17)	83,990,293	51,064,089
Hotel, Food And Beverage	41,562,522	19,501,756
Other Operating Income(Note 23)	16,664,602	7,373,743
TOTAL REVENUE	**142,217,417**	**77,939,588**
OPERATING COST AND EXPENSES	(269,086,011)	(215,326,541)
LOSS BEFORE OTHER INCOME(EXPENSES) AND INCOME TAX	**(126,868,594)**	**(137,386,953)**
OTHER INCOME(EXPENSES)		
Interest Expense(Note 15)	(55,181,558)	(52,295,395)
Interest Income(Note 7)	311,150	61,683
Miscellaneous Incom(Expense) - Net	(22,150)	(516,499)
	(54,892,559)	**(52,750,211)**
INCOME(LOSS) BEFORE INCOME TAX	**(181,761,153)**	**(190,137,164)**
Provision for Income Tax(Note 18)	(2,741,929)	(1,228,705)
NET INCOME(LOSS)	**(184,503,082)**	**(191,365,869)**
Other Comprehensive Income	-	-
TOTAL COMPREHENSIVE INCOME(LOSS)	**(184,503,082)**	**(191,365,869)**
Basic Earnings(Losses) per Share	(0.06)	(0.06)

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 March 31, 2018 and Year ended December 31, 2017, 2016, and 2015

	Capital Stock (Note 22)					
	Issued and Subscribed	Subscription Receivable	Net	Deficit	Actuarial gains on retirement liability	Total
Balances at December 31, 2017	**3,174,405,821**	-	**3,174,405,821**	**(1,406,291,195)**	**688,566**	**1,768,803,192**
Total Comprehensive income for the period	-	-	-	**(184,503,082)**		**(184,503,082)**
BALANCES AT MARCH 31, 2018	**3,174,405,821**	-	**3,174,405,821**	**(1,590,794,277)**	**688,566**	**1,584,300,110**
Balance at December 31, 2016	3,174,405,821	-	3,174,405,821	(616,056,020)	-	2,558,349,801
Total Comprehensive income for the year	-		-	(790,235,175)	688,566	(789,546,609)
Balance at December 31, 2017	**3,174,405,821**	-	**3,174,405,821**	**(1,406,291,195)**	**688,566**	**1,768,803,192**
Balances at December 31, 2015	3,174,405,821	(38,739,719)	3,135,666,102	(169,692,654)		2,965,973,448
Transaction costs on issuance of capital stock	-	38,739,719	38,739,719	-		38,739,719
Total Comprehensive loss for the year	-	-	-	(446,363,366)		(446,363,366)
Balance at December 31, 2016	**3,174,405,821**	-	**3,174,405,821**	**(616,056,020)**	-	**2,558,349,801**

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	
	March 31, 2018	**March 31, 2017**
	Unaudited	*Unaudited*
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(181,761,153)	(190,137,164)
Adjustments for:		
Depreciation and amortization	136,339,343	125,080,949
Interest expense	55,181,558	52,295,395
Interest income	(311,150)	(61,683)
Unrealized Foreign Exchange Loss	14,793	-
Operating loss before working capital changes	**9,463,392**	**(12,822,503)**
Decrease (increase) in:		
Receivables	688,808	38,967,434
Inventories	4,646,298	(2,249,831)
Input VAT	(12,493,591)	(5,387,046)
Prepayment and other current assets	(38,873,324)	(7,281,479)
Increase (decrease) in:		
Accounts payable and other liabilities	(2,689,324)	25,903,241
Retention Payable	(74,622,130)	-
Net cash used in operations	**(113,879,872)**	**37,129,816**
Income taxes paid	(2,741,929)	(3,932,640)
Interest received	311,150	61,683
Net cash flows provided by (used in) operating activities	**(116,310,651)**	**33,258,859**
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in advances to contractors and suppliers	50,558,287	-
Additions to property and equipment	(32,797,264)	(70,997,302)
Increase in other noncurrent assets	-	(6,760,706)
Payment of accounts payable for construction costs	(3,888)	-
Payment of long term debt	(175,000,000)	-
Net cash flows used in investing activities	**(157,242,865)**	**(77,758,008)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Collection of deposit for future stock subscription	-	247,937,824
Payment of Interest	-	(69,109,354)
Proceeds from availment of loans	(52,565,750)	-
Net cash flows provided by financing activities	**(52,565,750)**	**178,828,470**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(14,793)**	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(326,134,059)**	**134,329,321**
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**558,855,778**	**124,984,895**
CASH AND CASH EQUIVALENTS AT END OF THE QUARTER	**232,721,719**	**259,314,216**

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 March 31, 2018 and Year ended December 31, 2017, 2016, and 2015

	Issued and	Subscription	Net	Deficit	Actuarial gains	Total
Balances at December 31, 2016	3,174,405,821	-	3,174,405,821	(616,056,020)	-	2,558,349,801
Total Comprehensive income for the year	-	-	-	(790,235,175)	688,566	(789,546,609)
Balance at December 31, 2017	**3,174,405,821**	-	**3,174,405,821**	**(1,406,291,195)**	**688,566**	**1,768,803,192**
Total Comprehensive income for the period	-	-	-	(184,503,082)	-	(184,503,082)
Balance at March 31, 2018	**3,174,405,821**	-	**3,174,405,821**	**(1,590,794,277)**	**688,566**	**1,584,300,110**
Balances at December 31, 2015	3,174,405,821	(38,739,719)	3,135,666,102	(169,692,654)	-	2,965,973,448
Transaction costs on issuance of capital stock	-	38,739,719	38,739,719	-	-	38,739,719
Total Comprehensive loss for the year	-	-	-	(446,363,366)	-	(446,363,366)
Balance at December 31, 2016	**3,174,405,821**	-	**3,174,405,821**	**(616,056,020)**	-	**2,558,349,801**
Total Comprehensive income for the year	-	-	-	**(191,365,868)**	-	**(191,365,868)**
Balance at March 31, 2017	**3,174,405,821**	-	**3,174,405,821**	**(807,421,888)**	-	**2,366,983,933**

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

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) (collectively referred to as 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. 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 (see Note 2).

On April 21, 2016, the Parent Company incorporated its wholly owned subsidiary, 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. 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 (see Note 2).

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

2. Agreements with PAGCOR

The following are the significant contracts entered by the Group with PAGCOR:

a. *PTO granted to the Parent Company*

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 fifteen (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 (P.D.) 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.

b. *Traditional Bingo Operation of the Parent Company*
On January 19, 2016, the Group was granted by PAGCOR the right to operate a traditional bingo operation at Winford Hotel and Casino. The terms of the bingo operation shall be coterminous with the term of the PTO. Under the agreement, the Parent Company shall remit monthly to PAGCOR 15% of the total gross receipt from sale of bingo tickets and cards, including electronically stored bingo cards played through an electronic device, instant game tickets and bingo game variant cards.

The agreement provides, among others, that all capital and operating expenditure (including the prizes) related to the bingo operation shall be for the sole account of the Parent Company.

c. *Junket Agreement granted to TSLC*
On May 16, 2016, TSLC was granted by PAGCOR the authority to bring in pre-registered foreign players to play in designated junket gaming areas in Winford Hotel and Casino with an initial Gaming Table Mix of four (4) junket gaming tables. Operation of gaming tables in excess of the initial Gaming Table Mix shall be subject to PAGCOR's approval. The agreement is effective for a period of three years, commencing on day 1 of the gaming operation at the junket area but not later than six months from the date of the agreement.

In consideration of the grant by PAGCOR, the TSLC shall pay PAGCOR higher of (a) monthly Minimum Guarantee Fee of US$10,000 per table or (b) ten percent (10%) of the monthly gross winnings generated from the junket gaming operations. The Group shall bear all salaries and other benefits in full of the junket monitoring personnel of PAGCOR who will be assigned to monitor the junket gaming operations. In addition to the monthly fee, the TSLC shall remit five percent (5%) of the Monthly Gross Winnings of the Junket Gaming Operations to PAGCOR as Franchise Tax.

For the period ended March 31, 2018, 2017, and 2016, TSLC generated revenue of nil, ₱1.4 million, and nil, respectively.
The TSLC shall also deposit to PAGCOR the following:
a) an amount equivalent to six (6) months of the Minimum Guarantee Fee of the Table Gaming Mix in the Junket Gaming Operation ("gaming deposit") prior to the actual operation of the junket tables amounting to ₱17.0 million, which are recorded as part of

"Long-term deposits" under "Other noncurrent assets" in the consolidated statements of financial position (see Note 13).

b) an administrative charge deposit in the amount equivalent to six months manpower cost of PAGCOR's Monitoring Team for the Junket Gaming Operation prior to the actual operation amounting to ₱2.9 million, which shall be made to cover TSLC's share in the cost of salaries and benefits of PAGCOR personnel assigned at the junket area in case the junket operations are suspended for reasons other than force majeure or fortuitous event. The Administrative Charge Deposit is recorded as part of the "Long-term deposits" under Other Noncurrent Assets in the consolidated statements of financial position (see Note 13).
c) a cash bond in the amount of ₱1.0 million upon execution of the Junket Agreement in favor of PAGCOR to ensure and secure TSLC's compliance with the terms and conditions of the agreement and PAGCOR's pre-operating requirements (see Note 13).

Should TSLC cease operations, for reasons such as violation of terms or conditions as stated in the agreement with PAGCOR, one year or more after the commencement of the agreement but before the end of its term, only TSLC's cash bond and administrative charge deposit shall be forfeited in favor of PAGCOR. The Gaming deposit shall be returned to TSLC after deducting any unpaid fees owed by the TSLC to PAGCOR.

All interest income accruing out of the above deposits shall pertain to PAGCOR.

3. Basis of Preparation and Statement of Compliance

Basis of Preparation

The consolidated financial statements are prepared using the historical cost basis. The consolidated financial statements are presented in Philippine Peso (Peso or ₱), which is the Group'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). PFRS includes both standard titles PFRS and Philippine Accounting Standards (PAS), and Philippine Interpretations based on equivalent interpretations from International Financial Reporting Interpretations Committee (IFRIC) as issued by the Philippine Financial Reporting Standards Council (FRSC).

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, 2017.

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

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

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

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

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

  The Group has provided the required information in Note 24 to the consolidated financial statements. As allowed under the transition provisions of the standard, the Group did not present comparative information for the year ended December 31, 2016.

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

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

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

Standards Issued But Not Yet Effective
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 will have a significant impact on its financial statements. The Group intends to adopt the following pronouncements when they become effective.

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.

- PFRS 9, *Financial Instruments*

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

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

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

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

- PFRS 15, *Revenue from Contracts with Customers*

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

  The Group is assessing the potential effect of the amendments on its financial statements. In addition, as the presentation and disclosure requirements in PFRS 15 are more detailed than under current PFRSs, the Group is currently assessing what necessary changes it needs to make on its current systems, internal controls, policies and procedures to enable the Group to collect and disclose the required information.

- 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. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity 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

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

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

- PFRS 16, *Leases*

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

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

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

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

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

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

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

  The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

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

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

  The interpretation specifically addresses the following:

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

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

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

Deferred effectivity

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

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

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

5. Summary of Significant Accounting and Financial Reporting Policies

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiary where the parent has control. 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.

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 24.

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 Assets and Liabilities
Date of Recognition
The Group recognizes a financial asset or a financial liability in the balance sheets when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, are done using trade date accounting.

Initial and Subsequent Recognition of Financial Instruments
Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those at fair value through profit or loss, includes transaction cost.

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. Financial liabilities are classified as financial liabilities at fair value through profit or loss or other financial liabilities. The classification depends on the purpose for which the instruments were acquired or liabilities incurred and whether they are quoted in an active market.

Management determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this classification at every balance sheet date. The Group has no financial assets or liabilities at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets as of March 31, 2018 and December 31, 2017.

Determination of Fair Value
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 i) in the principal market for the asset or liability; or ii) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. 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.

"Day 1" Profit
Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Group recognizes the difference between the transaction price and fair value (a "Day 1" profit) in the consolidated statements of comprehensive income unless it qualifies for recognition as some other type of asset. In cases where unobservable data is used, the difference between the transaction price and model value is only recognized in the consolidated statements of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" profit amount.

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest method, less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and includes fees and costs that are an integral part of the effective interest. Gains and losses are recognized in the consolidated statements of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are included in current assets if maturity is within 12 months from the balance sheet date, otherwise, these are classified as non-current assets.

This category includes cash in banks and receivables. The carrying values and fair values of loans and receivables are disclosed in Notes 7, 8, and 24 to the consolidated financial statements.

Other Financial Liabilities
This category pertains to financial liabilities that are not held for trading or not designated as at fair value through profit or loss upon the inception of the liability. These include liabilities arising from operations and loans and borrowings.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in the consolidated statements of comprehensive income when the liabilities are derecognized, as well as through the amortization process. Other financial liabilities are included in current liabilities if maturity is within 12 months from the balance sheet date, otherwise, these are classified as non-current liabilities.

This category includes accounts payable and other current liabilities, retention payable, interest payable, loans payable (current and noncurrent portion) and deposit for future stock subscription as of March 31, 2018 and December 31, 2017.

Impairment of Financial Assets
The Group assesses, at each balance sheet date, whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Objective 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 where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Assets Carried at Amortized Cost
If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of loss shall be charged to current operations. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans and receivables together with the associated allowance are written off at each balance sheet date when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. The Group first assesses whether an objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statements of comprehensive income to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Derecognition of Financial Assets and Liabilities

Financial Assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;

- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) 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 and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset.

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

Financial Liabilities
A financial liability is derecognized when the obligation under the liability is discharged, canceled 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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statements of comprehensive income.

Offsetting of Financial Instruments
Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability 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.

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

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

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

Creditable Withholding Taxes (CWT)
CWT represents the amount of tax withheld by counterparties from the Group. These are recognized upon collection and are utilized as tax credits against income tax due as allowed by the

Philippine taxation laws and regulations. CWT is presented under the "Prepayment and other current assets" account in the consolidated statements of financial position. CWT is stated at its estimated NRV.

Property and Equipment

Property and equipment, except land, are stated at cost, less 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 the consolidated statements of comprehensive income as incurred and is stated at cost less accumulated impairment losses.

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

Building	30 years
Machinery	10 years
Gaming equipment	8 years
Non-gaming 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 is stated at cost, net of accumulated impairment losses, if any. This includes cost of construction, borrowing costs incurred during the development or construction phase and other direct costs. Borrowing costs are capitalized until the property is completed and becomes available for use. Construction in progress is not depreciated until such time as the relevant assets are completed and are available for use. The capitalized interest is amortized over the estimated useful life of the related assets.

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 1 year are classified as noncurrent assets and are amortized over three years.

Impairment of Non-financial Assets
The Group assesses, at each reporting date, whether there is an indication that the non-financial 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 assets' recoverable amount is the higher of the assets' or cash generating unit's 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 of those from other assets 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.

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

Deposit for Future Stock Subscription
Deposit for future stock subscription represents amounts received that will be applied as payment in exchange for a fixed number of the Group's own equity instruments, and presented in the noncurrent liabilities section of the balance sheet. These are measured at cost and are reclassified to capital stock upon issuance of shares.

In accordance with Financial Reporting Bulletin (FRB) No. 6 issued by the SEC, the following elements should be present as of the reporting date in order for the deposits for future stock subscriptions to qualify as equity:

- The unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract;
- There is a BOD approval on the proposed increase in authorized capital stock (for which a deposit was received by the corporation);
- There is stockholders' approval of said proposed increase; and
- The application for the approval of the proposed increase has been presented for filing or filed with the Commission.

If any or all of the foregoing elements are not present, the transaction should be recognized as a liability.

Capital Stock
Capital stock is measured at par value for all shares issued. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares

issued. Incremental costs incurred that are directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

Deficit

Deficit pertains to accumulated gains and losses, and may also include effect of changes in accounting policies as may be required by the standards' transitional provisions.

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 received. 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 Group assesses its revenue arrangements against specific criteria to determine whether it is acting as principal or agent.

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

Revenue Share in Gaming Operations

Revenue share in gaming operations represents a certain percentage share of gross winnings 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, Food and Beverage

Hotel, food and beverage are recognized when services are performed or the goods are sold. Deposits received from customers in advance on rooms are recorded as "Unearned income" under "Accounts payable and other current liabilities" until services are provided to the customers.

Revenue from Bingo Operations

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 and daubers less prizes/winnings. This is included at "Other revenue" in the consolidated statements of comprehensive income.

Rental Income

Rental revenue from the leasing of certain areas of the hotel held under operating lease are recognized on a straight line basis over the periods of the respective leases. This is included at "Other revenue" in the consolidated statements of comprehensive income.

Other Revenue

Other revenue consists of tobacco sales, laundry services, parking fees, charges for utilities consumed by lessee and income from junket operations.

Interest Income

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

Point Loyalty Program
The Group operates loyalty program to encourage repeat business mainly from loyal slot machine customers and table game patrons. Members earn points primarily based on gaming activities and such points can be redeemed for goods and services. The Group recognized the award points as a separately identifiable component of the initial sale transaction by allocating the fair value of the consideration received between the award points and the other components of the sale such that the award points are initially recognized as deferred income at their fair value. Revenue from the award points is recognized when the points is redeemed. The amount of revenue is based on the number of points redeemed relative to the total number expected to be redeemed.

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

Gaming Fees
As a grantee of PAGCOR, the Group is required to pay PAGCOR a percentage of its gross receipts from bingo operations. These fees are recorded as part of gaming fees under "Operating costs and expenses."

Income Tax
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 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 other comprehensive income (OCI) or directly in equity.

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

Retirement Benefits Cost

The Group does not have an established retirement plan and only conform with Republic Act (RA) 7641, Retirement Pay Law, which is a defined benefit type.

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.

Parent Company 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.

Parent Company as a Lessor

Leases in which the Parent Company 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.

VAT

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statements of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated statements of financial position to the extent of the recoverable amount.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of the "Input VAT," "Deferred 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 (Loss) Per Share

Earnings (loss) per share is computed by dividing net income (loss) 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 (loss) per share is calculated by dividing net income (loss) for the year by the weighted average number of shares outstanding during the year.

Diluted earnings (loss) per share is computed by dividing net income (loss) 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.

Parent Company as the Lessor - Operating Lease Commitments

The Parent Company has entered into various operating lease agreements as a lessor. The Parent Company 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 lessee by the end of the lease term, the lessee 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).

Recognition of Deferred Tax Assets

The Group makes an estimate and judgment of its future taxable income and reviews the carrying amount of the deferred tax assets at each reporting date.

From its hotel operations as of March 31, 2018 and December 31, 2017, no deferred tax assets were recognized as management believes that the Group may not have sufficient future taxable income against which the deferred tax asset may be applied.

From the casino operations, no deferred tax assets will be recognized since the Group's income from casino operations is exempt from income tax in accordance with Section 13 of P.D. 1869, as amended (see Note 2).

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 estimated useful lives of property and equipment in 2018, 2017 and 2016. The carrying value of property and equipment as of March 31, 2018 and December 31, 2017 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 are recoverable. The carrying amounts of input VAT as of March 31, 2018 and December 31,2017 are disclosed in Note 10 to the consolidated financial statements.

7. Cash and Cash Equivalents

This account consists of:

	Mar. 31, 2018	Dec. 31, 2017
Cash on hand	₱8,921,135	₱4,598,279
Cash in banks	223,800,584	554,257,499
Cash equivalents	-	-
	₱232,721,719	₱558,855,788

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 ₱0.3 million in March 31, 2018 and ₱0.3 million in December 31, 2017.

8. Receivables

This account consists of:

	Mar. 31, 2018	Dec. 31, 2017
Trade:		
Non-related parties	₱35,403,869	₱24,421,046
Related parties (Note 20)	518,750	394,300
Nontrade	110,983,256	110,326,482
Receivable from PAGCOR	32,588,767	45,019,839
Advances to employees (Note 20)	862,215	883,997
	₱180,356,856	₱181,045,664

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

Nontrade receivables mainly pertain to noninterest-bearing receivable from a third party for consideration related to certain disposed assets.

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 to the Group within 15 days of the following month in accordance with PTO.

9. Inventories

This account consists of:

	Mar. 31, 2018	Dec. 31, 2017
Operating supplies	₱21,892,578	₱24,945,724
Food, beverage, tobacco	1,729,820	3,322,972
	₱23,622,398	₱28,268,696

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

10. Input VAT

This account consists of:

	Mar. 31, 2018	Dec. 31, 2017
Input VAT	₱18,839,443	₱24,777,789
Deferred input VAT	10,332,141	16,677,993
	₱29,171,584	₱41,455,782

Input VAT pertains mainly to the Group's purchase of goods and services which can be claimed as credit against the future output VAT liabilities without prescription.

Deferred input VAT pertains to the VAT related to certain retention payable and noncurrent portion of input VAT related to acquisition of capital goods exceeding ₱1.0 million.

11. Other current assets

This account consists of:

	Mar. 31, 2018	Dec. 31, 2017
Advances to contractors and suppliers	₱50,558,287	₱62,750,524
Prepaid taxes	23,346,653	29,598,205
Prepaid Insurance	4,819,066	-
Deposits	8,042,577	7,488,371
Prepayments	5,221,943	4,124,093
CWT	1,297,572	1,009,868
	₱93,286,098	₱104,971,061

Deposits pertain to deposit for electricity connection, security deposit for billboard, and advance payments for television advertisements.

Prepaid taxes pertain to the real property tax paid for 2018.

12. Property and Equipment

	March 31, 2018							
	Land	Building	Machinery	Gaming equipment	Non-gaming equipment	Kitchen and bar equipment, computer software and hardware	Construction in progress	Total
Cost								
Balance at beginning	600,800,000	4,156,152,679	207,348,587	330,421,219	431,964,951	620,285,115	-	6,346,972,551
Additions	-	25,857,298	-	2,711,520	219,729	4,008,717	-	32,797,264
Disposals								-
Balance at end of the year	600,800,000	4,182,009,977	207,348,587	333,132,739	432,184,680	624,293,832	-	6,379,769,815
Accumulated Depreciation:								
Balance at beginning	-	229,607,402	21,412,752	75,483,109	117,247,918	272,892,914	-	716,644,095
Depreciation		37,567,591	5,223,056	10,361,986	21,708,512	53,229,174	-	128,090,318
Disposals								-
Balance at end of the year	-	267,174,993	26,635,808	85,845,095	138,956,430	326,122,088	-	844,734,413
Net Book Value	600,800,000	3,914,834,984	180,712,780	247,287,644	293,228,251	298,171,744	-	5,535,035,402

	2017							
	Land	Building	Machinery	Gaming equipment	Non-gaming equipment	Kitchen and bar equipment, computer software and hardware	Construction in progress	Total
Cost:								
Balance at beginning	600,800,000	3,873,911,663	190,019,679	310,230,879	423,670,552	587,926,327	-	5,986,559,100
Additions		282,241,016	17,328,908	20,190,340	8,294,399	33,054,452		361,109,115
Disposals						(695,664)		(695,664)
Balance at end of the year	600,800,000	4,156,152,679	207,348,587	330,421,219	431,964,951	620,285,115	-	6,346,972,551
Accumulated Depreciation:								
Balance at beginning	-	93,440,349	1,562,485	35,778,249	33,277,437	68,531,817	-	232,590,337
Depreciation		136,167,053	19,850,267	39,704,860	83,970,481	205,056,761		484,749,422
Disposals						(695,664)		(695,664)
Balance at end of the year	-	229,607,402	21,412,752	75,483,109	117,247,918	272,892,914	-	716,644,095
Net Book Value	600,800,000	3,926,545,277	185,935,835	254,938,110	314,717,033	347,392,201	-	5,630,328,456

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

Land and building with an aggregate carrying values of ₱4.5 billion and ₱4.4 billion as of December 31, 2017 and 2016, respectively, were pledged as collateral for the loan facility (see Note 15).

13. Other noncurrent assets

This account consists of:

	Mar. 31, 2018	Dec. 31, 2017
Operating equipment	₱47,635,095	₱55,880,233
Long-term deposits (Note 24)	27,103,000	27,103,000
	₱74,738,095	₱82,983,233

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 ₱8.2 million for the quarter ended March 31, 2018.

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:

	Mar. 31, 2018	Dec. 31, 2017
Accounts payable	₱ 242,989,916	₱213,104,250
Accrued expenses	17,395,841	53,817,706
Gaming liabilities	20,195,206	19,344,013
Unearned income	2,572,964	5,294,198
Advances from related parties (Note 20)	4,970,819	4,970,819
Withholding taxes payable	2,576,795	2,259,155
Others	17,479,985	12,080,708
	₱308,181,525	₱310,870,849

Accounts payable are noninterest-bearing and are normally settled within one to two months after the billing was received.

Accrued expenses pertain to accrual of payroll, other employee benefits, utilities, travel and transportation, meeting and conferences, security services and service fees, among others, which are normally settled in the next financial year.

Gaming liabilities include provision for progressive jackpot on slot machine and for points earned from point loyalty programs.

Unearned income pertains to deposits received from customers in advance on rooms until services are provided to the customers.

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

Others include statutory liabilities and other various individually insignificant items.

15. **Loans Payable**

This account consists of:

	Mar. 31, 2018	Dec. 31,2017
Principal	₱3,500,000,000	₱3,500,000,000
Less unamortized debt discount	(18,685,168)	(20,593,018)
	3,481,314,832	3,479,406,982
Payment for Long-term debt	(175,000,000)	-
Less current portion of long-term debt*	(517,879,656)	(692,879,656)
	₱ 2,788,435,176	₱2,786,527,326

The movements in unamortized debt discount follow:

	Mar. 31,2018	Dec. 31, 2017
Unamortized debt discount at beginning of year	₱ 20,593,018	₱28,025,253
Additions	–	–
Less: amortization*	(1,907,850)	(7,432,235)
Unamortized debt discount at end of year	₱ 18,685,168	₱20,593,018

**Included in "Interest expense" 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 Philippine Dealing System Treasury Reference Rates - 2 (PDST-R2) plus 125 basis points at drawdown date, plus gross receipts tax. Interest on the outstanding principal amount shall be paid on each quarterly interest payment date. The proceeds from the loan was initially availed of to fund the acquisition of gaming system and equipment, hotel furnitures 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 ₱2.5 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.

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. Both loans will mature on November 27, 2022.

The related interest recognized amounted to ₱55 million and ₱52 million in March 31, 2018 and 2017, respectively.

The loan is secured by the parent company's land and building under construction with a carrying value of ₱4.5 billion as of March 31, 2018 (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.

Future repayment of the principal follows:

	Mar. 31,2018	Dec. 31, 2017
Within one year	₱525,000,000	₱700,000,000
After one year but not more than five years	2,800,000,000	2,800,000,000
	₱3,325,000,000	₱3,500,000,000

16. Deposit for Future Subscription

The Group presented the deposit amounting to ₱1.1 billion and nil as "Deposit for future stock subscription" under noncurrent liability in the consolidated statements of financial position as of March 31, 2018 and December 31, 2017, respectively, in accordance with FRB No. 6 as issued by the SEC. These deposits shall be applied on the Parent Company's future stock rights offering (see Note 21).

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, 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 March 31, 2018, 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 ₱84 million in March 31, 2018 and are presented as "Revenue share in gaming operations" in the consolidated statements of comprehensive income.

Operating Lease Commitment – the Parent Company as Lessor

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 square meter (sqm.). The lease term is for a period of one year commencing on February 1, 2016 and expiring on January 31, 2017 and was 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. to lease a 315.5 sqm. 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. Rental rates shall be ₱600 per sqm. per month exclusive of VAT plus 10% of gross sales for the period commencing from the execution of the lease agreement until completion of all hotel rooms and ₱600 per sqm. per month exclusive of VAT plus 7% of gross sales upon completion of all the hotel rooms. The contract also states that base rent shall escalate at a rate to be agreed by both parties.

c. The Parent Company 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 sqm. 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 sqm. 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. The lessee will pay an additional ₱13.78 for the common use service area. The contract also states that base rent shall escalate at a rate to be agreed by both parties.

d. The Parent Company entered into a lease contract with Philippine Seven Corporation for five years commencing July 7, 2016 to lease an area of 45.09 sqm. for a basic rent of ₱ 1,300 per sqm. plus a percentage of gross sales (1.5% of gross sales) or minimum guaranteed rent (₱1,500 per sqm. 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 sqm. area of Winford Hotel and Casino to be used for spa and salon services. Rental rates shall be ₱650 per sqm. per month exclusive of VAT plus 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 entered into a lease contract with Banco de Oro (BDO) Unibank Inc. to lease a space in Winford Hotel, second floor with an area of 3 sqm. The lease term is for a period of two years commencing on February 1, 2016 and expiring on January 31, 2018. The monthly payment amounts to ₱20,000, inclusive of electrical consumption but exclusive of VAT.

g. The Parent Company also entered into an agreement of lease with Choi Garden Manila Corporation for ten years commencing January 7, 2016 to lease a 927 sqm. area of Winford Hotel and Casino to be used for restaurant, dining and banqueting of Chinese food only services. The lessee is subject to 10% of gross sales exclusive of senior citizen discount and VAT.

h. The Parent Company entered into a lease contract with Maybank Philippines Inc.to lease a space in Winford Hotel and Casino, second floor with an area of 3 sqm. The lease term is for a period of two years commencing on December 1, 2016 and expiring on

November 30, 2018. The monthly payment amounts to ₱30,000, inclusive of electrical consumption but exclusive of VAT.

i. The Parent Company also entered into an agreement of lease with Asian Intergrated Gaming Solutions, Inc. to lease 81.28 sqm. area of Winford Hotel and Casino to be used for poker table games at the casino. Stated in the contract that the rental revenue basis would be 50% profit sharing or ₱200,000 minimum guaranteed fee per month, whichever is higher. This contract was terminated on November 2017 before the end of the contract.

j. The Parent Company also entered into an agreement of lease with Orient Capital Venture for two years starting March 31, 2017 to lease a 10 sqm. area of Winford Hotel and Casino to be used for online sports betting. Stated in the contract that the rental revenue basis would be 50% profit sharing or ₱100,000 minimum guaranteed fee per month, whichever is higher.

The estimated future minimum lease payments for the above agreements are as follows:

	2017	2016
Within one year	**₱11,218,022**	₱3,214,955
After one year but not more than five years	**38,994,097**	51,588,468
Five years onwards	**40,926,122**	47,835,873
	₱91,138,241	₱102,639,296

Rent income amounted to ₱6.6 million (as presented under "Other Revenue" in consolidated statements of comprehensive income) as of March 31, 2018.

18. Income Taxes

The provision for income tax consists of the following:

	Mar 2018	Mar 2017
Current:		
Final	₱2,741,929	₱1,228,705
MCIT	–	–
	₱2,741,929	₱1,228,705

There were no deferred tax liabilities as of March 31, 2018 and 2017.

As of March 31, 2018 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	Deposit for future stock subscription (Note 14)	**₱152,254,429**	**(₱152,254,429)**	₱–	₱–	Noninterest-bearing	Unsecured, unguaranteed
		Advances[a] (Note 14)	**–**	**(4,970,819)**	873,853	(4,970,819)	Noninterest-bearing; due and demandable	Unsecured, unguaranteed
		Commission from the off-track betting[b]	**293,962**	**304,099**	10,137	10,137	Noninterest-bearing; due and demandable	Unsecured, unimpaired
Various Shareholders	Stockholder	Deposit for future stock subscription (Note 14)	**933,878,212**	**(933,878,212)**	–	–	Noninterest-bearing	Unsecured, unguaranteed

			2017		2016			
Entity	Relationship	Nature	Amount	Receivable (Payable)	Amount	Receivable (Payable)	Terms	Condition
Manilacockers Club, Inc. (MCI)	Affiliate	Commission from the off-track betting[c]	701,543	90,201	75,934	75,934	Noninterest-bearing; due and demandable	Unsecured, unimpaired

[a] The Parent Company obtains advances for expenses such as office rental, utilities and other allowances of the Parent Company's employees.
[b] Share of the Parent Company on horse racing gross bets from off track betting station of MJCI located at Winford Hotel and Casino.
[c] 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

Compensation of the executive personnel of the Corporation as of 31 March 2018 and of the same period in 2017 amounted to P14 million and P13.2 Million respectively. The Corporation has no standard arrangement with regard to the remuneration of its directors. The directors' fees in March 2016 are nil like in 2014 and 2015.The Corporation's advances to its employees amounted to ₱0.9 million and ₱0.9 million as of Mar. 31, 2018 and of the same period in 2017 respectively.

21. Equity

Capital Stock

Details of capital stock are as follows:

	March 31, 2018		December 31, 2017	
	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

On January 23, 2009, MJCI executed a subscription agreement to subscribe to 107,360,137 shares out of the unissued portion of the authorized capital stock of the Parent Company at the subscription price of ₱1.0 per share. In 2013, MJCI has paid ₱64.6 million representing the initial and partial payments of 60.13% of the subscription price. The remaining balance of ₱42.8 million was paid by MJCI on July 14, 2015.

In 2010 and 2013, the Parent Company 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**

	Mar. 31, 2018	Mar. 31, 2017
Net loss for the year	₱184,503,082	₱191,365,869
Divided by weighted average number of outstanding common shares	3,174,405,821	3,174,405,821
Basic/diluted losses per share	(₱0.06)	(₱0.06)

The Parent Company has no potential dilutive common shares as of March 31, 2018 and 2017 Therefore, the basic and diluted loss per share are the same as of those dates.

23. **Other Operating Income**

Other income consists of:

	Mar 2018	Mar 2017
Revenue from bingo operations	₱8,211,492	₱2,807,749
Rent income (Note 17)	6,616,277	3,153,738
Miscellaneous income	1,836,833	978,533
	₱16,664,602	₱6,940,020

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 March 31, 2018 and December 31, 2017.

	March 31,2018	Dec. 31,2017
Loans and receivables:		
Cash and cash equivalents* (Note 7)	₱223,800,584	₱554,257,499
Receivables (Note 8)	180,356,856	181,045,664
Long-term deposits (Note 13)	27,103,000	27,103,000
	₱431,260,440	₱762,406,163

**Excluding cash on hand amounting to ₱8,921,135 and ₱ 4,598,279 for the year ended March 31, 2018 and December 31, 2017, respectively.*

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

Cash and cash equivalents
As of March 31, 2018, cash and cash equivalents (except cash on hand) are maintained in 6 highly reputable universal banks with a minimum deposit of ₱0.5 million.

Receivables
As at March 31, 2018, receivables pertain to receivable from PAGCOR for the monthly revenue share from 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.

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 March 31, 2018 and 2017 based on contractual undiscounted payments (principal and interest).

	March 31, 2018			
	Due and Demandable	Less than 1 year	1 year or above	Total
Loans payable*	₱–	₱517,879,656	₱2,788,435,176	₱3,306,314,832
Accounts payable and other current liabilities**	4,970,819	300,633,911	–	305,604,730
Retention payable	204,552,062	–	–	204,552,062
Interest payable	–	19,763,794	–	19,763,794
	₱209,522,881	₱838,277,361	₱2,788,435,176	₱3,836,235,418

** Including interest.*

**Excluding withholding taxes payable amounting to ₱2,256,795..*

	Dec. 31,2017			
	Due and Demandable	Less than 1 year	1 year or above	Total
Loans payable*	₱–	₱901,879,770	₱3,127,760,382	₱4,029,640,152
Accounts payable and other current liabilities**	4,970,819	303,640,875	–	308,611,694
Retention payable	279,174,193	–	–	279,174,193
Interest payable	–	19,055,836	–	19,055,836
	₱284,145,012	₱1,224,576,481	₱3,127,760,382	₱4,636,481,875

** Including interest.*
**Excluding withholding taxes payable amounting to ₱2,259,155.*

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

	March 31, 2018			
	Due and Demandable	Less than 1 year	1 year or above	Total
Loans and receivables:				
Cash and cash equivalents*	₱223,800,584	₱–	₱–	₱223,800,584
Receivables	134,799,105	45,557,751	–	180,356,856
Long-term deposits	–	–	27,103,000	27,103,000
	₱358,599,688	₱45,557,751	₱27,103,000	₱431,260,440

** Excluding cash on hand amounting to ₱8,921,135.*

	December 31, 2017			
	Due and Demandable	Less than 1 year	1 year or above	Total
Loans and receivables:				
Cash and cash equivalents*	₱554,257,499	₱–	₱–	₱554,257,499
Receivables	123,056,841	57,988,823	–	181,045,664
Long-term deposits	–	–	27,103,000	27,103,000
	₱677,314,340	₱57,988,823	₱27,103,000	₱762,406,163

** Excluding cash on hand amounting to ₱4,598,279.*

Fair Value Measurement

The carrying values of cash and cash equivalents (excluding cash on hand), receivables, accounts payable and other current liabilities (excluding withholding taxes payable) approximate their fair values due to the short-term nature of these accounts.

The fair values of long-term deposits and loans payable were based on the present value of estimated future cash flows using interest rates that approximate the interest rates prevailing at the reporting date. The carrying values and fair value of loans payable and long-term deposits are as follows:

	2018		2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Long-term deposits	₱27,103,000	₱27,103,000	₱27,918,249	₱27,918,249

	2018		2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Liabilities				
Loans payable	₱3,479,406,982	₱3,620,808,095	₱3,471,974,747	₱3,729,639,356

As of March 31, 2018 and December 31, 2017, the Group's financial assets and liabilities are measured at fair value under the Level 2 hierarchy. There were no financial instruments carried at fair value as of March 31, 2018 and December 31, 2017.

25. Working Capital and Capital Management

The primary objective of the Group's working capital and capital management is to ensure that the Group has sufficient funds in order to support its business, pay existing obligation and maximize stockholders' value. The Group considers its total equity, including deposit for future stock subscription, amounting to ₱2.7 billion and ₱2.8 billion as its capital as of March 31, 2018 and December 31, 2017 respectively.

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 monitors working capital and capital on the basis of current ratio and debt-to-equity ratio in order to comply with loan covenants (see Note 15).

In computing the debt-to-equity ratio, the 'deposits for future stock subscription' formed part of the Consolidated Net Worth, as the deposits are considered as future additional shareholders' interest in the Group.

Current ratio and debt-to-equity ratio of the Group are as follows:

	Mar 31, 2018	Dec. 31, 2017
Total current assets	₱548,826,514	₱897,918,988
Total current liabilities	1,050,377,038	1,301,980,534
Current ratio	0.52	0.69
Total liabilities, excluding deposit for future stock subscription	₱3,844,393,282	₱4,094,088,929
Total equity	2,670,432,751	2,854,935,833
Debt-to-equity ratio	1.43	1.44

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

As of March 31, 2018, the Group complies with the covenant.