MJC INVESTMENTS CORP.
MJC Drive, Sta. Cruz, Manila
Tel. No. 632-7373/Fax No. 631-2846

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

May 27, 2019

Dear Stockholder:

Notice is hereby given that the Annual Stockholders' Meeting of the MJC Investments Corporation (the "Company") will be held on **June 27, 2019 (*Thursday*)**, **2:00 P.M.** at the Winford Hotel and Casino, MJC Drive, Sta. Cruz. Manila

The Agenda of the Annual Stockholders' Meeting is as follows:

1. Call to order
2. Proof of notice and determination of existence of quorum
3. Approval of the minutes of the previous annual stockholders' meeting held on June 28, 2018
4. President's Report
5. Approval of the Annual Report and the Audited Financial Statements of the Company for the period ended December 31, 2018
6. Approval and ratification of all acts, contracts, investments and resolutions of the Board, Board Committees and Management since the last annual stockholders' meeting
7. Election of the members of the Board of Directors
8. Appointment of External Auditor
9. Adjournment

The foregoing items are fully disclosed in the Definitive Information Statement ("DIS") for the year 2019.

Stockholders of record as of May 02, 2019 shall be entitled to notice of, and to vote at, this year's Annual Meeting.

Stockholders unable to attend the Annual Meeting in person may execute and deliver a Proxy. The Proxy should be submitted on or before June 17, 2019, at the Office of the Corporate Secretary at 12/F Strata 100 Building, F. Ortigas Road, Ortigas Center, Pasig City.

To facilitate your registration, please bring any valid form of identification with a photograph such as a passport, driver's license, or any government-issued ID.

Ferdinand A. Domingo

ATTY. FERDINAND A. DOMINGO
Corporate Secretary

SECURITIES AND EXCHANGE COMMISSION

SEC Form 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

SECURITIES AND EXCHANGE COMMISSION
MAY 28 2019
8:48 pm

1. Check the appropriate box:

[ ] Preliminary Information Statement
[✓] Definitive Information Statement

2. Name of Registrant 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**

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

4. SEC Identification Number: **10020**

5. BIR Tax Identification Number: **000-596-509**

6. Address of principal office: **Winford Hotel and Casino MJC Drive, Sta. Cruz, 1014, Manila**

7. Registrant's telephone number, including area code: **(02) 632-7373**

8. Date, Time and Place of the meeting of security holders:

27 June 2019, Thursday at 2:00 PM
Winford Hotel and Casino, MJC Drive, Sta. Cruz, Manila

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **5 June 2019**

7. 10. Securities registered pursuant to Section 8 and 12 of the Securities Regulation Code or Sections 4 and 8 of the Revised Securities Act (information on number of shares and amount of debt is applicable only to corporate registrants):

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

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

Yes ✓ No ______

If yes, disclose the name of such Stock Exchange and the class of securities listed therein: **Philippine Stock Exchange – Common Shares**

MJC INVESTMENTS CORPORATION

INFORMATION STATEMENT

WE ARE NOT ASKING FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.

A. GENERAL INFORMATION

Item 1. Date, time and place of Meeting of Security Holders (the "Annual Meeting")

(a) Date: **27 June 2019, Thursday**

Time: **2:00 p.m.**

Place: **Winford Hotel and Casino**
MJC Drive, Sta. Cruz, 1014, Manila

Principal Office: **Winford Hotel and Casino**
MJC Drive, Sta. Cruz, 1014, Manila

(b) Approximate date on which the Information Statement will first be sent or given to Security Holders:

June 5, 2019

Item 2. Dissenters' Right of Appraisal

The Revised Corporation Code provides that any stockholder of the Company shall have the right to dissent and demand payment of the fair value of his shares in in the following instances: (1) in case an amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the terms of corporate existence; (2) in case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Revised Corporation Code; (3) in case of merger or consolidation; and (4) in case of investment of corporate funds for any purpose other than the primary purpose of the Company.

The appraisal right may be exercised by the dissenting stockholder who votes against the proposed corporate action, by making a written demand on the Company within thirty (30) days after the date on which the vote was taken, for payment of the fair market value of shares held. Failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented, the Company shall pay the stockholder, upon surrender of the certificate or certificates of stock representing the stockholder's shares, the fair value thereof as of the day before the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If within sixty (60) days from the approval of the corporate action by the stockholders, the withdrawing stockholder and the corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the Company, and the third by the two (2) thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the Company within thirty (30) days after such award is made. No payment shall be made to any dissenting stockholder unless the Company has unrestricted retained earnings in its books to cover such payment. Upon payment by the Company of the agreed or awarded price, the stockholder shall forthwith transfer the shares to the Company.

No matter will be acted upon at the Annual Meeting which may give rise to the exercise of the right of appraisal.

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

(a) No director or officer of the Company since the beginning of the last fiscal year, or any nominee for election as director, or any of their associates, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon at the Annual Meeting, other than election to office.

(b) No director of the Company has informed the Company in writing that he intends to oppose any action to be taken by the Company at the Annual Meeting.

B. <u>CONTROL AND COMPENSATION INFORMATION</u>

Item 4. Voting Securities and Principal Holders Thereof

(a) Voting securities entitled to vote at the Annual Meeting

As of May 2, 2019, there are 3,174,405,821 shares of the Company's common stock outstanding and entitled to vote at the Annual Meeting.

(b) Record Date

Only stockholders of record at the close of business on **May 2, 2019** (the "**Record Date**") acting in person or by proxy on the day of the Annual Meeting are entitled to notice of, and to vote at, the Annual Meeting.

(c) Election of directors

Cumulative voting is allowed for election of members of the Board of Directors. Pursuant to Section 23 of the Revised Corporation Code, a stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit; provided, that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Company multiplied by the number of directors to be elected.

(d) Security Ownership of Certain Record and Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners

As of Record Date, May 2, 2019, the following are the persons or groups known to the Company to be directly or indirectly the record and/or beneficial owner of more than 5% of the Company's voting securities:

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent of Class
Common	PCD Nominee Corporation 37F Tower 1, The Enterprise Center, 6766 Ayala Ave. cor. Paseo de Roxas, Makati City Stockholder	PCD Participants*	Filipino	2,284,240,597	71.96%

*PCD Nominee Corporation ("PCNC") is a wholly owned subsidiary of Philippine Central Depository, Inc. ("PCD") and is registered owner of the shares in the books of the Company's transfer agent. PCD participants deposit eligible securities in PCD through a process of lodgment, where legal title to the securities is transferred and held in trust by PCNC. The participants of PCD are the beneficial owners of such shares.

(2) Security Ownership of Management

As of Record Date, May, 2, 2019, the following are the securities beneficially owned by all directors and officers of the Company:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent
Common	Alfonso R. Reyno, Jr.	26,320,408 (Direct)	Filipino	0.83%
Common	Chai Seo Meng	1 (Direct)	Singaporean	Nil
Common	Jeffrey Rodrigo L. Evora	1 (Direct)	Filipino	Nil
Common	Alfonso Victorio G. Reyno III	100,000 (Direct)	Filipino	Nil
Common	Jose Alvaro D. Rubio	1 (Direct)	Filipino	Nil
Common	John Anthony B. Espiritu	1,000 (Direct)	Filipino	Nil
Common	Gabriel A. Dee	1 (Direct)	Filipino	Nil
Common	Walter L. Mactal	1 (Direct)	Filipino	Nil
Common	Dennis Ryan C. Uy	1 (Direct)	Filipino	Nil
Common	Bernadette V. Quiroz	1 (Direct)	Filipino	Nil
Common	Victor P. Lazatin	10,000 (Direct)	Filipino	Nil
Common	Ferdinand A. Domingo	240,022 (Direct)	Filipino	0.01%
Common	Lemuel M. Santos	1 (Direct)	Filipino	Nil

Directors and executive officers as a group hold a total of 26,671,438 common shares, equivalent to approximately 0.84% of the Company's issued and outstanding capital stock.

(3) Voting Trust Holders of 5% or More

The Corporation is not aware of any voting trust or similar agreement involving persons who hold more than 5% of the Corporation's securities.

(4) Changes in Control

There were no material changes in the control of the Company since the beginning of the Company's last calendar year.

Item 5. Directors and Executive Officers

(a) The Board of Directors

The following are the members of the Board:

Position	Name	Citizenship	Age
Chairman of the Board	Alfonso R. Reyno, Jr.	Filipino	74
Vice Chairman	Chai Seo Meng	Singaporean	55
Director	Jeffrey Rodrigo L. Evora	Filipino	50
Director	Alfonso Victorio G. Reyno III	Filipino	49
Director	Jose Alvaro D. Rubio	Filipino	66
Director	John Anthony B. Espiritu	Filipino	55
Director	Gabriel A. Dee	Filipino	54
Director	Walter L. Mactal	Filipino	36
Director	Dennis Ryan C. Uy	Filipino	41
Independent Director	Bernadette A. Quiroz	Filipino	37
Independent Director	Victor P. Lazatin	Filipino	70

Set forth below are the business experience of the Board during the last five years:

ALFONSO R. REYNO, JR., Filipino, was born on July 8, 1944. He graduated from the University of the Philippines in 1965 with a degree of Bachelor of Arts in Political Science and finished his Bachelor of Laws in the same school in 1969. He formerly occupied the following government positions: Deputy Minister of Defense (*1984-1986*), Member of the Batasang Pambansa (*1984-1986*), Vice Governor of Cagayan (*1980-1984*), Member of the Board of Trustees of the Cagayan State University (*1979-1986*). He occupies the following positions in various institutions: Chairman and President, Arco Management & Development Corporation, Arco Equities, Inc., Arco Ventures, Inc. (*1995 to Present),* Bonaventure Development Corporation (*1983 to Present*); Managing Partner, Reyno Tiu Domingo & Santos Law Offices (*1976 to Present*); Chairman and CEO of Manila Jockey Club, Inc. (*1997 to presen*t). He was elected as director of the Company in year 2009.

CHAI SEO MENG, Singaporean, 55 years of age, graduated from National University of Singapore in 1987 with a degree of Bachelor of Business Administration. He formerly occupied the following position in various institution: Senior Trader for Foreign Exchange at United Overseas Bank limited from year 1992 to 2004; Head Foreign Exchange at Nomura Singapore limited from 2004 to 2009; Presently, he practices Private Constitution and provides various wealth managements and financial advisories to various business sector. He was elected as Director of the Company in year 2006.

JEFFREY RODRIGO L. EVORA, Filipino, was born on May 19, 1969. He graduated from University of Phoenix with a degree of Bachelor of Science Major in Business Administration. He formerly occupied the following position in various institution: Night Auditor at Marikai Condominium; Auditor at Hyatt Regency Manila; He started his career in the casino Industry at the Flamingo Hilton Las Vegas. He held key positions in various casinos in the United Stated of America such as Lady Luck Gaming Corporation, Boyd Gaming Corporation, Ameristra Gaming Corporation, Harrah's Entertainment Corporation and Seneca Niagara Casino & Hotel; Chief Operation Officer of Winford Manila Resort & Casino. He was elected as director of the Company in year 2018.

ALFONSO VICTORIO G. REYNO III, Filipino, was born on March 9, 1970. He graduated from the De La Salle University in 1992 with a degree of Bachelor of Arts and Commerce and finished his Bachelor of Laws in University of the Philippines in year 1996. He occupies the following positions in various institutions: President, Arco Ventures, Inc. (*1995 to Present*); Director, Arco Management & Development Corporation, Bonaventure Development Corporation, Arco Equities, Inc. (*1995 to present),* Junior Partner, Reyno Tiu Domingo & Santos Law Offices (*1999 to present*); President and COO of Manila Jockey Club, Inc. (*1997 to present*). He was elected as director of the Company in year 2009.

JOSE ALVARO D. RUBIO, Filipino, 66 years of age, graduated from the University of the East with a degree of Bachelor of Science in Business Administration Major in Accounting (Cum Laude). He formerly occupied the following positions in various institutions: Senior vice President at Philippine National Bank ("PNB") and has over thirty five (35) years of experience in banking, including international banking, remittance, budgeting, corporate planning, controllership, systems design/improvement, branch banking, audit and lending operations; Head of the Corporate Banking Group at PNB; Director of the Bank Administration Institute of the Philippines an association of Local and Foreign Banks. He was elected as director of the Company in year 2014.

JOHN ANTHONY B. ESPIRITU, Filipino, was born on July 12, 1963. He graduated from University of Michigan with a degree of Bachelor of Business Administration in May 1985. He also obtained from said university a Masters degree in Business Administration in May 1990. He occupies the following positions in various institutions: Director of DATEM, Inc.; Chairman of Belares Food Corporation; Director of American Eye Correction Center. He was elected as director of the Company on 2008. He was elected as director of the Company in year 2012.

GABRIEL A. DEE, Filipino, graduated from the University of the Philippines in 1984 with a degree of Bachelor of Arts major in History and finished his Bachelor of Laws in the same school in 1988. He finished his MBA Units in Ateneo De Manila Graduate School of Business in 1992. He is affiliated with and occupies the following positions in various institutions in the last five (5) years, viz: Senior Partner, Picazo Buyco Tan Fider & Santos Law Offices (2006 to present), Junior Partner, Picazo Buyco Tan Fider & Santos Law Offices (1994 to 2006), Senior

Associate, Bautista Picazo Buyco Tan & Fider Law Offices (1992 to 1994), Junior Associate, Bautista Picazo Buyco Tan & Fider Law Offices (1988 to 1992) and Research Assistant, University of the Philippines, College of Law (1998). He was elected as director of the Company in year 2013.

WALTER L. MACTAL, Filipino, was born on March 11, 1983. He graduated from the Ateneo De Manila University in 2004 with a degree of A. B. Economics. He obtained his Juris Doctor from the Ateneo de Manila University - School of Law in 2008. He was admitted to the Philippine Bar in 2009 and he continued working in a private law firm in Makati City until March 2012. Presently, Mr. Mactal works as a Director for Legal and Corporate Affairs in a private company in the Philippines. He has a broad legal experience in litigation, labor relations, contract drafting and negotiation, intellectual property, and various corporate compliance services. He was elected as director of the Company in year 2016.

DENNIS RYAN C. UY, Filipino, graduated from the Mapua Institute of Technology with a degree of B.S. Civil Engineering. He holds a Master of Business administration degree from the Ateneo de Manila University. For the last fourteen (14) years of his career he spent in the areas of systems improvement and automation, investment planning, asset management, and cost engineering across various multinational firms. He was elected as director of the Company in year 2014.

BERNADETTE V. QUIROZ, Filipino, was born on November 3, 1981. She graduated from University of Santo Tomas with a degree of Bachelor of Science in Accountancy. She obtained her Juris Doctor at Ateneo de Manila University in 2007. She formerly occupied the following positions in various institutions; Attorney-at-Law at Baniqued & Baniqued, Auditor at SGV & Co. She is the Section Manager-Legal & Compliance/Employee of Ibiden Philippines, Inc. She was elected as director of the Company in year 2019.

VICTOR P. LAZATIN, Filipino, 70 years of age, graduated from University of the Philippines with a degree of AB Economics in 1967 and finished his Bachelor of Laws degree in the same school in 1971 (Cum Laude). He obtained a Masters of Law from University of Michigan in 1974. He occupied the following positions in various institutions, viz: Director, ACCRA Investment Corporation (1980-2008), Corporate Secretary/Director, Wide Wide World Express (1995-2008), Corporate Secretary, Oribanex Holdings (1996-2008), Chairman, Timog Silangan Development Corp. (1976-2008), President, Devinelle Provident lands, Inc. (1995-2008), President, Banana d' Or (2001-2008), President, Brodlas Realty Inc. (2000-2008), Senior Partner, Angara Abello Concepcion Regala & Cruz Law Offices (2002 to present). He was elected as director of the Company in year 2009.

Nomination of Directors for 2019-2020

The directors of the Company elected at the Annual Meeting shall hold office for one (1) year and until their respective successors have been elected and qualified.

The following are the nominees to the Board of Directors:

1. Alfonso R. Reyno, Jr.
2. Chai Seo Meng
3. Jeffrey Rodrigo L. Evora
4. Alfonso Victorio G. Reyno III
5. Jose Alvaro D. Rubio
6. John Anthony B. Espiritu
7. Gabriel A. Dee
8. Walter L. Mactal
9. Dennis Ryan C. Uy
10. Bernadette V. Quiroz (Independent Director)
11. Victor P. Lazatin (Independent Director)

The Company has no reason to believe that any of the aforesaid nominees will be unwilling or unable to serve if elected as a director.

Mr. Dennis C. Espejo nominated Atty. Bernadette V. Quiroz while Mr. Lenito T. Serrano nominated Atty. Victor P. Lazatin as Independent Directors of the Company. Messrs. Espejo and Serrano are not related to either Attys. Quiroz and Lazatin by consanguinity or affinity, and has no professional or business dealings with any of them. Messrs. Espejo and Serrano are neither officers nor substantial shareholders of the Company.

The nominees for independent directors possess the qualifications and none of the disqualifications of independent directors under relevant rules of the Securities Regulation Code (the "SRC") and its implementing rules and regulations (the "SRC Rules").

The respective business experiences of Attys. Bernadette V. Quiroz and Victor P. Lazatin are set forth above.

The matter of the nomination and election of Independent Directors form part of a set of guidelines for the Nomination Committee. These guidelines define qualifications, disqualifications and procedures for the screening and short listing of candidates nominated to the Board.

The members of the Nomination Committee are as follows:

1. Gabriel A. Dee - Chairman
2. Alfonso Victorio G. Reyno III - Member
3. Walter L. Mactal - Member
4. Victor P. Lazatin - Member (Independent Director)

For this Annual Meeting, the Nomination Committee shall screen and evaluate the candidates for Independent Directors, using the committee's guidelines, pertinent provisions of the Company's Revised Manual on Corporate Governance, its By-Laws and relevant issuances under the SRC and the SRC Rules. The Company's By-laws incorporates the procedures for the nomination and election of independent directors in accordance with SRC Rule 38, as amended.

(b) The Executive Officers

The following are the Executive Officers of the Company:

Position	Name	Citizenship	Age
Chairman & Chief Executive Officer	Alfonso R. Reyno, Jr.	Filipino	74
President & Chief Operating Officer	Jeffrey Rodrigo L. Evora	Filipino	50
Vice President	Alfonso Victorio G. Reyno III	Filipino	49
Treasurer & Chief Finance Officer	Jose Alvaro D. Rubio	Filipino	66
Corporate Secretary & General Counsel	Ferdinand A. Domingo	Filipino	66
Asst. Corporate Secretary	Gabriel A. Dee	Filipino	55
Corporate Information Officer and Compliance Officer	Lemuel M. Santos	Filipino	68

The business experience of Mssrs. Alfonso R. Reyno, Jr., Jeffrey Rodrigo L. Evora, Alfonso Victorio G. Reyno III, Jose Alvaro D. Rubio and Gabriel A. Dee during the last five (5) years is provided above. Set forth below are the business experience of the Company's other executive officers during the last five (5) years:

FERDINAND A. DOMINGO, Filipino, 66 years of age, graduated from the University of the Philippines in 1972 with a degree of Bachelor of Arts in Political Science and finished his Bachelor of Laws degree in the same school in 1977. In the last five (5) years or more he is affiliated with and occupies the following positions in various institutions, viz: Senior Partner, Reyno Tiu Domingo & Santos Law Offices (1 September 1991 to present); Corporate Secretary and General Counsel, Manila Jockey Club, Inc. (up to present); Corporate Secretary and General Counsel, MJC Investments Corporation (up to present); President, Aries Prime Resources, Inc., (10 July 2003 to 2009); Director, United Overseas Bank (May 2001 to July 2002); Corporate Secretary, Westmont Bank (17 May 2000 to 16 January 2004); Director, PNB Holdings Ltd. and PNB Hongkong Branch (1998 to February 2000); Bank Attorney, Philippine National Bank (1978-1984); Corporate Secretary, Philippine Racing Club, Inc. (1994-1997); Legal Counsel and Corporate Secretary, National Steel Corporation (3 May 1995 to March 1997).

LEMUEL M. SANTOS, Filipino, 68 years of age, graduated from the University of the Philippines in 1973 with a degree of Bachelor of Arts in Political Science and finished his Bachelor of Laws degree in the same school in 1977. In the last five (5) years or more, he is affiliated with and occupies the following positions in various institutions, viz: Partner, Reyno, Tiu, Domingo & Santos Law Offices (1991 up to present); Assistant Corporate Secretary, Manila Jockey Club, Inc. (up to present); Corporate Information and Compliance Officer, MJC Investments Corporation (up to present).

(c) Significant Employees

The following are the employees of the Company who are expected to make significant contributions to the business of the Company.

DARWIN L. CUSI, Filipino, 42 years of age, is currently the Director for Gaming Compliance and Operations and has been employed with the company starting 09 November 2015. He is a Marine Engineering graduate of the Technological Institute of the Philippines (1994) and has more than 21 years of solid experience and expertise in gaming operations specifically in

Cruise line operations and Hotel/Casino operations. Darwin is a former AVP for Casino Operations at Famous City Holdings Ltd. - ROHQ.

ALLAN S. ABESAMIS, Filipino, 46 years of age, is currently the Director for Facilities Management and has been employed with the company starting 16 November 2015. He is an Electrical Engineering graduate of the Mapua Institute of Technology (1993) and has more than 20 years of plant operations/facilities management experience in the areas of engineering and production management in manufacturing plants. Prior to joining MIC, Allan was a former Manufacturing Manager at Supa Nova Foods Incorporated.

RYAN KHIMPY G. RABE, Filipino, 37 years of age, is currently the Director for Hotel Operations and has been employed with the company starting 24 October 2016. He is a Hotel and Restaurant Management graduate of San Sebastian College (1999) and Philippine Women's University (1998) and has more than 16 years of hotel experience in cruise line operations specifically in Concierge, Butler Services, and Hotel Operations at Norwegian Cruise Lines. He also had experience working in Hotel/Casino operations handling VIP Relations as Director for Gaming Support and Services at Travellers International Hotel Group Incorporated.

JOEMAR L. ONNAGAN, Filipino, 33 years of age, is currently the Director for Finance and Administration and has been employed with the company starting 16 November 2016. He is a Certified Public Accountant and a graduate of Mariano Marcos State University (2005) with more than nine (9) years of experience in General Accounting specifically in areas of Accounts Payable, Hotel Revenue Audit and Financial Reporting in a multinational and Shared Services environment as a Senior Finance Manage.

TAYFUN BAYAR, Turkish, 45 years of age, is currently the Director for Gaming Operations and Marketing and has been employed with the company since 01 September 2017. He had more than twenty years gaming experience in various hotels and cruise lines in Asia, South America, and Europe.

COL. ANICETO VICENTE, Filipino, 58 years of age, is currently the Director for Safety and Security and has been employed with the company since 16 March 2018. Col. Vicente served for thirty four (34) years in the Armed Forces of the Philippines. Aside from security matters, he was assigned in various fields including personnel management, intelligence, operations, logistics, and training. His last assignment was as Group Commander with the main task of developing and utilizing the Reserve Force in the five provinces of Region 1 and Cordillera Autonomous region.

JOSE MARIA C. LEDESMA III, Filipino, 46 years of age, is currently the Director for Corporate Communications and has been employed with the company since 03 December 2018. He graduated from the University of West London with a Bachelor of Arts degree in Design and Media Management. He has more than twenty years' experience in the fields of advertising, marketing, and public relations. Prior to working at Winford, he was Assistant Director for Public Relations in an integrated resort.

(d) Family Relationships

Alfonso Victorio G. Reyno III is the son of Alfonso R. Reyno, Jr.

Aside from the abovementioned, no other members of the Board of Directors nor any Executive Officer of the Company is related by affinity or consanguinity.

(e) Involvement in Certain Legal Proceedings

To the knowledge and/or information of the Company, the present members of the Board of Directors or the Executive Officers are not, presently, or during the last five (5) years, involved or have been involved in criminal, bankruptcy or insolvency investigations or proceedings.

(f) Description of Any Pending Material Legal Proceedings

There is no pending material legal proceeding during the last five (5) years to which the Company or any of its subsidiaries or affiliates is a party

(g) Certain Relationships and Related Transactions

For a detailed discussion of material related party transactions, please see Note 21 (Related Party Transactions) of the Company's consolidated audited financial statements in Item 11.

In the ordinary course of business, the Company and its subsidiary, Trafalgar Square Leisure Corporation (TSLC) (collectively, the "**Group**") has significant transactions with related parties as follows:

			2018		2017			
Entity	Relationship	Nature	**Amount**	**Receivable (Payable)**	Amount	Receivable (Payable)	Terms	Condition
Manila Jockey Club, Inc. (MJCI)	Stockholder	Deposit for future stock subscription (Note 18)	**₱84,979,217**	**(₱237,233,646)**	₱152,254,429	(₱152,254,429)	Noninterest-bearing	Unsecured, unguaranteed
		Advances[a] (Note 14)	**–**	**(4,970,819)**	–	(4,970,819)	Noninterest-bearing; due and demandable	Unsecured, unguaranteed
		Commission from the off-track betting[b] (Note 8)	**167,932**	**371,013**	293,962	304,099	Noninterest-bearing; due and demandable	Unsecured, unimpaired
Various Shareholders	Stockholder	Deposit for future stock subscription (Note 18)	**971,089,239**	**(1,904,967,451)**	933,878,212	(933,878,212)	Noninterest-bearing	Unsecured, unguaranteed
Manilacockers Club, Inc. (MCI)	Affiliate	Commission from the off-track betting[c][d] (Note 8)	**4,367,699**	**1,572,263**	890,700	90,201	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.
(d) MCI is an affiliate through a common stockholder, MJCI.

(h) Disagreement with a Director

No director has resigned or declined to stand for re-election to the Board since the date of the last annual stockholders' meeting because of a disagreement with the Company on any matter relating to the Company's operations, policies or practices.

Item 6. Compensation of Directors and Executive Officers

Information as to the aggregate compensation paid or accrued during the last two years and estimated to be paid in the ensuing year to the Company's Chief Executive Officer (CEO) and three (3) most highly compensated executive officers is presented below. Also included in the tabular presentation is the compensation paid to or accrued for other officers. The stated annual salary includes the mandatory thirteenth (13th) month pay.

Compensatory Plan or Arrangement (in thousand PHP)

Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation
The CEO and three (3) most highly compensated Executive Officers: • CEO – Alfonso R. Reyno, Jr. • Vice President – Alfonso Victorio G. Reyno III • Corporate Secretary – Ferdinand A. Domingo • Corporate Information and Compliance Officer – Lemuel M. Santos	2019	10,865	-	-
	2018	10,865	-	-
	2017	10,865	-	-
All other Executive Officers and Directors as a group unnamed	2019	22,592	-	-
	2018	21,143	-	-
	2017	11,617	-	-

All directors are entitled to a per diem ranging from ₱10,000.00 to ₱15,000.00 plus a ₱3,000.00 allowance to cover their transportation, communication and other expenses for every board meeting attended. There are no contracts with the named executive officers for any compensation plan or arrangement that will result from the resignation, retirement or any other termination of employment of said executive officers. There are no outstanding warrants or options being held by the named executive officers or directors and neither are there any changes in control arrangements made with the named executive officers and the directors.

Item 7. Independent Public Accountants

The accounting firm of Sycip Gorres Velayo & Co. (SGV) has been the Company's independent public accountant/external auditor for the last five (5) years. The same accounting firm is being recommended for re-appointment by the stockholders at the Annual Meeting. Representatives of said firm are expected to be present at the Annual Meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions. SGV has accepted the Company's invitation to stand for re-appointment this year.

The Company complies with SRC Rule 68, Part I, Item 3(B)(iv)(ix) on (i) the rotation after every five (5) years of engagement of the independent auditor or in case of an audit firm, the signing partner, and (ii) the two-year cooling-off period on the re-engagement of the same signing partner or individual auditor. For year 2017 and 2018, Ms. Adeline D. Lumbres was the partner-in-charge of SGV for the examination of the Company's financial statements.

External Audit Fees

The aggregate fees billed for each of the last two (2) fiscal years for professional services rendered by SGV was ₱1,120,000.00 for the year 2018, and ₱896,000.00 for the year 2017. These fees cover services rendered by SGV for audit of the financial statements of the Company and other services in connection with statutory and regulatory filings for the years 2018 and 2017. The Company did not engage SGV for tax and other services in 2018 and 2017.

There are no other assurance and related services extended by the external auditors that are reasonably related to performance of audit or review of the Company's financial statements.

The Company has not had any disagreements on accounting and financial disclosures with SGV during the last five (5) years or any subsequent interim periods.

The audit findings are presented to the Company's Audit Committee which reviews and makes recommendations to the Board on actions to be taken thereon. The Board passes upon and approves the Audit Committee's recommendations.

The members of the Audit Committee of the Company are as follows:

1. Bernadette A. Quiroz - Member (Independent Director)
2. Jose Alvaro D. Rubio - Member
3. John Anthony B. Espiritu - Member
4. Walter L. Mactal - Member
5. Victor P. Lazatin - Member (Independent Director)

Item 8. Compensation Plans

No action is to be taken with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. Authorization or Issuance of Securities other than for Exchange

Not applicable.

Item 10. Modification or Exchange of Securities

Not applicable.

Item 11. Financial and Other Information

The audited financial statements of the Company for the period ended December 31, 2018 and the Quarterly Report (SEC Form 17-Q) for the period ended March 31, 2019 are attached as **Annexes "A"** and **"B"**. Management's Discussion and Analysis of Financial Condition and Results of Operations are incorporated in the Management Report.

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

Not applicable.

Item 13. Acquisition or Disposition of Property

Not applicable.

Item 14. Restatement of Accounts

No action is to be taken with respect to the restatement of any of the Company's assets, capital or surplus account.

D. OTHER MATTERS

Item 15. Action with Respect to Reports and Other Proposed Action

There is no action to be taken with respect to any report of the Company or of its directors, officers or committees, except the approval of (i) the minutes of the previous annual stockholders' meeting, and (ii) the Annual Report and Audited Financial Statements of the Company for the period ended December 31, 2018, all of which will be submitted for approval of the stockholders.

Other proposed actions include ratification of all acts, investments, proceedings and resolutions of the Board, the Board Committees and the acts of the officers and management since the date of the last annual meeting. The matters for stockholders' ratification are acts of the Board, the Board Committees, officers and management from the previous stockholders' meeting up to the date of the Annual Meeting which were entered into or made in the ordinary course of business and the following transactions covered by appropriate disclosures with the PSE and SEC:

Date Filed	Description
July 3, 2018	• Results of the Annual Stockholders' Meeting and Organizational Meeting held on 28 June 2018
August 7, 2018	• Regular meeting of the Board of Directors held on 2 August 2018 on the following: (1) resignation of Atty. Cherrylyn G. Prado-Caoile as director; and (2) appointment of Mr. Jeffrey Rodrigo L. Evora as director and President
January 9, 2019	• Certificates of Completion of the directors and key officers
March 26, 2019	• Acceptance of the resignation of Mr. Laurito E. Serrano, and appointment of Atty. Bernadette V. Quiroz, as Independent Director and member of the Executive Committee, Compensation and Remuneration Committee and Audit Committee
March 29, 2019	• Regular meeting of the Board of Directors held on 28 March 2019 approving (1) date, time, venue and agenda of the 2019 Annual Stockholders' Meeting (ASM), and (2) record date for the 2019 ASM

The approval of the minutes, Annual Report and audited financial statements for the period ended December 31, 2018, and ratification of all acts, proceedings and resolutions of the Board, the Board Committees and the acts of the officers and management since the date of the last annual meeting require the affirmative vote of a majority of the votes cast at the Annual Meeting by the stockholders entitled to vote.

Item 16. Matters Not Required to be Submitted

There is no action to be taken with respect to any matter which is not required to be submitted to a vote of security holders.

Item 17. Amendment of Charter, By-Laws or Other Documents

There is no action to be taken with respect to any amendment of the Company's Articles of Incorporation, By-Laws or other documents.

Item 18. Other Proposed Action

The following actions are also proposed to be taken up during the Annual Meeting:

1. Election of directors for 2019-2020; and

2. Appointment of external auditor.

Item 19. Voting Procedures

(a) Vote Required

The approval of the items to be presented to the stockholders will require the vote of stockholders representing at least a majority of the issued and outstanding capital stock entitled to vote.

Pursuant to the Revised Corporation Code, every stockholder entitled to vote shall have the right to vote in person or by proxy the number of shares of stock standing, as of the record date, in his own name in the stock and transfer book of the Company. In all items for approval, except in the election of directors, each share of stock entitles the registered holder thereof to one vote.

For the purpose of electing directors, a stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit; provided, that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Company multiplied by the number of directors to be elected.

(b) Method of counting votes

Stockholders may vote at all meetings either in person or by proxy. All proxies must be in the hands of the Corporate Secretary before the time set for the meeting.

Unless required by law or demanded by a stockholder present or represented at the meeting and entitled to vote thereat, voting need not be by ballot and may be done by show of hands.

The Corporate Secretary will primarily be responsible for counting votes based on the number of shares entitled to vote owned by the stockholders who are present or represented by proxies at the Annual Meeting of the stockholders.

The external auditor of the Company is authorized to audit, confirm and ratify the number of votes on each and any matter properly brought to the vote of the stockholders, including the election of directors.

The agenda for the Annual Meeting is as follows:

1. Call to order

2. Proof of notice and determination of existence of quorum

3. Approval of the minutes of the previous annual stockholders' meeting held on June 28, 2018

4. President's Report

5. Approval of the Annual Report and the Audited Financial Statements of the Company for the period ended December 31, 2018

6. Approval and ratification of all acts, contracts, investments and resolutions of the Board, Board Committees and Management since the last annual stockholders' meeting

7. Election of the members of the Board of Directors

8. Appointment of External Auditor

9. Adjournment

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Pasig, Metro Manila, on 2 8 MAY 2019.

MJC INVESTMENTS CORPORATION

By:

FERDINAND A. DOMINGO
Corporate Secretary

MJC INVESTMENTS CORPORATION

MANAGEMENT REPORT

I. Consolidated Audited Financial Statements and Interim Financial Statements

MJC Investments Corporation's ("MIC" or the "Company") consolidated audited financial statements for the year ended December 31, 2018 and interim financial statements for the 1st Quarter 2019 attached to the Information Statement are incorporated herein by reference.

II. Changes in and Disagreements with Accountants on Accounting and Financing Disclosures

There was no event in the past five (5) years where Sycip Gorres Velayo & Co. (SGV) and the Company had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure.

III. Management's Discussion and Analysis of Financial Condition and Results of Operations of the Consolidated Audited Financial Statements as of December 31, 2018

(1) Plan of Operation

MJC Investments Corporation (MJIC) is a publicly-listed company whose business focus is in the rapidly-growing tourism and entertainment industry. Listed in the Philippine Stock Exchange under the ticker symbol "MJIC", the company is majority-owned by a group of strategic investors with long and substantial experience in financial and tourism-related projects, with the Manila Jockey Club, Inc., a listed company, as the biggest single stockholder.

It owns and operates Winford Manila Resort and Casino, a luxury hotel, entertainment, and tourism complex located in Sta. Cruz, Manila, offering world-class accommodations within its 0.75-hectare property, an 18-storey high-rise development with 128 premium hotel rooms, high-end restaurants, a columnless, 600+ capacity ballroom, 800 parking spaces, and over 9,000 square meters of internationally designed indoor entertainment space regularly presenting Filipino singers and performers. Its three-floor gaming area has 28 tables and 441 slot machines and electronic table games as of April 2019. The cost of the hotel and entertainment complex is estimated at PHP8 Billion.

The Group has rapidly increased its operation. An additional floor gaming area was opened last April 2018. The expansion added more gaming tables and slot machine positions to accommodate the drastic increase of its clientele. Electronic table games were also added to increase game mix offerings on the casino floor. As of December 31, 2018, the gaming capacity was increased from 24 in 2017 to 28 gaming tables in 2018 and from 326 in 2017 to 416 slot machines in 2018. By the end of the year, the company aims to increase its gaming capacity from 28 to 40 tables and from 441 slot machines up to 600 machines. Electronic table games were also introduced to provide additional game mixture in the casino floor. The Group continuously increased their membership acquisition through their active casino marketing programs, continuous events and aggressive casino promotions. Marketing initiatives includes competitor membership card matching programs, points earning from gaming activities and redemption of acquired points with their increasing partner merchants. Also, the Group introduced monthly and quarterly bingo events which offers attractive prizes and rewards.

Non-gaming operations such as hotel, food and beverage, and banquets have also improved. The Group surpassed its last year's hotel revenue by strategically increasing its room rates and by constantly providing excellent customer service while maintaining cost efficient hotel operations. To further create awareness and generate revenue, the Group supported membership meetings of different travel associations; taps nearby schools, hospitals, establishments and companies with large databases; established merchant partnership program with known credit card companies; participates in various travel tour and business expo here and abroad; keeps its alliance with travel and tour agencies; activates booking engine in the Group's website and upkeeps strong relationship with Department of Tourism and Tourism Promotions Board to capture international market by supporting familiarization tours.

The Group is fully committed to provide all their guests with the best experience possible. The Group has received several awards from Expedia, Hotel.com, Orbitz and more, which shows that the Group's emphasis on excellence wasn't gone unnoticed by their guests and industry leaders.

The Group plans to raise additional fund through stock rights offering to partially pay its debt servicing requirements.

(2) Financial Condition and Results of Operations

The following discussion and analysis relate to the consolidated financial position and results of operation of MJC Investments Corporation and Subsidiary and should be read in conjunction with the accompanying audited consolidated financial statements and related notes as of December 31, 2018, 2017 and 2016.

Discussion on Results of Operations

The following table shows a summary of results of the operations for the years ended December 31, 2018, 2017 and 2016:

	For the Year Ended December 31				
	2018	2017	2016	% Change	% Change
	Amount in Millions of Philippine peso except EPS			2018 vs. 2017	2017 vs. 2016
Revenue					
Revenue share in gaming operations	₱365.9	₱283.2	₱174.1	29.2%	62.7%
Hotel	90.1	76.8	18.2	17.3%	322.0%
Food and beverage	78.6	49.9	10.1	57.5%	394.1%
Bingo operations	45.8	25.9	14.1	76.8%	83.7%
Rental	27.4	22.3	2.8	22.9%	696.4%
Other revenue	15.2	11.3	2.7	34.5%	318.5%
	623.0	469.4	222.0	32.7%	111.4%
Operating costs and expenses	(1,179.6)	(1,050.1)	(541.0)	12.3%	94.10%
Operating loss	(556.6)	(580.7)	(319.0)	(4.2%)	82.0%
Other income (expenses)					
Interest expense	(189.5)	(209.3)	(128.2)	(9.5%)	63.3%

Interest income	0.5	0.3	1.3	66.7%	(76.9%)
Miscellaneous expenses - net	(0.4)	(0.5)	(0.2)	(20.0%)	150.0%
	(189.4)	(209.5)	(127.1)	(9.6%)	64.8%
Loss before income tax	(746.0)	(790.2)	(446.1)	(5.6%)	77.1%
Provision for income tax	(0.01)	(0.01)	(0.3)	0.0%	(96.7%)
Net loss	(746.1)	(790.2)	(446.4)	(5.6%)	77.0%
Other comprehensive income	1.6	0.7	–	128.6%	100.0%
Total comprehensive loss	(₱744.4)	(₱789.5)	(₱446.4)	(5.7%)	76.9%
Basic/diluted loss per share	₱0.235	₱0.249	₱0.141	(5.6%)	76.6%

Comparison of Operating Results for the Years Ended December 31, 2018 and 2017

Revenue

Revenue includes revenue share in gaming operations, revenue from operation of hotel, food and beverages, bingo, rental and other revenue. Total revenue for years ended December 31, 2018 and 2017 amounted to ₱623.0 million and ₱469.4 million, respectively.

The significant accounts that contributed to the increase are as follows:

- Revenue share in gaming operations increased by 82.7 million or 29% from ₱283.2 million in 2017 to ₱365.9 million in 2018. The increase is a result of the opening of the third floor area of the casino in 2018, which enabled the increase in gaming tables from 24 in 2017 to 28 in 2018 and the increase in electronic gaming machine (slot machines) from 326 units in 2017 to 416 units in 2018. In addition, foot traffic in the property increased from 1.0 million in 2017 to 1.6 million in 2018.

- Revenue from hotel rooms increased by ₱13.3 million or 17% from ₱76.8 million in 2017 to ₱90.1 million in 2018. The increase is attributable to the increase in occupancy rate during the year from 62% in 2017 to 72% in 2018. Of the 128 rooms available each day, average occupied room per day is 91 room in 2018, which is higher than the 76 rooms in 2017.

- Revenue from food and beverage increased by ₱28.7 million or 58% from ₱49.9 million in 2017 to ₱78.6 million in 2018. The increase is attributable to the increase in foot traffic due to the increase in hotel guests and casino players in 2018.

- Revenue from bingo operations increased by ₱19.9 million or 77% from ₱25.9 million in 2017 to ₱45.8 million in 2018. The increase is attributable to the introduction of monthly and quarterly events which offers attractive prizes and rewards.

- Revenue from rental increased by ₱5.1 million or 23% from ₱22.3 million in 2017 to ₱ 27.4 million in 2018. The increase is due to the additional lessees within the hotel. In addition, since most of the rental agreement with the lessees includes a variable portion, which are mostly based on sales, the Group benefited from the additional revenue generated by the lessees which is significantly higher due to the increase in foot traffic in the property.

Total operating costs and expenses for the years ended December 31, 2018 and 2017 amounted to ₱1,179.6 million and ₱1,050.1 million, respectively. The significant increase in the total operating costs and expenses is due to higher taxes and licenses, gaming fees, contracted services, salaries and wages, costs of food, beverages and tobacco, security services, repairs and maintenance, utilities and other expense.

The significant cost and expenses that contributed to the increase are as follows:

- Contracted services increased by ₱14.6 million or 25% from ₱59.0 million in 2017 to ₱ 73.6 million in 2018. The increase is due to increase in number of required manpower for its hotel and food and beverage operations and gaming marketing and membership services attributable to the increased in Group's operations.

- Gaming fees increased by ₱17.7 million or 37% from ₱48.1 million in 2017 to ₱65.8 million in 2018. Gaming fees consist of the revenue share of PAGCOR in the Group's bingo revenue and the Group's subsidiary's manpower cost for its gaming operations. Furthermore, gaming fees also include prizes and rewards distributed for the monthly and quarterly bingo special events. The increase in gaming fees is directly attributable to the related increase in revenue from bingo operations.

- Salaries and wages increased by ₱11.6 million or 22% from ₱52.3 million in 2017 to ₱63.9 million in 2018. The increase in salaries and wages is attributable to the Group's employment of the two key management positions. In addition, the Group also employed additional employees as the Group's operation has been steadily increasing.

- Bad debt expense in 2018 resulted from the assessment made by management on certain nontrade receivables of the Company, which management assessed to be with higher likelihood of not being collected.

- Repairs and maintenance increased by ₱7.4 million or 22% from ₱33.0 million in 2017 to ₱40.4 million in 2018. The increase can be attributable to the cost for the maintenance of air condition/ventilation as the Group engages itself to additional service providers engaged for the maintenance of motor controller and pump equipment found in the casino and hotel and the inspection of air quality systems. Another factors are the increase of electrical and mechanical expenses which can be attributed to the various repairs to the building and the increase of system and software maintenance.

- Security services increased by ₱9.0 million or 33% from ₱27.5 million in 2017 to ₱36.5 million in 2018. The increase is due to the full year implementation of the minimum wage hike ordered on October 16, 2017. In addition, during the year, the Group increased its security line personnel and K9 handler due to the increase in the foot traffic the hotel and casino have experienced.

- Taxes and licenses increased by ₱31.4 million from ₱3.7 million in 2017 to ₱35.2 million in 2018. The significant increase is due to the amortization of the prepaid real property tax amounting to ₱29.0 million. In addition, there is an amortization of filing and listing fees paid in advance amounting to ₱3.1 million.

- Service fee increased by ₱5.9 million or 23% from ₱25.7 million in 2017 to ₱31.6 million in 2018. The increase is due to the management fee being charged by service provider, engaged in providing consultancy, advisory, and technical services in relation to the operation, management and development of the casino amounting to ₱4.9 million. In addition, the Group enters into a new contract with a service provider for the strategy and planning development, conceptualization, production of advertising materials and marketing of the Group's banquet and hotel rooms. This increased the expense incurred by ₱1.0 million.

- Advertising and marketing expenses decreased by ₱6.4 million or 17% from ₱37.7 million in 2017 to ₱31.3 million in 2018. The decrease is due to the decline in the advertising from TV, radio and social media directly paid by the Group since it employs a service provider to do much of its promotion during the year as well as the transactions with various advertising companies in exchange of their goods and services and reduction of complimentary food and beverages given to guests.

- The cost of food, beverage and tobacco increased by ₱10.0 million or 48% from ₱21.0 million in 2017 to ₱31.0 million in 2018. The increase is due to the increase in the number of guests in hotel, casino, concert, banquet and bingo events throughout the year. The cost rise by ₱5.5 million and ₱4.1 million for food and beverage, respectively. This is also directly attributable to the increase in revenue from food and beverage for the year.

- Banquet expenses increased by ₱6.4 million or 40% from ₱16.2 million in 2017 to ₱22.6 million in 2018. The increase is due to the significant increase in the number of banquet events from 149 events in 2017 to 192 events in 2018.

- Other expenses of the Group decreased by 87% or ₱45.4 million. The decrease is due to the cost containment measure implemented by the Group.

Interest Expense

Total interest expense amounting to ₱189.5 million is lower by ₱19.8 million or 9% as compared to prior year's ₱209.3 million. Interest expense decreased as a result of the payment of ₱700 million principal amount in 2018.

Comparison of Operating Results for the Years Ended December 31, 2017 and 2016

Revenue and Operating Costs and Expenses

Revenue includes 40% share in gaming operations, from operations of hotel, food and beverages, from bingo operations, rentals and others. Total revenue for years ended December 31, 2017 and 2016 amounted to ₱469.4 million and ₱222.0 million, respectively. The commencement of the full operations of the Group started in October 2016 and the grand opening held in April 2017.

Total operating costs and expenses for the years ended December 31, 2017 and 2016 amounted to ₱1,050.1 million and ₱541.0 million, respectively. The significant increase in the total operating costs and expenses is due to higher depreciation, salaries and manpower cost, utilities, service fees and marketing and promotions, various maintenance, security services and hotel operating supplies.

The significant increase is due to the following:

- Depreciation and amortization amounting to ₱517.5 million compared to prior year's ₱242.2 million is 49.3% of the total operating cost and expenses. Increase is due to depreciation of building improvements and acquisition of property and equipment during the year.

- Salaries and manpower contract services amounting to ₱111.3 million compared to prior year's ₱95.4 million is 10.6% of the total operating costs and expenses. The increase is due to additional key management personnel and manpower this year.

- Utilities amounting to ₱86.6 million compared to prior year's ₱66.0 million is 8.2% of the total operating cost and expenses. Increase is due to higher gaming capacity, increase in the number of slot machines and hotel occupancy this year. Further, the Group has fully utilized its resources as operations became completely functional, i.e. ballroom. Also, continuous increase of water bills for the months is due to the increasing number of hotel guests and occupants.

- Service fees amounting to ₱25.7 million compared to prior year's ₱17.4 million is 2.5% of the total operating costs and expenses. The increase is due to the recognition of consultancy, advisory and technical services in relation to the operation, management and development of the casino.

- Gaming fees amounting to ₱48.1 million compared to prior year's ₱22.8 million is 4.6% of the total operating costs and expenses. The increase is due to the full year minimum guaranteed fees paid to PAGCOR as compared to 2016.

- Advertising and marketing amounting to ₱37.7 million, security expense amounting to ₱27.5 million, repairs and maintenance amounting to ₱33.0 million, and hotel operating supplies amounting to ₱53.8 million compared to prior year's ₱6.5 million, ₱27.6 million, ₱1.7 million, and ₱15.9 million, respectively. The increase is due to various marketing activities implemented this year to further promote gaming and hotel operations, higher security expenses, various facility and software maintenance and higher hotel operating costs due to higher room occupancy and increase in the number of banquet events.

Interest Expense

Total interest expense amounting to ₱209.3 million compared to prior year's ₱128.2 million. Interest expense increased as compared to prior year because a portion of the interest expense was capitalized as borrowing cost in the prior year.

Comparison of Operating Results for the Years Ended December 31, 2018 and 2017

The operations of the hotel and casino started only in 2016 as the hotel and gaming facilities were in construction phase in 2016 and 2015.

Total revenue amounting to ₱623.0 million is 32.7% higher from last year's ₱469.4 million. Due to the cost containment measure implemented by the Group this year, loss before income tax amounting to ₱746.0 million is 5.6% lower from last year's ₱790.2 million.

The Group aims to further improve its financial performance in the succeeding years through the expansion of gaming facilities and implementation of cost reduction measures.

Analysis of Statement of Financial Position

	For the Year Ended December 31				
	2018	2017	2016	% Change	% Change
	Amount in Millions of Philippine peso except EPS			2018 vs. 2017	2017 vs. 2016
ASSETS					
Current Assets					
Cash and cash equivalents	₱472.4	₱558.9	₱125.0	(15.5%)	347.1%
Receivables	212.4	181.0	137.9	17.3%	31.3%
Inventories	20.6	28.3	21.3	(27.2%)	32.9%
Current portion of input value added tax (VAT)	33.3	24.8	387.8	34.3%	(93.6%)
Prepayments and other current assets	19.7	42.2	124.5	(53.3%)	(66.1%)
Total Current Assets	758.4	835.2	796.5	(9.2%)	4.9%
Noncurrent Assets					
Property and equipment	5,132.8	5,630.3	5,754.0	(8.8%)	(2.1%)
Input VAT- net of current portion	367.1	337.8	25.9	8.7%	1,204.2%
Other noncurrent assets	442.3	145.7	115.0	203.6%	26.7%
Total Noncurrent Assets	5,942.2	6,113.8	5,894.9	(2.8%)	3.7%
	₱6,700.6	₱6,949.0	₱6,691.4	(3.6%)	3.8%
LIABILITIES AND EQUITY					
Accounts payable and other current liabilities	₱554.2	₱310.9	₱290.1	78.3%	7.2%
Retention payable	138.5	279.1	349.4	(50.4%)	(20.1%)
Interest payable	15.9	19.1	19.1	(16.8%)	0.0%
Current portion of loans payable	694.4	692.9	-	0.2%	100.0%
Contract liabilities	12.5	-	-	100.0%	0.0%
Total Current Liabilities	1,415.5	1,302.0	658.6	8.7%	97.7%
Noncurrent Liabilities					
Loans payable - net of current portion	2,092.2	2,786.5	3,472.0	(24.9%)	19.7%
Deposit for future stock subscription	2,142.2	1,086.1	-	97.2%	100.0%
Other noncurrent liabilities	8.2	5.6	2.5	46.4%	124.0%
Total Noncurrent Liabilities	4,242.6	3,878.2	3,474.5	9.4%	11.6%
Total Liabilities	5,658.1	5,180.2	4,133.1	9.2%	25.3%
Equity					
Capital stock	3,174.4	3,174.4	3,174.4	0.0%	0.0%
Deficit	(2,134.2)	(1,406.3)	(616.1)	51.8%	128.3%
Actuarial gains on retirement liability	2.3	0.7	-	228.6%	100.0%
Total Equity	1,042.5	1,768.8	2,558.3	(41.1%)	(30.9%)
	₱6,700.6	₱6,949.0	₱6,691.4	(3.6%)	3.8%

Discussion on Significant Change in Financial Condition as of December 31, 2018 and 2017

Total assets amounted to ₱6,700.6 million as of December 31, 2018, which decreased by ₱248.4 million or 3.6% from ₱6,949.0 million as of December 31,2017.

1. For the year ended December 31, 2018, cash and cash equivalents amounting to ₱472.4 million, decreased by ₱86.5 million or 15.5% from ₱558.9 million in 2017 due to the following:

    a) In 2018, net cash flows from operating activities amounting to ₱70.6 million, which resulted from the difference in revenue generated during the period amounting to ₱623.0 million, cash operating expenses amounting to ₱664.7 million, and changes in the working capital amounting to ₱112.3 million.

       Cash operating expense in 2018 mainly pertains to utilities expenses (₱93.7 million), contracted services (₱73.6 million), gaming fees (₱65.8 million), salaries and wages (₱63.9 million), among others.

    b) Net cash flows used in investing activities amounting to ₱328.3 million comprise mainly of acquisition of property, plant and equipment amounting to ₱239.3 million and increase on other noncurrent assets amounting to ₱141.9 million which was partially offsets to the decrease on advances to contractors, amortization of operating equipment and recognition of receivable arising from its permit to operate (PTO) related to gaming equipment with a total of ₱52.9 million.

    c) Net cash flows from financing activities amounting to ₱170.6 million comprise mainly the receipt of deposit for future stock subscription amounting to ₱1,056.1 million and payment of the principal and interest of its loan payable amounting to ₱885.5 million.

2. Receivable increased by ₱31.4 million or 17.3% from ₱212.4 million in 2017 to ₱181.0 million in 2018. The increase is primarily due to the increase in trade receivables from non-related parties amounting to ₱29.6 million. This increase is brought by the increase in the Group's receivable to its lessee. Also, the group reconized receivable arising from PTO related to gaming equipment amounting to ₱57.1 million. The increase in the receivables account is partially offset by the recognition of allowance for doubtful account with its nontrade receivables amounting to ₱57.1 million and decrease in the receivable arising from its PTO related to gaming equipment amounting to ₱2.2 million.

3. Inventories decreased by ₱7.7 million or 27% from ₱28.3 million in 2017 to ₱20.6 million in 2018. The decrease is the result of consumption of playing cards used in its gaming operation. In 2017, the Group maintained a large number of inventories related to playing cards that are carried forward this year. This number of playing cards sustained the 2018 operations.

4. Prepayment and other current assets decreased by ₱22.5 million or 53% from ₱42.2 million in 2017 to ₱19.7 million in 2018. The significant decrease mainly pertains to the amortization of real property tax which was paid in 2017 amounting to ₱29.6 million. This is partially offset by the down payments made for playing cards and operating equipment amounting to ₱7.1 million

5. The increase of ₱37.8 million of the Group's input VAT is the result of the current year services rendered to the Group and purchase of various supplies for operations.

6. Other noncurrent assets increased by ₱296.6 million or 204% from ₱145.7 million in 2017 to ₱442.3 million in 2018. The increase is mainly due to recognition of noncurrent portion of receivable arising from PTO related to gaming equipment amounting to ₱382.2 million which partially offset by the decrease in advances to contractors and suppliers and the amortization for operating equipment amounting to ₱85.6 million.

7. Accounts payable and other current liabilities increased by ₱243.3 million or 78% from ₱310.9 million in 2017 to ₱554.2 million in 2018. The increase is mainly attributed by the additional unpaid service fee for the year amounting to ₱41.3 million, unpaid gaming equipment amounting to ₱185.7 million and the remaining came from additional billings from contractors.

8. Retention payable decreased by 50.4% due to completion of the Group's projects during the year and payment of the Group amounting to ₱140.7 million.

9. Contract liabilities increased by ₱12.5 million as a result of the adoption of the new revenue recognition standard.

10. Loans payable decreased by ₱692.9 million or 20% from ₱3,479.4 million in 2017 to ₱2,786.5 million in 2018. The decrease is due to the payment of the principal amount amounting to ₱700.0 million and the accretion of interest amounting to ₱7.1 million.

11. Increase in deposit for future stock subscription increased by ₱1.0 billion or 97% from ₱1.1 billion to ₱2.1 billion in 2018 resulted from the additional cash provided by the shareholders in anticipation of the planned stock rights offering.

Discussion on Significant Change in Financial Condition as of December 31, 2017 and 2016

Total assets amounting to ₱6,949.0 million, increased by ₱257.6 million or 3.8% from ₱6,691.4 million in 2016.

1. For the year ended December 31, 2017, cash and cash equivalents amounting to ₱558.9 million, increased by ₱433.9 million or 347.1% from ₱125.0 million in 2016 due to the following:

    a) In 2017, net cash flows used in operating activities amounted to ₱149.5 million, which resulted from the difference in revenue generated during the period amounting to ₱469.4 million, cash operating expense amounting to ₱532.6 million and changes in working capital of ₱86.3 million.

       Cash operating expense in 2017 mainly pertains to utilities expenses (₱86.6 million), service fee (₱25.7 million), salaries and wages (₱52.3 million), gaming fees (₱48.1 million), security expenses (₱27.5 million), advertising and marketing (₱37.7 million), among others.

b) Cash flow used in investing activities amounting to ₱300.4 million comprise mainly of acquisition of property, plant and equipment amounting to ₱361.1 million for building improvements of the casino floor, and other non-gaming equipment purchases, partially offset by the application of advances amounting to ₱61.4 million and increase amounting to ₱0.7 million for purchases of uniforms and linens.

c) Net cash flows provided by financing activities amounted to ₱884.3 million comprise mainly of deposit for future stock subscription amounting to ₱1,086.1 million and payment of interest amounting to ₱201.8 million.

2. Receivable increased by ₱43.1 million from ₱137.9 million as of December 31, 2016 to ₱181.0 million as of December 31, 2017 primarily due to the increase in the receivable from PAGCOR amounting to ₱26.8 million as a result of the increase in share of the Group from the net gaming revenue. In 2017, PAGCOR reverted the provision for progressive jackpot increments to winnings which was previously recognized as deduction in the share in net gaming revenue. In addition, other trade receivable increased due to the increase in hotel bookings towards the end of the year and the increase in number of concessionaire and lessees.

3. Inventories amounting to ₱28.2 million is increased by ₱6.9 million or 32.4% from ₱ 21.3 million in 2016. The increase resulted from the acquisition of gaming cards, seals and dice used in gaming operation. This is in anticipation of the expansion of the gaming operation in 2018 as the Company is planning to open the third floor area of the casino.

4. Prepayment and other current assets amounting to ₱105.0 million, decreased by ₱19.5 million or by 15.7% from ₱124.5 million in 2016 due to the decrease in advances to contractors amounting to ₱61.4 million that were applied to the payment to contractors upon completion of the building. This was offset by the increase in the prepaid real property taxes of ₱29.6 million for 2018, increase in prepayments, creditable withholding taxes, and deposits of ₱4.1 million, ₱1.0 million, and ₱7.2 million, respectively.

5. Property and equipment amounting to ₱5,630.3 million is decreased by ₱123.7 million or by 2.1% from ₱5,754.0 million in 2016 primarily due to the full year recognition of depreciation of the building that was completed in December 2016.

6. Other noncurrent assets amounting to ₱83.0 million, decreased by ₱32.0 million or by 27.8% from ₱115.0 million in 2016 which primarily relates to the depreciation for operating equipment.

Total liabilities amounting to ₱5,180.2 million is increased by ₱1,047.1 million or by 25.3% from ₱4,133.1 million in 2016. The increase primarily relates to higher trade and accrued payables and deposit for future stock subscription.

Key Performance Indicators

The following are the comparative key performance indicators of the Group and the manner of its computation for the year ended:

Indicators	Manner of Computation	2018	2017
Current ratio	Current Assets / Current Lilibities	0.54:1	0.64:1
Debt-to-Equity Ratio	Total Liabilities / Total Equity	1.10:1	1.43:1
Asset-Liability Ratio	Total Assets / Total Liabilities	1.18:1	1.34:1
Return on Assets	Net Income (Loss) / Total Assets	(11%)	(11%)
Basic Earnings (Loss per share)	Net Income (Loss) / Outstanding Common Shares	(₱0.235)	(₱0.249)

Current ratio is regarded as a measure of the Group's liquidity or its ability to meet maturing obligations. For the year ended December 31, 2018, the current ratio is 0.54:1 compared to 0.64:1 of the prior year. The outstanding liabilities in 2018 mostly consist of balances of payables to contractors and suppliers for the services and/or goods provided for the Group's day-to-day operations; accruals pertaining to payroll, employee benefits, utilities, travel and transportation, meeting and conferences, security service fees, professional fees and others wherein billings/settlements thereof are expected to be provided/resolved in the next financial year; and the current portion of loans arrangement with local banks. The Group has ₱0.54 current assets to support every ₱1.00 of their current liabilities.

The debt to equity ratio measures the riskiness of the Group's capital structure in terms of relationship between funds supplied to creditors (debt) and investors (equity). For the year ended December 31, 2018, the debt to equity ratio has decreased by 0.33 from 1.43 of 2017 to 1.10 of 2018.

The asset-liability ratio, exhibits the relationship of the total assets of the Group with its total liabilities. For the year ended December 31, 2018, the asset-liability ratio is 1.18:1 from 1.34:1 as of that of December 31, 2017. The ratio indicates that the Group has ₱1.18 of assets to satisfy every ₱1.00 of liability to creditors/suppliers through asset facilitation. Moreover, the effect of high assets to liabilities ratio indicates that the Group can still take additional financing through credit arrangements with banks and financial institutions.
Return on assets allowed the Group to see how much income (loss) generates per peso asset. For the year ended December 31, 2018 and 2017, the return on assets is both negative 11%.

For the year ended December 31, 2018, the Group's loss per share amounts to ₱0.235 which decreased from ₱0.249 that of prior year.

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

IV. Management's Discussion and Analysis of Financial Condition and Results of Operations of the Interim Financial Statements as of March 31, 2019 and 2018

Discussion on Results of Operations

The following table shows a summary of results of the operations for the quarters ended March 31, 2019 and 2018:

	For the Three months Ended			
	March 31, 2019	March 31, 2018	**Amount Change**	**% Change**
	Amount in Millions of Philippine peso expect EPS			
Revenue				
Revenue share in gaming operation	116.0	72.3	43.7	60.4%
Hotel	16.0	23.4	(7.4)	(31.6%)
Food and Beverage	19.5	18.2	1.3	7.1%
Bingo Operations	11.4	8.2	3.2	39.0%
Rental	6.4	7.1	(0.7)	(9.9%)
Other revenue	4.7	1.3	3.4	261.5%
	174.0	130.5	43.5	33.3%
Operating cost and expenses	(271.1)	(257.5)	(13.6)	5.3%
Operating loss	(97.1)	(127.0)	29.9	(23.5%)
Other income (expenses)				
Interest expense	(41.0)	(55.2)	14.2	(25.7%)
Interest income	0.2	0.3	(0.1)	(33.3%)
Miscellaneous income (expenses)	0.3	(0.02)	0.3	(1500.0%)
	(40.5)	(54.9)	14.4	(26.2%)
Loss before income Tax	(137.6)	(181.9)	44.3	(24.4%)
Provision for income tax	(0.04)	(2.7)	2.7	(98.5%)
Net loss	(137.6)	(184.6)	47.0	(25.5%)
Other comprehensive income				
Actuarial Gains on retirement liability	0.2	-	0.2	100.0%
Total comprehensive loss	(137.4)	(184.6)	47.2	(25.6%)
Basic/diluted loss per share	(0.04)	(0.06)	(0.0)	(33.3%)

Comparison of Operating Results for the Three Months Ended March 31, 2019 and 2018

Revenue

Revenue includes revenue share in gaming operations, revenue from operation of hotel, food and beverages, bingo, rental and other revenue. Total revenue for the three months ended March 31, 2019 and 2018 amounted to ₱174.0 million and ₱130.5 million, respectively.

The significant accounts that contributed to the increase are as follows:

- Revenue share in gaming operations increased by ₱43.7 million or 60.4% from ₱72.3 million in 2018 to ₱116.0 million in 2019. The increase is due to higher gaming capacity this period comparing to same period last year. An additional gaming floor area was opened in April 2018. The expansion added more gaming tables and slot machines position to accommodate the upsurge of company's client base. Gaming tables increased from 24 in 2018 to 28 in 2019 and the increase in slot machines from 356 units in 2018 to 441 units in 2019. In addition, foot traffic in the property increased from 0.4 million in 2018 to 0.5 million in 2019.
- Revenue from hotel rooms decreased by ₱7.4 million or 31.6% from ₱23.4 million in 2018 to ₱16.0 million in 2019. Despite the increase in occupancy rate during the year from 63% in 2018 to 80% in 2019, room revenue decrease due to higher room complimentary to casino players. Of the 128 rooms available each day, average occupied room per day is 100 rooms in 2019, which is higher than the 79 rooms in 2018.
- Revenue from food and beverage increased by ₱1.3 million or 7.1% from ₱18.2 million in 2018 to ₱19.5 million in 2019. The increase is attributable to the increase in foot traffic due to the increase in hotel guests and casino players in 2019.
- Revenue from bingo operations increased by ₱3.2 million or 39.0% from ₱8.2 million in 2018 to ₱11.4 million in 2019. The increase is attributable to the introduction of monthly and quarterly events which offers attractive prizes and rewards.
- Revenue from rental decreased by ₱0.7 million or 9.9% from ₱7.1 million in 2018 to ₱ 6.4 million in 2019. The decrease is due to the lower percentage rental this period.

<u>Operating Costs and Expenses</u>

Total operating costs and expenses for the three months ended March 31, 2019 and 2018 amounted to ₱271.1 million and ₱257.5 million, respectively. The significant increase in the total operating costs and expenses is due to higher utilities, contracted services, salaries and wages, gaming fees, security services, costs of food, beverages and tobacco, advertising and marketing expenses and other expense.

The significant accounts that contributed to the increase are:

- Utilities amounting to ₱20.8 million is greater by ₱1.6 million or 8.3% as compared to prior year's ₱19.2 million. Increase is due to higher gaming capacity, additional gaming area, increase in the number of slot machines and hotel occupancy.

- Contracted services amounting to ₱20.6 million is greater by ₱6.2 million or 43.1% as compared to prior period's ₱14.4 million. The increase is due to increase in number of required manpower for its hotel and food and beverage operations.

- Salaries and wages increased by a margin of ₱4.7 million or 30.9% from prior period's ₱15.2 million. The increase in salaries and wages is attributable to the Group's employment of key management positions. In addition, the Group also employed additional employees as the Group's operation has been steadily increasing.

- Gaming fees amounting to ₱16.8 million is greater by ₱3.8 million or 29.2% as compared to prior period's ₱13.0 million. Gaming fees consist of the revenue share of

PAGCOR in the Group's bingo revenue and the Group's subsidiary's manpower cost for its gaming operations. Furthermore, gaming fees also include prizes and rewards distributed for the monthly and quarterly bingo special events. The increase in gaming fees is also directly attributable to the related increase in revenue from bingo operations.

- Advertising and marketing expenses increased by a margin of 3.1 million or 52.5% from prior year's 5.9 million. The increase is due to additional billboard placements and various marketing promotions to further intensify the Company's revenue growth

- Security services increased by ₱1.4 million or 18.4% from ₱7.6 million in 2018 to ₱9.0 million in 2019. This is attributable to the increased security line personnel due to the increase in the foot traffic the hotel and casino have experienced.

- Cost of food, beverage and tobacco increased by a margin of ₱1.2 million or 15.6% from prior year amounting to ₱7.7 million in total. The increase is due to the increase in the number of guests in hotel, casino, concert, banquet and bingo events throughout the year. This is also directly attributable to the increase in revenue from food and beverage for the quarter.

- Depreciation and amortization decreased by a margin of 10.0 million or 7.9% from prior year's 126.0 million. The decrease is mainly attributable to the fully depreciated computer equipment and software as of this quarter.

- Hotel and supplies increased by 1.2 million or 33% from 3.6 million in 2018 to 4.8 million in 2019. The increase corresponds with the increase of occupancy this period comparing to same period last year.

- Other expenses of the group increased by 0.9% or 0.4 million. The increase is mainly due to the increase in casino and concert events throughout the quarter and shuttle service for guest and patrons.

Interest Expense

Total interest expense amounting to ₱41.0 million is lower by ₱14.2 million or 25.7% as compared to prior period's ₱55.2 million. Interest expense decreased because the principal value of the loans payable diminished upon payments made during the period.

Analysis of Statements of Financial Position

	For the Period Ended			
	March 31, 2019 *(Unaudited)*	December 31, 2018 *(Audited)*	**Amount Change**	**% Change**
	Amount in Millions of Philippine peso			
Assets				
Cash and cash equivalents	125.0	472.4	(347.4)	(73.5%)
Receivables	223.7	212.4	11.3	5.3%
Inventories	25.8	20.6	5.2	25.2%
Current portion of input value added tax (VAT)	50.0	33.3	16.7	50.2%
Prepayments and other current assets	28.8	19.7	9.1	46.2%
Property and equipment	5,027.2	5,132.8	(105.6)	(2.1%)
Input VAT- net of current portion	361.7	367.1	(5.4)	(1.5%)
Other noncurrent asset	419.1	442.3	(23.2)	(5.2%)
Total Assets	6,261.3	6,700.6	(439.3)	(6.6%)
Liabilities				
Accounts payable and other current Liabilities	445.8	554.2	(108.4)	(19.6%)
Retention payable	79.8	138.5	(58.7)	(42.4%)
Interest payable	13.3	15.9	(2.6)	(16.4%)
Contract Liabilities	13.7	12.5	1.2	9.6%
Loans payable	2,613.0	2,786.6	(173.6)	(6.2%)
Deposit for future subscription	2,182.2	2,142.2	40.0	1.9%
Other noncurrent liabilities	8.3	8.2	0.1	1.2%
Total Liabilities	5,356.1	5,658.1	(302.0)	(5.3%)
Equity				
Capital stock	3,174.4	3,174.4	-	0.0%
Deficit	(2,271.8)	(2,134.2)	(137.6)	6.4%
Actual gains on retirement liability	2.6	2.3	0.3	13.0%
Total Equity	905.2	1,042.5	(137.4)	(13.2%)
Total Liabilities and Equity	6,261.3	6,700.6	(439.3)	(6.6%)

Discussion on some Significant Change in Financial Condition as of March 31, 2019 and December 31, 2018

Total assets amounted to ₱6,261.3 million as of March 31, 2019, which decreased by ₱439.3 million or 6.6% from ₱6,700.6 million as of December 31,2018.

12. For the three months ended March 31, 2019, cash and cash equivalents amounting to ₱125.0 million, decreased by ₱347.4 million or 73.5% from ₱472.4 million in 2018 due to the following:

    d) In 2018, net cash flows from operating activities amounting to ₱183.4 million, which resulted from the difference in revenue generated during the period amounting to ₱174.0 million, cash operating expenses amounting to ₱154.8 million, and changes in the working capital amounting to ₱202.6 million.

       Cash operating expense in 2018 mainly pertains to utilities expenses (₱20.8 million), contracted services (₱20.6 million), salaries and wages (₱19.9 million), gaming fees (₱16.8 million), among others.

    e) Net cash flows used in investing activities amounting to ₱13.0 million comprise mainly of acquisition of property, plant and equipment amounting to ₱2.3 million and decrease on other noncurrent assets amounting to ₱15.1 million which pertains to the reclassification of the current portion of receivable arising from its permit to operate (PTO) related to gaming equipment.

    f) Net cash flows from financing activities amounting to ₱177.1 million comprise mainly the receipt of deposit for future stock subscription amounting to ₱40 million and payment of the principal and interest of its loan payable amounting to ₱217.1 million.

13. Receivable increased by ₱11.3 million or 5.3% from ₱212.4 million in 2018 to ₱223.7 million in 2019. The increase is primarily due to the increase in trade receivables from non-related parties amounting to ₱3.2 million. This increase is brought by the increase in the Group's receivable to its lessee. There was also an increase in receivable arising from PTO related to gaming equipment amounting to ₱1.5 million and an increase in receivable from PAGCOR amounting to 6.9 million.

14. Inventories increased by ₱5.2 million or 25.2% from ₱20.6 million in 2018 to ₱25.8 million in 2019. The increase is predominantly due to the newly purchased cards for daily operations of the gaming tables in the casino amounting to ₱3.7 million net of card consumptions for the year. Moreover, additional purchases were made for office, cleaning and other supplies to sustain daily operations of the hotel and casino.

15. Prepayment and other current assets increased by ₱9.1 million or 46.2% from ₱19.7 million in 2018 to ₱28.8 million in 2019. The significant increase in the account is caused mainly by the renewal of property all risk insurance, business permits and various software maintenance for 2019 amounting to ₱9.5 million.

16. Other noncurrent assets decreased by ₱23.2 million or 5.2% from ₱442.3 million in 2018 to

₱419.1 million in 2019. The decrease is mainly due to reclassification of current portion of receivable arising from PTO related to gaming equipment amounting to ₱15.1 million and the amortization for operating equipment amounting to ₱8.1 million.

17. Accounts payable and other current liabilities decreased by ₱108.4 million or 19.6% from
₱554.2 million in 2018 to ₱445.8 million in 2019. The decrease is mainly attributed to the payment of billings and accrued services to various contractors and suppliers in 2019.

18. Retention payable decreased by 42.4% due to completion of the Group's projects during the year and payment of the Group amounting to ₱58.7 million.

19. Loans payable decreased by ₱173.6 million or 6.2% from ₱2,786.6 million in 2018 to ₱2,613.0 million in 2019. The decrease is due to the partial payment of the principal amount amounting to ₱175.0 million and the accretion of interest amounting to ₱1.6 million.

20. Deposit for future stock subscription increased by ₱40 million or 1.9% from ₱2,142.2 million to ₱2,182.2 million in 2019 resulted from the additional cash provided by the shareholders in anticipation of the planned stock rights offering.

Key Performance Indicators

The following are the comparative key performance indicators of the Corporation and the manner of its computation for the three months ended March 31, 2019 and 2018:

Indicators	**Manner of Computation**	**For the three months ended March 31**	
		2019	2018
Current ratio	Current Assets / Current Liabilities	**0.36:1**	0.52:1
Debt-to-Equity Ratio	Total Liabilities / Total Equities	**1.03:1**	1.44:1
Asset Liability Ratio	Total Assets / Total Liabilities	**1.17:1**	1.32:1
Return on Assets	Net Income (Loss) / Total Assets	**(2%)**	(3%)
Basic Earnings (losses per share)	Net Income (Loss) / Outstanding Common Shares	**(₱0.04)**	(₱0.06)

Current ratio is regarded as a measure of the Group's liquidity or its ability to meet maturing obligations. For the three months ended March 31, 2019, the current ratio is 0.36:1 compared to 0.52:1 of the prior year. The outstanding liabilities in 2019 mostly consist of balances of payables to contractors and suppliers for the services and/or goods provided for the Group's day-to-day operations; accruals pertaining to payroll, employee benefits, utilities, travel and transportation, meeting and conferences, security service fees, professional fees and others wherein billings/settlements thereof are expected to be provided/resolved in the next financial year; and the current portion of loans arrangement with local banks. The Group has ₱0.36 current assets to support every ₱1.00 of their current liabilities.

The debt to equity ratio measures the riskiness of the Group's capital structure in terms of relationship between funds supplied to creditors (debt) and investors (equity). For the three months ended March 31, 2019, the debt to equity ratio has decreased by 0.41 from 1.44 of 2018 to 1.03 of 2019.

The asset-liability ratio, exhibits the relationship of the total assets of the Group with its total liabilities. For the three months ended March 31, 2019, the asset-liability ratio is 1.17:1 from 1.32:1 as of that of March 31, 2018. The ratio indicates that the Group has ₱1.17 of assets to satisfy every ₱1.00 of liability to creditors/suppliers through asset facilitation. Moreover, the effect of high assets to liabilities ratio indicates that the Group can still take additional financing through credit arrangements with banks and financial institutions.

Return on assets allowed the Group to see how much income (loss) generates per peso asset. For the three months ended March 31, 2019 and 2018, the return on assets are negative 2% and 3%, respectively.

For the three months ended March 31, 2019, the Group's loss per share amounts to ₱0.044 which decreased from ₱0.058 that of prior year.

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

V. BUSINESS AND GENERAL INFORMATION

ITEM 1. BUSINESS

Description of Business

1) Business Development

a) The Corporation is a publicly listed company that was incorporated with the Philippine Securities and Exchange Commission ("SEC") on 15 July 1995 as Palawan Consolidated Mining Company Inc. On 12 February 1997, the SEC approved the change in corporate name from Palawan Consolidated Mining Company Inc. to EBECOM Holdings, Inc. On 25 September 2003, the SEC approved another change in corporate name to ARIES Prime Resources Inc. On 15 October 2009, the corporate name was further changed to MJC Investments Corporation ("MJIC") [PSE: MJIC].

On 15 August 2012, SEC approved the increase in the authorized capital stock of the Corporation from Four Hundred Million Pesos (P400,000,000.00) to One Billion Five Million Pesos (P1,500,000,000.00) and the corresponding amendment to the Corporation's Articles of Incorporation as evidenced by the *Certificate of Filing of Amended Articles of Incorporation* (Amending Article VII thereof) and the *Certificate of*

Approval of Increase of Capital Stock dated 15 August 2012 issued by the SEC on even date.

The increase in authorized capital stock was needed to accommodate the entry of new investors and new capital needed by the Corporation to build its first tourism project, i.e., a hotel, entertainment and tourism hub (the "Hotel Project"), to be located in San Lazaro Tourism and Business Park ("SLTBP") in Santa Cruz, Manila. Thus, on 24 October 2012, the Board of Directors of the Corporation authorized the Corporation to proceed to negotiate and accept new investments.

On 17 January 2013, the Board of Directors of the Corporation accepted the offer of a group of Hong Kong investors headed by Mr. Teik Seng Cheah, through their Philippine corporations, to subscribe to 450,000,000 shares of the Corporation's common shares with a lock-up period of two (2) years. Mr. Teik Seng Cheah is a Hong Kong-based investment banker and sits in the Board of various private equity companies in Hong Kong, China and Malaysia.

On 10 August 2015, the SEC approved the change of name of the Corporation to MJC Investments Corporation doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino.

The total consideration for the subscription to 450,000,000 common shares of the Corporation is P450,000,000.00. The Investors paid the whole amount of their respective subscriptions in cash totaling to P450,000,000.00 upon the execution of their respective Subscription Agreements.

On 26 June 2013, during the annual stockholders meeting where 94% of the outstanding capital stock were present and/or represented by proxy, the stockholders (including the majority of the minority stockholders) unanimously approved the following:

1. Equity infusion by way of subscription to 450,000,000 primary shares of the Corporation by the group of investors headed by Mr. Teik Seng Cheah (Please note that this refers to the subscription made by the Strategic investors on 17 January 2013);

2. Additional equity infusion by way of subscription to primary shares by the group of investors headed by Mr. Teik Seng Cheah and other interested stockholders and related parties should the need arises under the Corporation's capital build-up program to have additional funds for the completion of the hotel and entertainment project at the SLTBP.

On 11 July 2013, the Board of Directors of the Corporation accepted the offer of the same group of Strategic Investors headed by Mr. Teik Seng Cheah, through their Philippine corporations, to subscribe to additional

875,000,000 shares of the Corporation's common shares with a lock-up period of two (2) years. The total consideration for the subscription to 875,000,000 common shares of the Corporation is P875,000,000.00.

The subscriptions to the 875,000,000 shares were made by the Strategic Investors on 3 October 2015. Additional subscription from non-related parties of 189,513,013 common shares was also made on the same day. All subscriptions made on this day were paid in cash.

None of the existing directors and controlling shareholders, and none of the officers or directors of the existing controlling corporate shareholders invested in the aforesaid 875,000,000 shares issued to the group led by Mr. Teik Seng Cheah.

On 23 September 2013, the SEC approved the Corporation's increase in authorized capital stock from One Billion Five Hundred Million Pesos (P1,500,000,000.00) to Five Billion Pesos (P5,000,000,000.00) and the corresponding amendment to the Corporation's Articles of Incorporation as evidenced by the *Certificate of Filing of Amended Articles of Incorporation* (Amending Article VII thereof) and the *Certificate of Approval of Increase of Capital Stock* dated 23 September 2013 issued by the SEC on even date.

On 14 January 2015, the group of Strategic Investors subscribed to additional 673,791,662 common shares. All subscriptions made on this day were paid in cash.

As of 31 December 2015, the Corporation has an outstanding capital stock of P3,174,405,821 out of the P5 billion authorized capital stock. The Manila Jockey Club, Inc. is the single biggest investor of the Corporation owning 22.31% of the shares of stock.

The Corporation has utilized the equity infusion by its stockholders for the construction of the Winford Hotel and Casino on a 0.75-hectare property in Sta. Cruz, Manila. The complex has a 21-storey hotel tower and an entertainment center consisting of 5,000 square meters with parking spaces for 900 cars. The hotel will have 128 world class internationally-designed rooms with a grand ballroom, swimming pool and roof deck with helipad. The formal inauguration was held on April 21, 2017.

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

b) The Corporation is not involved in any bankruptcy, receivership or similar proceedings.

c) No material reclassifications, merger, consolidation, or purchase or sale of significant amount of assets not in the ordinary course of business occurred during the calendar year ending December 31, 2017.

2) Business of Issuer

As provided for in its Amended Articles of Incorporation, the Corporation is formed primarily "to acquire by purchase, lease, or otherwise, lands or interest in lands and realty, and to own, hold, improve, develop said land or lands 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, and to rebuild, enlarge, alter, improve, or remodel any building or other structures now or hereafter erected on any lands or real estate so owned, held, or occupied, and to manage and operate, or otherwise dispose of any lands or real estate or interests in lands or real estates and in buildings and other structures at anytime owned or held by the corporation."

ITEM 2. PROPERTIES

The Company acquired from Manila Jockey Club, Inc. a 7,510 square meters lot in Sta. Cruz, Manila where the Hotel and Entertainment Complex was constructed. On 6 January 2016, the company held the ceremonial opening of the ground floor gaming and entertainment of Winford Hotel located within the San Lazaro Tourism and Business Park in Sta. Cruz Manila. On 21 April 2017, the Company held the grand opening of the Winford Hotel and Casino, a five-star hotel with casino in the heart of Metro Manila in Greater Chinatown. The hotel consists of 128 internationally designed deluxe hotel rooms with a grand ballroom, swimming pool, gym and spa, coffee shop and dining area, retail outlets and a seven-level parking structure, among other amenities and services.

ITEM 3. LEGAL PROCEEDINGS

There are no legal proceedings involving the Corporation.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Except for the matters taken up during the last annual meeting of the stockholders covered by the Corporation's Information Statement, no matter was submitted to a vote of security holders through solicitation of proxies or otherwise during the calendar year covered by this report.

VI. COMPANY'S DIRECTORS AND EXECUTIVE OFFICERS

Please refer to the Information Statement for the discussion of the identity of each of the Company's Board of Directors and Executive Officers including their principal occupation or employment, name and principal business of any organization by which such persons are employed.

VII. MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCHOLDER MATTERS

1) *Market Information*

MIC common shares are listed in the Philippine Stock Exchange (PSE). The high and low market prices of MIC shares for each quarter of the past two calendar years, as reported by the PSE, are shown below:

Quarter Period	CY 2019		CY 2018		CY 2017	
	High	Low	High	Low	High	Low
1st Quarter	3.39	2.57	3.69	3.25	3.97	3.00
2nd Quarter			3.69	3.36	4.22	3.18
3rd Quarter			3.73	3.32	3.60	2.99
4th Quarter			3.50	2.56	4.01	3.15

Source: Philippine Stock Exchange, Inc.

As of May 23, 2019, the closing price of the Company's common shares in the PSE is at PhP 2.76 per share.

2) *Holders*

As of May 2, 2019, there are approximately Four Hundred Thirty One (431) holders of the common shares of the Corporation. The Corporation has no other class of shares.

The list of the top twenty (20) stockholders of the Corporation as recorded by RCBC Stock Transfer, the Corporation's stock transfer agent, is as follows:

Top Twenty Stockholders
As of 2 May 2019

No.	Stockholders	No. of Shares	%	Title of Class
1.	PCD NOMINEE CORPORATION	2,284,240,597	71.96%	Common
2.	ONE WISTERIA LOOP HOLDINGS, INC.	63,892,500	2.01%	Common
3.	CHERRYGROVE HOLDINGS, INC.	61,285,000	4.41%	Common
4.	ORCHARDSTAR HOLDINGS, INC..	61,285,000	1.93	Common
5.	EAST BONHAM HOLDINGS, INC..	61,285,000	1.93%	Common
6.	BRANFORD RIDGE HOLDINGS, INC.	61,285,000	1.93%	Common
7.	BELLTOWER LAKES HOLDINGS, INC.	61,285,000	1.93%	Common
8.	FLYING HERON HOLDINGS, INC.	61,285,000	1.93%	Common
9.	MULBERRY ORCHID HOLDINGS, INC..	61,285,000	1.93%	Common
10.	PURPLE CASSADY HOLDINGS, INC.	61,285,000	1.93%	Common
11.	SAVILE ROW HOLDINGS INC.	53,471,250	1.68%	Common
12.	EVERDEEN SANDS HOLDINGS INC.	53,471,250	1.68%	Common
13.	FAIRBROOKS HOLDINGS INC.	53,471,250	1.68%	Common
14.	BELGRAVE SQUARE HOLDINGS INC.	53,471,250	1.68%	Common
15.	MONTBRECIA PLACE HOLDINGS INC.	53,471,250	1.68%	Common
16.	PEPPERBERRY VISTA HOLDINGS INC.	53,471,250	1.68%	Common
17.	ALFONSO R. REYNO, JR.	11,737,704	0.37%	Common
18.	PCD NOMINEE (Non-Filipino)	1,069,171	0.03%	Common

No.	Stockholders	No. of Shares	%	Title of Class
19.	PALOS VERDES REALTY CORP.	446,300	0.01%	Common
20.	ALFONSO R. REYNO, JR.	400,000	0.01%	Common

No cash dividends were declared for the two (2) most recent fiscal years. The lack of sufficient retained earnings limits the ability of the Corporation to declare and pay dividends.

3) Recent Sales of Unregistered Securities or Exempt Securities, Including Recent Issuance of Securities Constituting an Exempt Transaction

There are no other securities sold by the Company within the past three (3) years which were not registered under the Securities Regulation Code (SRC).

VIII. CORPORATE GOVERNANCE

(a) Evaluation System to Measure Compliance with Revised Manual of Corporate Governance

The Company evaluates compliance with the Code of Corporate Governance for Publicly-Listed Companies ("CG Code") using the Integrated Annual Corporate Governance Report ("I-ACGR").

(b) Measures Undertaken to Comply with Leading Practices on Good Corporate Governance

The Company exerts its best efforts to comply with the provisions of the CG Code and its Revised Manual on Corporate Governance. The directors and key officers of the Company attend the Corporate Governance Seminar mandated by the SEC.

There has been no known deviation from the Company's Revised Manual on Corporate Governance.

(c) Plan to Improve Corporate Governance

The Company shall continue to exert its best efforts to comply with the provisions embodied in the CG Code and its Manual. It shall also endeavor to address the recommendations of the I-ACGR said Manual.

The Company shall furnish the stockholders a copy of the Annual Report (SEC Form 17-A) free of charge upon written request addressed to:

The Corporate Secretary
12th Floor, Strata 100 Building,
F. Ortigas Jr. Road,
Ortigas Center, Pasig City

MJC INVESTMENTS CORP.

MJC Drive, Sta. Cruz, Manila
Tel. No. 632-7373/Fax No. 631-2846

CERTIFICATION

May 27, 2019

I, LEMUEL M. SANTOS, of legal age and with office address at 12th Floor strata 100 Building, F. Ortigas Jr. Road, Ortigas Center, Pasig City, being the duly-elected Corporate Information Officer of the MJC INVESTMENTS CORPORATION DOING BUSINESS UNDER THE NAME AND STYLE OF WINFORD LEISURE AND ENTERTAINMENT COMPLEX AND WINFORD HOTEL AND CASINO (the "Corporation"), a corporation duly organized and existing in accordance with the laws of the Republic of the Philippines, with business address at Winford Hotel and Casino, MJC Drive, Sta. Cruz, 1014, Manila, Philippines, hereby certify that no director or Officer of the Corporation is connected with any government agencies or its instrumentalities.

IN WITNESS WHEREOF, I have signed this Certificate this 28 MAY 2019 day of May 2019 at Pasig City, Philippines.

LEMUEL M. SANTOS
Corporate Information Officer

SUBSCRIBED AND SWORN TO before me this 28 MAY 2019 day of May 2019, affiant exhibiting to me his Tax Identification Number 143-405-790.

Doc. No. 346;
Page No. 69;
Book No. VI;
Series of 2019

JINGJING S. ROMERO
NOTARY PUBLIC
APPOINTMENT NO. 169 (2018-2019)
UNTIL DECEMBER 31, 2019
PTR NO. 5228066/1-7-2019/PASIG
IBP NO. 059263//1-7-2019/ QC
CITIES OF PASIG SAN JUAN AND PATEROS
ROLL OF ATTORNEY NO. 60827

MJC INVESTMENTS CORP.
MJC Drive, Sta. Cruz, Manila
Tel. No. 632-7373/Fax No. 631-2846

CERTIFICATION

May 27, 2019

I, LEMUEL M. SANTOS, of legal age and with office address at 12th Floor strata 100 Building, F. Ortigas Jr. Road, Ortigas Center, Pasig City, being the duly-elected Corporate Information Officer of the MJC INVESTMENTS CORPORATION DOING BUSINESS UNDER THE NAME AND STYLE OF WINFORD LEISURE AND ENTERTAINMENT COMPLEX AND WINFORD HOTEL AND CASINO (the "Corporation"), a corporation duly organized and existing in accordance with the laws of the Republic of the Philippines, with business address at Winford Hotel and Casino, MJC Drive, Sta. Cruz, 1014, Manila, Philippines, hereby certify that no director or Officer of the Corporation is connected with any government agencies or its instrumentalities.

IN WITNESS WHEREOF, I have signed this Certificate this 28 MAY 2019 day of May 2019 at Pasig City, Philippines.

LEMUEL M. SANTOS
Corporate Information Officer

SUBSCRIBED AND SWORN TO before me this 28 MAY 2019 day of May 2019, affiant exhibiting to me his Tax Identification Number 143-405-790.

Doc. No. 346;
Page No. 69;
Book No. VI;
Series of 2019

JINGJING S. ROMERO
NOTARY PUBLIC
APPOINTMENT NO. 169 (2018-2019)
UNTIL DECEMBER 31, 2019
PTR NO. 5228066/1-7-2019/PASIG
IBP NO. 059263//1-7-2019/ QC
CITIES OF PASIG SAN JUAN AND PATEROS
ROLL OF ATTORNEY NO. 60827

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **VICTOR P. LAZATIN**, Filipino, of legal age and a resident of No. 237 West Batangas Street, Ayala Alabang Village, Muntinlupa City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for Independent Director of MJC Investments Corporation ("MIC") and have been its Independent Director since 2009.

2. I am affiliated with the following companies or organizations:

Company	Position/Relationship	Period of Service
1. Timog Silangan Development Corp.	Chairman	1978 – present
2. Trilan Services, Inc.	Chairman	2009 – present
3. Davinelle Provident Lands, Inc.	Chairman	1986 – present
4. Anvidan Realty Inc.	Chairman	2015 – present
5. ACCRA Investment Corp.	Director	2007 – present
6. WWW Express Corporation	Director/ Corporate Secretary	2003 - present
7. Kenram Industrial Development , Inc.	Director	2009 - present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of MJC Investments Corporation as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

5. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

6. I shall inform the Corporate Secretary of MJC Investments Corporation of any changes in the abovementioned within five (5) days from its occurrence.

DONE this day of 28 MAY 2019 2019 at Pasig City.

VICTOR P. LAZATIN
Affiant

SUBSCRIBED AND SWORN to before me this day of 28 MAY 2019 at Pasig City, affiant personally appeared before me and exhibited to me his Tax Identification No. 125-673-098 issued in the Philippines.

Doc No. 348;
Page No. 69;
Book No. VI;
Series of 2019.

JING-JING S. ROMERO
NOTARY PUBLIC
APPOINTMENT NO. 169 (2018-2019)
UNTIL DECEMBER 31, 2019
PTR NO. 5228066/1-7-2019/PASIG
IBP NO. 059263//1-7-2019/ QC
CITIES OF PASIG SAN JUAN AND PATEROS
ROLL OF ATTORNEY NO. 60827

ANNEX "A"

MJC INVESTMENTS CORP.

Winford Hotel & Casino, MJC Drive, Sta. Cruz, Manila
Tel. No. 528-3600

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The management of **MJC INVESTMENTS CORPORATION** Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino ("the Company") is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2018. Management is likewise responsible for all information and representations contained in the financial statements accompanying the (Annual Income Tax Return or Annual Information Return) covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other returns.

In this regard, the Management affirms that the attached audited parent company financial statements for the year ended December 31, 2018 and the accompanying Annual Income Tax Return are in accordance with the books and records of **MJC INVESTMENTS CORPORATION** Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino, complete and correct in all material respects. Management likewise affirms that:

(a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;

(b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to tax accounting rules has been reported as reconciling items and maintained in the Company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;

(c) **MJC INVESTMENTS CORPORATION** Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

BUREAU OF INTERNAL REVENUE
RR6 - MANILA - RDO 031 STA. CRUZ
RECEIVED
15 APR 2019
JASMIN D. SALONGA
Revenue Officer - Collection

Alfonso R. Reyno, Jr.
Chairman of the Board and Chief Executive Officer

SUBSCRIBED AND SWORN TO BEFORE ME THIS ___ DAY OF

Jose Alvaro D. Rubio
Treasurer and Chief Financial Officer

13 APR 2019
MANILA

ATTY. HENRY D. ADASA
NOTARY PUBLIC
COMMISSION 17-23
PASADENIA ST., PASAY CITY
IBP NO. 047427 - 01/03/19 PASIG
PTR NO. 5826667 - 01/03/19 P.C.
MCLE COMPLIANCE NO. VI-0002830 - 4/14/2022
ROLL NO. 29679

DOC NO. 68
PAGE NO. 12
BOOK NO. XXII
SERIES OF 2019

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
MJC INVESTMENTS CORPORATION
Doing business under the name and style of Winford Leisure
And Entertainment Complex and Winford Hotel and Casino
(Formerly MJC Investments Corporation)
Winford Hotel and Casino, MJC Drive,
Sta. Cruz, Manila

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statement of MJC INVESTMENTS CORPORATION [Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino] (Formerly MJC Investments Corporation) (the Company), which comprise the parent company statements of financial position as at December 31, 2018 and 2017, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statement, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statement present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

BUREAU OF INTERNAL REVENUE
RR6 - MANILA RDO 031 STA. CRUZ
15 APR 2019
Revenue

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

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

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

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

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

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

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

- Identify and assess the risks of material misstatement of the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the parent company financial statements, including the disclosures, and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 28 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the financial statements. Such information is the responsibility of the management of MJC INVESTMENTS CORPORATION [Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino] (Formerly MJC Investments Corporation). The information has been subjected to the auditing procedures applied in our audit of the financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Adeline D. Lumbres.

SYCIP GORRES VELAYO & CO.

Adeline D. Lumbres
Partner
CPA Certificate No. 0107241
SEC Accreditation No. 1555-A (Group A),
April 14, 2016, valid until April 14, 2019
Tax Identification No. 224-024-746
BIR Accreditation No. 08-001998-118-2019,
January 28, 2019, valid until January 27, 2022
PTR No. 7332568, January 3, 2019, Makati City

April 3, 2019

BUREAU OF INTERNAL REVENUE
RR6 - MANILA - RDO 031 STA. CRUZ
RECEIVED
15 APR 2019
JASMIN D. SALONGA
Revenue Officer - Collection

MJC INVESTMENTS CORPORATION
Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino
(Formerly MJC Investments Corporation)

PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2018	2017
ASSETS		
Current Assets		
Cash (Note 7)	₱471,361,165	₱557,814,245
Receivables (Note 8)	302,550,322	234,710,411
Inventories (Note 9)	20,595,969	28,268,696
Input value-added tax (VAT) - current (Note 10)	33,300,077	24,774,189
Prepayments and other current assets (Note 11)	19,460,176	41,978,400
Total Current Assets	847,267,709	887,545,941
Noncurrent Assets		
Investment in a subsidiary (Note 1)	20,000,000	20,000,000
Property and equipment (Notes 12 and 15)	5,132,740,363	5,630,294,191
Input VAT - net of current portion (Note 10)	367,079,972	337,794,085
Other noncurrent assets (Note 13)	421,271,995	124,594,518
Total Noncurrent Assets	5,941,092,330	6,112,682,794
	₱6,788,360,039	₱7,000,228,735
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 14)	₱554,165,933	₱310,834,481
Retention payable	138,453,425	279,174,193
Interest payable (Notes 15)	15,925,877	19,055,836
Current portion of loans payable (Note 15)	694,286,996	692,879,656
Contract liabilities (Note 5)	12,541,411	–
Total Current Liabilities	1,415,373,642	1,301,944,166
Noncurrent Liabilities		
Loans payable - net of current portion (Note 15)	2,092,222,591	2,786,527,326
Deposit for future stock subscription (Notes 18 and 21)	2,142,201,097	1,086,132,641
Other noncurrent liabilities (Note 16)	8,222,898	5,581,069
Total Noncurrent Liabilities	4,242,646,586	3,878,241,036
Total Liabilities	5,658,020,228	5,180,185,202
Equity		
Capital stock (Note 22)	3,174,405,821	3,174,405,821
Deficit	(2,046,400,521)	(1,355,050,854)
Actuarial gains on retirement liability (Note 16)	2,334,511	688,566
Total Equity	1,130,339,811	1,820,043,533
	₱6,788,360,039	₱7,000,228,735

See accompanying Notes to Parent Company Financial Statements.

MJC INVESTMENTS CORPORATION

Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino
(Formerly MJC Investments Corporation)

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2018	2017
REVENUE		
Revenue share in gaming operations (Note 17)	**₱365,872,325**	₱283,196,090
Hotel	**90,124,116**	76,763,068
Food and beverage	**78,603,365**	49,916,196
Bingo operations	**45,805,234**	25,940,208
Rental (Note 17)	**27,369,552**	22,274,636
Other revenue	**15,260,167**	11,289,431
	623,034,759	469,379,629
OPERATING COSTS AND EXPENSES (Note 24)	**(1,143,057,250)**	(1,016,635,018)
OPERATING LOSS	**(520,022,491)**	(547,255,389)
OTHER INCOME (EXPENSES)		
Interest expense (Note 15)	**(189,478,166)**	(209,300,201)
Interest income (Note 7)	**527,633**	324,559
Miscellaneous expenses - net	**(411,607)**	(498,270)
	(189,362,140)	(209,473,912)
LOSS BEFORE INCOME TAX	**(709,384,631)**	(756,729,301)
PROVISION FOR INCOME TAX (Note 19)	**(94,395)**	(54,252)
NET LOSS	**(709,479,026)**	(756,783,553)
OTHER COMPREHENSIVE INCOME		
Item that will not be reclassified to profit or loss in subsequent periods:		
Re-measurement gain on defined benefit obligation (Note 16)	**1,645,945**	688,566
TOTAL COMPREHENSIVE LOSS	**(₱707,833,081)**	(₱756,094,987)
Basic/Diluted Loss Per Share (Note 23)	**(₱0.223)**	(₱0.238)

See accompanying Notes to Parent Company Financial Statements.

BUREAU OF INTERNAL REVENUE
RECEIVED
15 APR 2019
JASMIN D. SALONGA
Revenue Officer

MJC INVESTMENTS CORPORATION
Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino
(Formerly MJC Investments Corporation)

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	Capital Stock (Note 22)	Deficit	Actuarial gains on retirement liability (Note 16)	Total
BALANCES AT DECEMBER 31, 2017	**₱3,174,405,821**	**(₱1,355,050,854)**	**₱688,566**	**₱1,820,043,533**
Effect of changes in accounting policy (Note 5)	–	18,129,359	–	18,129,359
Total comprehensive loss for the year	–	(709,479,026)	1,645,945	(707,833,081)
BALANCES AT DECEMBER 31, 2018	**₱3,174,405,821**	**(₱2,046,400,521)**	**₱2,334,511**	**₱1,130,339,811**
BALANCES AT DECEMBER 31, 2016	₱3,174,405,821	(₱598,267,301)	₱–	₱2,576,138,520
Total comprehensive loss for the year	–	(756,783,553)	688,566	(756,094,987)
BALANCES AT DECEMBER 31, 2017	₱3,174,405,821	(₱1,355,050,854)	₱688,566	₱1,820,043,533

See accompanying Notes to Parent Company Financial Statements.

MJC INVESTMENTS CORPORATION

Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino
(Formerly MJC Investments Corporation)

PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	**(₱709,384,631)**	(₱756,729,301)
Adjustments for:		
Depreciation and amortization (Notes 12, 13 and 24)	**514,823,788**	517,395,349
Interest expense (Note 15)	**189,478,166**	209,300,201
Bad debts expense (Notes 8 and 24)	**55,177,100**	–
Retirement benefit expense (Notes 16 and 24)	**4,287,775**	1,635,897
Unrealized foreign exchange (gain) loss	**(669,312)**	406,081
Interest income (Note 7)	**(527,633)**	(324,559)
Operating income (loss) before working capital changes	**53,185,253**	(28,316,332)
Decrease (increase) in:		
Receivables	**(89,021,622)**	(22,639,238)
Inventories	**7,672,727**	(6,960,605)
Input VAT	**(37,811,775)**	51,110,753
Prepayment and other current assets	**24,945,283**	(41,561,781)
Increase (decrease) in:		
Accounts payable and other current liabilities	**249,001,633**	23,442,669
Retention payable	**(140,720,768)**	(70,199,052)
Contract liabilities	**2,937,635**	–
Other noncurrent liabilities	**–**	2,098,441
Net cash from (used in) operations	**70,188,366**	(93,025,145)
Income taxes paid	**(94,395)**	(54,252)
Interest received	**527,633**	324,559
Net cash flows from (used in) operating activities	**70,621,604**	(92,754,838)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment (Note 12)	**(239,286,846)**	(361,109,115)
Decrease (increase) in other noncurrent assets	**(89,038,071)**	60,661,384
Proceeds from disposal of non-gaming equipment (Note 12)	**17,985**	–
Net cash flows used in investing activities	**(328,306,932)**	(300,447,731)
CASH FLOWS FROM FINANCING ACTIVITIES		
Collections of deposit for future stock subscription	**1,056,068,456**	1,086,132,641
Payment of principal	**(700,000,000)**	–
Payment of interest	**(185,505,520)**	(201,867,966)
Net cash flows from financing activities	**170,562,936**	884,264,675
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**669,312**	(406,081)
NET INCREASE (DECREASE) IN CASH	**(86,453,080)**	490,656,025
CASH AT BEGINNING OF YEAR	**557,814,245**	67,158,220
CASH AT END OF YEAR (Note 7)	**₱471,361,165**	₱557,814,245

See accompanying Notes to Parent Company Financial Statements.

NOTES TO PARENT COMPANY 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) is 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. In 2005, the SEC approved the extension of the Parent Company's corporate life for another fifty (50) years starting July 2005.

The Parent Company's primary purpose 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.

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

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

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, PAGCOR 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 ₱1.00 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).

Authorization for the Issuance of Parent Company Financial Statements
The parent company financial statements were approved and authorized for issuance by the Board of Directors (BOD) on April 3, 2019.

2. Agreements with PAGCOR

The following are the significant contracts entered by the Parent Company with PAGCOR:

a. *PTO granted to the Parent Company*
As discussed in Note 1 to the parent company 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, in accordance with the provisions of the PTO.

The 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 gaming 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, 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, the Parent Company's revenue share in gaming 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 Parent Company 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, on a monthly basis, 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 (presented as "Gaming fees" under "Operating costs and expenses") (see Note 24).

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.

3. Basis of Preparation and Statement of Compliance

Basis of Preparation
The parent company financial statements are prepared using the historical cost basis. The parent company financial statements are presented in Philippine Peso (Peso or ₱), which is the Parent Company's functional and presentation currency. All amounts are rounded off to the nearest Peso, except when otherwise indicated.

Statement of Compliance
The parent company 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

Changes in Accounting Policies
The accounting policies adopted are consistent with those of the previous financial year, except that the Parent Company has adopted the following new accounting pronouncements starting January 1, 2018:

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

  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. Entities are required to apply the amendments to: (1) share-based payment transactions that are unvested or vested but unexercised as of January 1, 2018, (2) share-based payment transactions granted on or after January 1, 2018 and to (3) modifications of share-based payments that occurred on or after January 1, 2018. Retrospective application is permitted if elected for all three amendments and if it is possible to do so without hindsight.

  These amendments have no impact on the parent company financial statements since the Parent Company has no share-based payment options.

- PFRS 9, *Financial Instruments*

PFRS 9, *Financial Instruments,* 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.

The Parent Company chose not to restate comparative figures as permitted by the transitional provisions of PFRS 9, thereby resulting in the following impact:

- Comparative information for prior periods will not be restated. The classification and measurement requirements previously applied in accordance with PAS 39 and disclosures required in PFRS 7 will be retained for the comparative periods. Accordingly, the information presented for 2017 and 2016 does not reflect the requirements of PFRS 9.
- The Parent Company will disclose the accounting policies for both the current period and the comparative periods, one applying PFRS 9 beginning January 1, 2018 and one applying PAS 39 as of December 31, 2017.
- The difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period that includes the date of initial application will be recognized in the opening retained earnings or other component of equity, as applicable.
- As comparative information is not restated, the Parent Company is not required to provide a third statement of financial position at the beginning of the earliest comparative period presented.

As of January 1, 2018, the Parent Company has reviewed and assessed all of its existing financial assets. The table below illustrates the classification and measurement of financial assets and financial liabilities under PFRS 9 and PAS 39 at the date of initial application. The accounting policies adopted by the Parent Company in its evaluation of the classification and measurement categories under PFRS 9 are discussed in Note 6.

The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with PAS 39 to their new measurement categories upon transition to PFRS 9 on January 1, 2018:

Financial Assets	PAS 39		Reclassification	PFRS 9		
	Category	Amount		Expected Credit Loss (ECL)	Amount	Category
Cash in banks	Loans and Receivables (L&R)	₱553,215,966	₱–	₱–	₱553,215,966	Amortized Cost (AC)
Receivables	L&R	233,826,414	–	–	233,826,414	AC
Trade		24,815,346	–	–	24,815,346	
Advances to related parties		53,664,747	–	–	53,664,747	
Receivable arising from PTO		45,019,839	–	–	45,019,839	
Nontrade		110,326,482	–	–	163,991,229	
Deposits	L&R	7,190,495	–	–	7,190,495	AC
Long-term deposit	L&R	6,161,000	–	–	6,161,000	AC
		₱800,393,875	₱–	₱–	₱800,393,875	

The Parent Company does not have financial assets and financial liabilities which had previously been designated at fair value through profit or loss (FVTPL) to reduce an accounting mismatch in accordance with PAS 39 which had been reclassified to AC or fair value through other comprehensive income (FVOCI) upon transition to PFRS 9.

The Parent Company does not have impairment allowance in 2017 measured in accordance with PAS 39 that needs to be reconciled to the opening impairment allowance determined in accordance with PFRS 9 as of January 1, 2018.

Under PFRS 9, the level of provision for credit and impairment losses has generally increased due to the incorporation of a more forward-looking approach in determining provisions. Further, since the implementation of PFRS 9, all financial assets except receivables and those measured at FVTPL are assessed for at least 12-month ECL and the population of financial assets to which the lifetime ECL applies is larger than the population for which there is objective evidence of impairment in accordance with PAS 39.

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

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

  These amendments are not applicable to the Parent Company since none of the Parent Company's activities are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*

  PFRS 15 supersedes PAS 11, *Construction Contracts*, PAS 18, *Revenue*, and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The five-step model is as follows:

  1. Identify the contracts with a customer
  2. Identify the performance obligations in the contract
  3. Determine the transaction price
  4. Allocate the transaction price to the performance obligations in the contract
  5. Recognize revenue as the entity satisfies a performance obligation.

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

  The Parent Company adopted PFRS 15 using the modified retrospective method of adoption with the date of initial application of January 1, 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Parent Company elected to apply the standard to all contracts as at January 1, 2018. Therefore, the comparative information was not restated and were reported under PAS 18 and related Interpretations.

  The Parent Company has concluded that it is acting as principal in all of its revenue arrangements because the Parent Company is the primary obligor who is responsible for providing the goods and services to the customers and the Parent Company bears the credit risk.

The impact of adopting PFRS 15 are disclosed in Note 5 to the parent company financial statements.

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

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

  These amendments did not have any impact on the Parent Company's financial statements.

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

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

  These amendments did not have any impact on the Parent Company's financial statements.

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

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

  These amendments did not have any significant impact on the Parent Company's financial statements.

Standards Issued but not yet Effective

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

Effective beginning on or after January 1, 2019

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

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

- 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 also be 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 re-measurement of the lease liability as an adjustment to the right-of-use asset.

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

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

  A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

  As of December 31, 2018, the Parent Company does not have lease arrangement wherein the Parent Company is the lessee, therefore the Parent Company does not expect PFRS 16 to impact its parent company financial statements.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

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

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

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

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

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

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

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

The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. Since the Parent Company does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its parent company financial statements.

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

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

The interpretation specifically addresses the following:

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

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

The Parent Company is currently assessing the impact of adopting this interpretation.

Annual Improvements to PFRSs 2015-2017 Cycle

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

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

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

  An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to ransactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

  These amendments are currently not applicable to the Parent Company but may apply to future transactions.

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

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

  An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments are not relevant to the Parent Company because dividends declared by the Parent Company do not give rise to tax obligations under the current tax laws.

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

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

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

These amendments are currently not applicable to the Parent Company but may apply to future transactions.

Effective beginning on or after January 1, 2020

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

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

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

  These amendments will apply on future business combinations of the Parent Company.

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

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

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

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

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

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

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

PFRS 17 is not expected to impact the financial statements of the Parent Company.

Deferred effectivity

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

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

  On January 13, 2016, the FRSC 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. Effect of Adoption of PFRS 15 and Other Adjustments

As of January 1, 2018, the Parent Company adopted PFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Parent Company elected to apply the standard to all contracts as at January 1, 2018. Therefore, the comparative information were not restated and were reported under PAS 18 and related interpretations. In addition, adjustments related to the accounting for the gaming equipment were adjusted to the opening deficit. The impact of these adjustments on the prior year financial statements were not material, thus, comparative information were not restated.

	Reference	Increase (decrease)
ASSETS		
Current Assets		
Receivables	(e)	₱33,995,389
Prepayments and other current assets	(b)	2,427,060
Total Current Assets		36,422,449
Noncurrent Assets		
Property and equipment	(e)	(254,938,110)
Other noncurrent assets	(e)	240,578,614
Total Noncurrent Assets		(14,359,496)
		₱22,062,953
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities	(b), (c), (d)	(₱5,670,182)
Contract liabilities	(b), (c)	9,603,776
Total Current Liabilities		3,933,594
Equity		
Deficit	(b), (d), (e)	18,129,359
		₱22,062,953

Set out below, are the amounts by which each financial statement line item is affected as at and for the year ended December 31, 2018 as a result of the adoption of PFRS 15. The adoption of PFRS 15 did not have a material impact on other comprehensive income or the Parent Company's operating, investing and financing cash flows. The first column shows what the amounts would have been had PFRS 15 not been adopted and the second column shows amounts under PFRS 15:

Parent company statement of comprehensive income for the year ended December 31, 2018

	Reference	PAS 18	PFRS 15 adjustments	PFRS 15
REVENUE				
Revenue share in gaming operations		₱365,872,325	₱–	₱365,872,325
Hotel rooms	(a), (d)	89,966,986	157,130	90,124,116
Food and beverage	(a), (d)	76,472,771	2,130,594	78,603,365
Bingo operations		45,805,234	–	45,805,234
Rental		27,369,552	–	27,369,552
Other revenue	(d)	15,239,914	20,253	15,260,167
		620,726,782	2,307,977	623,034,759
OPERATING COSTS AND EXPENSES	(b)	(1,139,186,190)	(3,871,060)	(1,143,057,250)
OPERATING LOSS		(518,459,408)	(1,563,083)	(520,022,491)
OTHER INCOME (EXPENSES)				
Interest expense		(189,478,166)	–	(189,478,166)
Interest income		527,633	–	527,633
Miscellaneous expense - net		(411,607)	–	(411,607)
		(189,362,140)	–	(189,362,140)
LOSS BEFORE INCOME TAX		(707,821,548)	(1,563,083)	(709,384,631)
PROVISION FOR INCOME TAX		(94,395)	–	(94,395)
NET LOSS		(707,915,943)	(1,563,083)	(709,479,026)
OTHER COMPREHENSIVE INCOME		1,645,945	–	1,645,945
TOTAL COMPREHENSIVE LOSS		(₱706,269,998)	(₱1,563,083)	(₱707,833,081)
Basic/Diluted Loss Per Share		₱0.226		₱0.223

Parent company statement of financial position as at December 31, 2018

	Reference	PAS 18	PFRS 15 adjustments	PFRS 15
ASSETS				
Current Assets				
Cash		₱471,361,165	₱–	₱471,361,165
Receivables		302,550,322	–	302,550,322
Inventories		20,595,969	–	20,595,969
Current portion of input value-added tax (VAT)		33,300,077	–	33,300,077
Prepayments and other current assets	(b)	19,400,176	60,000	19,460,176
Total Current Assets		847,207,709	60,000	847,267,709

(Forward)

	Reference	PAS 18	PFRS 15 adjustments	PFRS 15
Noncurrent Assets				
Investment in a subsidiary		₱20,000,000	₱–	₱20,000,000
Property and equipment		5,132,740,363	–	5,132,740,363
Input VAT - net of current portion		367,079,972	–	367,079,972
Other noncurrent assets		421,271,995	–	421,271,995
Total Noncurrent Assets		5,941,092,330	–	5,941,092,330
		₱6,788,300,039	₱60,000	₱6,788,360,039
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts payable and other current liabilities	(b), (c), (d)	₱563,577,727	(₱9,411,794)	₱554,165,933
Retention payable		138,453,425	–	138,453,425
Interest payable		15,925,877	–	15,925,877
Current portion of loans payable		694,286,996	–	694,286,996
Contract liabilities	(b), (c)	–	12,541,411	12,541,411
Total Current Liabilities		1,412,244,025	3,129,617	1,415,373,642
Noncurrent Liabilities				
Loans payable - net of current portion		2,092,222,591	–	2,092,222,591
Deposit for future stock subscription		2,142,201,097	–	2,142,201,097
Other noncurrent liabilities		8,222,898	–	8,222,898
Total Noncurrent Liabilities		4,242,646,586	–	4,242,646,586
Total Liabilities		5,654,890,611	3,129,617	5,658,020,228
Equity				
Capital stock		3,174,405,821	–	3,174,405,821
Deficit	(b), (d)	(2,043,330,904)	(3,069,617)	(2,046,400,521)
Actuarial gains on retirement liability		2,334,511	–	2,334,511
Total Equity		1,133,409,428	(3,069,617)	1,130,339,811
		₱6,788,300,039	₱60,000	₱6,788,360,039

The nature of the adjustments as at January 1, 2018 and the reasons for the significant changes in the parent company statement of financial position as at December 31, 2018 and the parent company statement of comprehensive income for the year ended December 31, 2018 are described below:

(a) Hotel, food and beverage are recognized when services are performed or the goods are sold. The Parent Company offers promos or package deal to customers to avail of their hotel rooms. These promos or package deal typically include hotel room services, complimentary breakfast, use of function room services and catering services. The Parent Company applies a practical expedient by accounting for its hotel, food and beverage transactions on a portfolio basis versus an individual basis as all transactions have similar characteristics.

    Upon adoption of PFRS 15, for hotel room transactions that include complimentary breakfast, use of function room services and catering services provided by the Parent Company, the Parent Company allocates the standalone selling price of each good or service to the appropriate revenue type based on the good or service provided. The transaction price is the net amount collected from customers for such goods and services and is recorded when the goods are provided or services are performed. Revenue from contracts with multiple goods or services are allocated to each good or service based on its relative standalone selling price.

(b) The Parent Company has noncash transactions with various advertising service providers in which the Parent Company offers voucher that covers function rooms usage, hotel rooms and catering services in exchange for advertising services. The vouchers have no expiration and is not convertible to cash. The Parent Company applies a practical expedient by accounting for noncash transactions on a portfolio basis versus an individual basis as all transactions have similar characteristics.

Upon adoption of PFRS 15, transactions with noncash considerations with various advertising service providers are recorded as prepayments for advertising services received and contract liability for the Parent Company's obligations to provide goods or services to be performed in the future. The transaction price is the fair value of advertising services less considerations paid. The Parent Company records revenue when the goods are provided or services are performed.

(c) There may be a difference between the timing of cash receipts from the customer and the recognition of revenue, resulting in a contract related-liability. The Parent Company generally has two types of liabilities related to contracts with customers: (1) advance payments on hotel rooms and banquet events, and (2) pre-selling of bingo cards for monthly/quarterly event. The Parent Company applies for practical expedient for advance payments received. The Parent Company will not adjust the amount of consideration for the effect of financing component in contracts since the period between the time the customer pays for the good or service and when the Parent Company transfers that promised good or service to the customer will be one year or less.

Upon adoption of PFRS 15, the Parent Company records the advance payments received as contract liability. The transaction price is the amount collected in advance from customers for good or service to be provided in the future. The Parent Company records revenue when the goods are provided or services are performed.

(d) The Parent Company charged its customers service charge for hotel room accommodation and sale of food and beverage. The Parent Company distributed 85% of the total collected service charge to its employees. The 15% is used to cover for breakages incurred by the hotel and is retained under "Accounts payable and other current liabilities".

Under PFRS 15, revenue is measured at the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer and should exclude amounts collected on behalf of third parties.

(e) For accounting purposes, the Parent Company accounted for the use of gaming equipment as finance lease. The Parent Company derecognized its gaming equipment and recorded a receivable arising from PTO related to gaming equipment.

6. Summary of Significant Accounting and Financial Reporting Policies, Significant Accounting Judgments, Estimates and Assumptions

<u>Current versus Noncurrent Classification</u>

The Parent Company presents assets and liabilities in the parent company 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 Parent Company classifies all other liabilities as noncurrent.

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

Fair Value Measurement
The Parent Company measures financial instruments at each reporting date. Additional fair value related disclosures including fair values of financial instruments measured at AC are disclosed in Note 26.

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 Parent Company.

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 Parent Company 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 parent company 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 Parent Company 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.

Financial Instruments - Classification and Measurement *(applicable starting January 1, 2018 upon the adoption of PFRS 9)*

Classification of financial assets
Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Parent Company's business model for managing the financial assets. The Parent Company classifies its financial assets into the following measurement categories:
- financial assets measured at AC
- financial assets measured at FVTPL
- financial assets measured at FVOCI, where cumulative gains or losses previously recognized are reclassified to profit or loss
- financial assets measured at FVOCI, where cumulative gains or losses previously recognized are not reclassified to profit or loss

Contractual Cash Flows Characteristics
If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Parent Company assesses whether the cash flows from the financial asset represent SPPI on the principal amount outstanding.

In making this assessment, the Parent Company determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI on the principal amount outstanding.

Business Model
The Parent Company's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Parent Company's business model does not depend on management's intentions for an individual instrument.

The Parent Company's business model refers to how it manages its financial assets in order to generate cash flows. The Parent Company's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Relevant factors considered by the Parent Company in determining the business model for a group of financial assets include how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Parent Company's key management personnel, the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed and how managers of the business are compensated.

Financial assets at AC
A financial asset is measured at amortized cost if (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (ii) the contractual terms of the

financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding. Financial assets at AC are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Parent Company's financial assets at AC include cash in banks, receivables, deposits and long-term deposits.

Financial assets at FVTPL
Financial assets at FVTPL are measured at fair value unless these are measured at AC or at FVOCI. Included in this classification are equity investments held for trading and debt instruments with contractual terms that do not represent SPPI. Financial assets held at FVTPL are initially recognized at fair value, with transaction costs recognized in the parent company statements of comprehensive income as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the parent company statements of comprehensive income.

Additionally, even if the asset meets the AC or the FVOCI criteria, the Parent Company may choose at initial recognition to designate the financial asset at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) that would otherwise arise from measuring financial assets on a different basis.

Trading gains or losses are calculated based on the results arising from trading activities of the Parent Company, including all gains and losses from changes in fair value for financial assets and financial liabilities at FVTPL, and the gains or losses from disposal of financial investments.

As of December 31, 2018, the Parent Company does not have financial assets at FVTPL.

Financial assets at FVOCI
Debt Instruments
A debt financial asset is measured at FVOCI if (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and (ii) its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment losses or reversals, interest income and foreign exchange gains and losses are recognized in profit and loss until the financial asset is derecognized. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. This reflects the gain or loss that would have been recognized in profit or loss upon derecognition if the financial asset had been measured at amortized cost. Impairment is measured based on the ECL model.

As of December 31, 2018, the Parent Company does not have debt instruments at FVOCI.

Equity instruments
The Parent Company may also make an irrevocable election to measure at FVOCI on initial recognition investments in equity instruments that are neither held for trading nor contingent consideration recognized in a business combination in accordance with PFRS 3. Amounts recognized in OCI are not subsequently transferred to profit or loss. However, the Parent Company may transfer the cumulative gain or loss within equity. Dividends on such investments are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment.

As of December 31, 2018, the Parent Company does not have equity instruments at FVOCI.

Classification of financial liabilities
Financial liabilities are measured at AC, except for the following:
- financial liabilities measured at FVTPL;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the Parent Company retains continuing involvement;
- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate; and
- contingent consideration recognized by an acquirer in accordance with PFRS 3.

A financial liability may be designated at FVTPL if it eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) or:
- if a host contract contains one or more embedded derivatives; or
- if a group of financial liabilities or financial assets and liabilities is managed and its performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Where a financial liability is designated at FVTPL, the movement in fair value attributable to changes in the Parent Company's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income.

Reclassifications of Financial Instruments *(applicable starting January 1, 2018 upon the adoption of PFRS 9)*
The Parent Company reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Parent Company and any previously recognized gains, losses or interest shall not be restated. The Parent Company does not reclassify its financial liabilities.

Impairment of Financial Assets *(applicable starting January 1, 2018 upon the adoption of PFRS 9)*
PFRS 9 introduces a single, forward-looking "expected loss" impairment model, replacing the "incurred loss" impairment model under PAS 39.

No ECL is recognized for the Parent Company's financial assets at AC.

ECLs are measured in a way that reflects the following:
- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

Stage 1: 12-month ECL
For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date are recognized.

Stage 2: Lifetime ECL - not credit-impaired
For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.

Stage 3: Lifetime ECL - credit-impaired
Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted EIR to the amortized cost of the financial asset.

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

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

The Parent Company considers a financial asset in default when contractual payments are 120 days past due. However, in certain cases, the Parent Company may also consider a financial asset to be in default when internal or external information indicates that the Parent Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Parent Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Write-off Policy
The Parent Company writes-off a financial asset, in whole or in part, when the asset is considered uncollectible, it has exhausted all practical recovery efforts and has concluded that it has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof.

Financial Assets and Liabilities *(prior to adoption of PFRS 9)*
Date of Recognition
The Parent Company recognizes a financial asset or a financial liability in the parent company statements of financial position 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 Parent Company classifies its financial assets in the following categories: financial assets at FVTPL, L&R, held-to-maturity investments and available-for-sale financial assets. Financial liabilities are classified as financial liabilities at FVTPL 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

Parent Company has no financial assets or liabilities at FVTPL, held-to-maturity investments and available-for-sale financial assets as of 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 Parent Company. 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 Parent Company 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 Parent Company recognizes the difference between the transaction price and fair value (a "Day 1" profit) in the parent company 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 parent company statements of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Parent Company 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 parent company statements of comprehensive income when the L&R 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 noncurrent assets.

This category includes cash in banks, receivables, deposits and long-term deposits.

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 parent company 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 noncurrent liabilities.

This category includes accounts payable and other current liabilities (excluding "withholding taxes payable"), retention payable, interest payable and loans payable.

Impairment of Financial Assets
The Parent Company 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 AC
If there is objective evidence that an impairment loss on loans and receivables carried at AC 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 EIR. 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 EIR 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 Parent Company. The Parent Company 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 parent company statements of comprehensive income to the extent that the carrying value of the asset does not exceed its AC 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 Parent Company 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 Parent Company 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 Parent Company 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 Parent Company'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 Parent Company 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 parent company statements of comprehensive income.

Offsetting of Financial Instruments
Financial assets and liabilities are offset and the net amount is reported in the parent company 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 Parent Company 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 Parent Company and all of the counterparties.

Cash
Cash in the parent company statements of financial position comprises of cash on hand and cash in banks.

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. Advances to contractors and suppliers are presented under "Other noncurrent assets" in the parent company statements of financial position.

Creditable Withholding Taxes (CWT)
CWT represents the amount of tax withheld by counterparties from the Parent Company. 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 "Prepayment and other current assets" in the parent company 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 Parent Company 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 parent company 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 parent company statements of comprehensive income when the asset is derecognized.

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") includes linens uniforms, and utensils, which are carried at cost. Bulk purchases of items of operating equipment with expected usage period of beyond one year are classified as noncurrent assets and are amortized over three years.

Impairment of Non-Financial Assets
The Parent Company 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 Parent Company 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 parent company statements of comprehensive income in those expense categories consistent with the function of the impaired asset.

Contract Liabilities *(applicable starting January 1, 2018 upon the adoption of PFRS 15)*
A contract liability is the obligation to transfer goods or services to a customer for which the Parent Company has received consideration (or an amount of consideration is due) from customer. If a customer pays consideration before the Parent Company transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Parent Company performs the obligation under the contract.

Contract liabilities include payments received by the Parent Company from the customers for which revenue recognition has not yet commenced. Accordingly, deposits by hotel, banquet customers, advance collection for purchase of bingo cards, services received from customers, and lessees are recorded as contract liabilities until services or goods are provided or sold to the customers.

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 Parent Company's own equity instruments, and presented in the noncurrent liabilities section of the parent company statements of financial position. 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 Parent Company 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 *(applicable for both periods presented)*

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 Parent Company's gaming facilities and gaming equipment.

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.

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 EIR. Interest income represents interest earned from cash and advances to related parties.

Loyalty Program Points

The Parent Company 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 loyalty points give rise to a separate performance obligation as they provide a material right to the customer. The Parent Company's customer is able to use the points as a currency (i.e., currency value has been fixed and can no longer be changed by the Parent Company). A portion of the transaction price is allocated to the loyalty points awarded to customers based on relative stand-alone selling price and recognized as a financial liability until the points are redeemed.

Revenue Recognition *(applicable starting January 1,2018 upon the adoption of PFRS 15)*

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

Revenue from Contracts with Customer

Revenue from Hotel

Revenue from hotel is recognized over time as the service is rendered to the customer, generally when the hotel services are performed. Deposits received from customers in advance on rooms are recorded under "Contract liabilities" until services are provided to the customers.

Revenue from Food and Beverage

Revenue from food and beverage is recognized at point in time when the control of the goods is transferred to the customer, generally when the goods are delivered.

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. Revenue is recognized at point in time upon the conduct of the bingo operations.

<u>Revenue Recognition</u> *(applicable until December 31,2017 prior to the adoption of PFRS 15)*
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Parent Company 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 Parent Company 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.

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 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.

<u>Operating Costs and Expenses</u>
Costs and expenses are recognized in the parent company statements of comprehensive income upon utilization of the service or at the date they are incurred.

<u>Gaming Fees</u>
As a grantee of PAGCOR, the Parent Company 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".

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

Current income tax relating to items recognized directly in equity is recognized in equity and not in the parent company 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.

<u>Retirement Benefits Cost</u>

The Parent Company 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 re-measurements 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.

Re-measurements 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. Re-measurements 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 Parent Company 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 - Operating lease

Lease 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.

Parent Company as a Lessor - Finance lease

Lease in which the Parent Company transfers substantially all the risks and benefits of ownership of the assets are classified as finance lease. Lease collections are apportioned between the finance income and the reduction of the outstanding receivable so as to achieve a constant periodic rate of interest on the remaining balance of the receivable for each period. Finance income are charged directly against profit or loss. A combination of the following would normally lead to a lease being classified as finance lease:

a. ownership of the asset to the lessee by the end of the lease term.
b. the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised.
c. the lease term is for the major part of the economic life of the asset even if title is not transferred.
d. at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset.
e. the leased assets are of such a specialized nature that only the lessee can use them without major modifications.

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 parent company 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 parent company 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" in the parent company statements of financial position.

Provisions
Provisions are recognized when the Parent Company 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 Parent Company 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 parent company 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.

Segment Reporting
For management purposes, the Parent Company is organized and managed separately according to the nature of the business. These operating businesses are the basis upon which the Parent Company reports its segment information presented in Note 25.

An operating segment is a component of an entity:

a. that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
b. with operating results regularly reviewed by the entity's chief of operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance; and
c. for which discrete financial information is available.

Significant Accounting Judgments, Estimates and Assumptions
The preparation of the parent company financial statements in accordance with PFRS requires the Parent Company to make estimates and assumptions that affect the amounts reported in the parent company 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 parent company 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 parent company 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 Parent Company'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 parent company financial statements.

Evaluating Lease Commitments (see Note 17)

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.

Parent Company as the Lessor - Finance Lease Commitments

The Parent Company has entered into agreements with PAGCOR involving its gaming equipment. The Parent Company has determined that the lease term is for the major part of the asset's economic life. In calculating the present value of the minimum lease payments to measure the finance lease receivable at initial recognition, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine it; otherwise, the lessee's incremental borrowing rate is used. Initial direct costs incurred, if any, are included as part of the asset.

Revenue from Contracts with Customers (applicable starting January 1, 2018 upon adoption of PFRS 15)

The Parent Company applied the following judgments that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- *Identifying of contracts with customers under PFRS 15*
  The Parent Company applied PFRS 15 guidance to a portfolio of contracts with similar characteristics as the Parent Company reasonably expects that the effects on the parent company financial statements of applying this guidance to the portfolio would not differ materially from applying this guidance to the individual contracts within that portfolio.

- *Identifying performance obligations*
  The Parent Company provides hotel services, food and beverage sales, bingo services and other sales and services to its customers. The Parent Company has determined that each of the services are capable of being distinct.

Recognition of Deferred Tax Assets

The Parent Company 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 December 31, 2018 and 2017, no deferred tax assets were recognized as management believes that the Parent Company may not have sufficient future taxable income against which the deferred tax asset may be applied (see Note 19).

From the casino operations, no deferred tax assets will be recognized 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).

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.

Definition of Default and Credit-Impaired Financial Assets (applicable starting January 1,2018 upon adoption of PFRS 9)

Upon adoption of PFRS 9, the Parent Company defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

- *Quantitative Criteria*

  The borrower is more than 120 days past due on its contractual payments, which is consistent with the Parent Company's definition of default.

- *Qualitative Criteria*

  The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:
  a) The borrower is experiencing financial difficulty or is insolvent;
  b) The borrower is in breach of financial covenant(s);
  c) Concessions have been granted by the Parent Company, for economic or contractual reasons relating to the borrower's financial difficulty; or
  d) It is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

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

Simplified Approach for Receivables

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

Grouping of Instruments for Losses Measured on Collective Basis

For ECL provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

Macro-economic Forecasts and Forward-looking Information

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

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

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

Provision for doubtful accounts recognized in 2018 amounted to ₱55.2 million. The carrying amount of receivables amounted to ₱302.6 million as at December 31, 2018 (see Note 8).

Estimation of Allowance for Doubtful Accounts of Receivables (applicable until December 31, 2017 prior to adoption of PFRS 9)
The Parent Company assesses whether objective evidence of impairment exists for receivables that are individually significant and collectively for receivables that are not individually significant. Allowance for impairment losses on receivables is maintained at a level considered adequate to provide for potentially uncollectible receivables. Allowance for impairment losses on receivables is recognized for the difference between the outstanding principal amount and recoverable amount which is the present value of future cash flows expected to be received from collection of receivables.

There was no provision for doubtful accounts on receivables recognized in 2017. The carrying amounts of receivables are disclosed in Notc 8 to the parent company financial statements.

Estimation of the Useful Lives of Property and Equipment
The useful lives of each of the Parent Company'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 and 2017. The carrying value of property and equipment as of December 31, 2018 and 2017 are disclosed in Note 12 to the parent company financial statements.

Determination of Indicators of Impairment of Non-Financial Assets
The Parent Company determines whether its non-financial assets are impaired whenever events or changes in circumstances indicate that the carrying values of the assets may not be recoverable. The factors that the Parent Company considers important which could trigger an impairment review include the following, among others:

- significant underperformance relative to expected historical or projected operating results;
- significant changes in the manner of use of acquired assets or the overall business strategy; and
- significant negative industry or economic trends.

Management assessed that, there are no indicators or circumstances that indicate that the carrying values of the Parent Company's non-financial assets may not be recoverable. Accordingly, no provision for impairment losses was recognized in 2018 and 2017.

The net book values of the Parent Company's non-financial assets pertaining to input VAT, property and equipment and other noncurrent assets are disclosed in Notes 10, 12 and 13 to the parent company financial statements, respectively.

7. Cash

This account consists of:

	2018	2017
Cash in banks	₱464,859,307	₱553,215,966
Cash on hand	6,501,858	4,598,279
	₱471,361,165	₱557,814,245

Cash in banks generally earns interest at the respective bank deposit rates. Total interest income earned from cash in banks amounted to ₱0.5 million and ₱0.3 million in 2018 and 2017, respectively.

8. Receivables

This account consists of:

	2018	2017
Trade:		
Non-related parties	₱53,962,725	₱24,421,046
Related parties (Note 21)	1,943,276	394,300
Nontrade	110,381,917	110,326,482
Advances to related parties (Note 21)	90,119,753	53,664,747
Receivable arising from PTO related to:		
Gaming equipment (Notes 5 and 17)	57,122,087	–
Gaming facility (Note 17)	42,774,147	45,019,839
Advances to employees (Note 21)	1,423,517	883,997
	357,727,422	234,710,411
Less: allowance for doubtful accounts (Note 24)	55,177,100	–
	₱302,550,322	₱234,710,411

Trade receivables consist mainly of claims against the lessees of the building spaces for commercial operations and claims against the travel agencies for the hotel accommodations. These receivables 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 arising from PTO pertains to the outstanding balance of the Parent Company's revenue share in gaming operations related to gaming facility and gaming equipment 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 Parent Company within 15 days of the following month in accordance with the PTO.

In 2018, management provided allowance for doubtful accounts amounting to ₱55.2 million pertaining to nontrade receivables.

9. Inventories

This account consists of:

	2018	2017
At cost:		
Operating supplies	₱17,121,808	₱24,945,725
Food, beverage, and tobacco	3,474,161	3,322,971
	₱20,595,969	₱28,268,696

Operating supplies include cards, seals and dice.

No allowance for inventory obsolescence was recognized in 2018 and 2017.

10. Input VAT

	2018	2017
Input VAT - current	₱33,300,077	₱24,774,189
Noncurrent:		
Input VAT - noncurrent	351,131,565	321,116,092
Deferred input VAT	15,948,407	16,677,993
	367,079,972	337,794,085
	₱400,380,049	₱362,568,274

Input VAT pertains mainly to the Parent Company'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. Prepayments and Other Current Assets

This account consists of:

	2018	2017
Deposits	₱14,191,752	₱7,488,371
Prepayments	2,989,201	3,881,956
CWT	2,279,223	1,009,868
Prepaid taxes	–	29,598,205
	₱19,460,176	₱41,978,400

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

Prepayments pertain to advance payments for software maintenance and health insurance.

CWT pertains to the taxes withheld by the withholding agent from the payment to the Parent Company.

Prepaid taxes paid in 2017 pertain to the real property tax for 2018.

12. Property and Equipment

This account consists of:

	2018						
	Land	Building	Machinery	Gaming equipment (Note 5)	Non-gaming equipment	Kitchen and bar equipment, computer software and hardware	Total
Cost							
Balance at beginning of year	₱600,800,000	₱4,156,152,679	₱207,348,587	₱330,421,219	₱431,964,951	₱620,226,374	₱6,346,913,810
Additions	–	190,030,268	11,554,155	–	21,867,362	15,835,061	239,286,846
Disposal/Reclassification	–	–	–	(330,421,219)	(44,962)	–	(330,466,181)
Balance at end of year	600,800,000	4,346,182,947	218,902,742	–	453,787,351	636,061,435	6,255,734,475
Accumulated depreciation							
Balance at beginning of year	–	229,607,402	21,412,752	75,483,109	117,247,918	272,868,437	716,619,618
Depreciation (Note 24)	–	145,515,649	30,389,042	–	90,651,931	215,327,958	481,884,580
Disposal/Reclassification	–	–	–	(75,483,109)	(26,977)	–	(75,510,086)
Balance at end of year	–	375,123,051	51,801,794	–	207,872,872	488,196,395	1,122,994,112
Net book value	₱600,800,000	₱3,971,059,896	₱167,100,948	₱–	₱245,914,479	₱147,865,040	₱5,132,740,363

	2017						
	Land	Building	Machinery	Gaming equipment	Non-gaming equipment	Kitchen and bar equipment, computer software and hardware	Total
Cost							
Balance at beginning of year	₱600,800,000	₱3,873,911,663	₱190,019,679	₱310,230,879	₱423,670,552	₱587,867,586	₱5,986,500,359
Additions	–	282,241,016	17,328,908	20,190,340	8,294,399	33,054,452	361,109,115
Disposal/Reclassification	–	–	–	–	–	(695,664)	(695,664)
Balance at end of year	600,800,000	4,156,152,679	207,348,587	330,421,219	431,964,951	620,226,374	6,346,913,810
Accumulated depreciation							
Balance at beginning of year	–	93,440,349	1,562,485	35,778,249	33,277,437	68,526,922	232,585,442
Depreciation (Note 24)	–	136,167,053	19,850,267	39,704,860	83,970,481	205,037,180	484,729,841
Disposal/Reclassification	–	–	–	–	–	(695,664)	(695,664)
Balance at end of year	–	229,607,402	21,412,752	75,483,109	117,247,918	272,868,438	716,619,619
Net book value	₱600,800,000	₱3,926,545,277	₱185,935,835	₱254,938,110	₱314,717,033	₱347,357,936	₱5,630,294,191

As of December 31, 2018 and 2017, land and building with an aggregate carrying values of ₱4.6 billion and ₱4.5 billion, respectively, were pledged as collateral for the loan facility (see Note 15).

13. Other Noncurrent Assets

This account consists of:

	2018	2017
Receivable arising from PTO related to gaming equipment - net of current portion (Notes 5 and 17)	₱382,234,308	₱–
Operating equipment	23,024,896	55,682,994
Advances to contractors and suppliers	9,851,791	62,750,524
Long-term deposits	6,161,000	6,161,000
	₱421,271,995	₱124,594,518

Long-term deposits pertain to guarantee payment for utility bills.

Movement in operating equipment are as follows:

	2018			
	Utensils	**Linens**	**Uniforms**	**Total**
Cost				
Balance at beginning of year	₱23,562,076	₱70,667,222	₱4,367,083	₱98,596,381
Additions	–	250,275	30,835	281,110
Balance at end of year	23,562,076	70,917,497	4,397,918	98,877,491
Accumulated amortization				
Balance at beginning of year	12,737,713	28,757,814	1,417,860	42,913,387
Amortization (Note 24)	7,854,025	23,626,139	1,459,044	32,939,208
Balance at end of year	20,591,738	52,383,953	2,876,904	75,852,595
Net book value	₱2,970,338	₱18,533,544	₱1,521,014	₱23,024,896

	2017			
	Utensils	Linens	Uniforms	Total
Cost				
Balance at beginning of year	₱23,562,076	₱69,952,228	₱3,559,949	₱97,074,253
Additions	–	714,994	807,134	1,522,128
Balance at end of year	23,562,076	70,667,222	4,367,083	98,596,381
Accumulated depreciation				
Balance at beginning of year	4,883,688	5,175,753	188,438	10,247,879
Amortization (Note 24)	7,854,025	23,582,061	1,229,422	32,665,508
Balance at end of year	12,737,713	28,757,814	1,417,860	42,913,387
Net book value	₱10,824,363	₱41,909,408	₱2,949,223	₱55,682,994

14. Accounts Payable and Other Current Liabilities

This account consists of:

	2018	2017
Accounts payable	**₱429,415,044**	₱213,104,250
Accrued expenses	**61,693,012**	53,817,707
Gaming liabilities	**27,600,511**	19,344,013
Withholding taxes payable	**6,395,327**	2,259,155
Advances from related parties (Note 21)	**4,970,819**	4,970,819
Others	**24,091,220**	17,338,537
	₱554,165,933	₱310,834,481

Accounts payable are noninterest-bearing and are normally settled within 30 to 60 days 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, professional 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.

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

Others include deposits which shall be applied as payment for future bookings of hotel rooms, statutory liabilities and other various individually insignificant items.

15. Loans Payable

This account consists of:

	2018	2017
Principal	**₱2,800,000,000**	₱3,500,000,000
Less unamortized debt discount	**(13,490,413)**	(20,593,018)
	2,786,509,587	3,479,406,982
Less current portion of long-term debt	**(694,286,996)**	(692,879,656)
	₱2,092,222,591	₱2,786,527,326

The movements in unamortized debt discount follow:

	2018	2017
Unamortized debt discount at beginning of year	**₱20,593,018**	₱28,025,253
Less: amortization*	**(7,102,605)**	(7,432,235)
Unamortized debt discount at end of year	**₱13,490,413**	₱20,593,018

**Included in "Interest expense" in the parent company statements of comprehensive income.*

Future repayment of the principal as follows:

	2018	2017
Within one year	₱700,000,000	₱700,000,000
After one year but not more than five years	2,100,000,000	2,800,000,000
	₱2,800,000,000	₱3,500,000,000

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 furniture and equipment and permanent working capital of the Parent Company. In November 2015, the Parent Company drew ₱2.5 billion from the loan facility, receiving proceeds of ₱2.5 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 ₱189.5 million and ₱209.3 million in 2018 and 2017, respectively. Total interest paid amounted to ₱185.5 million and ₱201.9 million in 2018 and 2017, respectively.

The loan is secured by the Parent Company's land and building with an aggregate carrying value of ₱4.6 billion and ₱4.5 billion as of December 31, 2018 and 2017, respectively (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. As of December 31, 2018 and 2017, the Parent Company has complied with the loan covenants.

16. Retirement Benefits

The Parent Company does not have an established retirement plan and only conforms to the minimum regulatory benefit under the Retirement Pay Law (RA 7641) which is of the defined benefit type and provides a retirement equal to 22.5 days' pay for every year of credited service. The regulatory benefit is paid in a lump sum upon retirement. The Parent Company liability for retirement benefits is based solely on the requirement under RA 7641. Benefits are based on the employee's final salary and years of service.

The table below summarizes the components of retirement cost recognized under "Operating costs and expenses" in the parent company statements of comprehensive income (see Note 24):

	2018	2017
Current service cost	₱4,185,692	₱1,588,272
Net interest cost	102,083	47,625
	₱4,287,775	₱1,635,897

Movements in the cumulative actuarial gain in the parent company statements of comprehensive income are as follows:

	2018	2017
Balance at beginning of year	₱688,566	₱–
Actuarial gain recognized in other comprehensive income	1,645,945	688,566
	₱2,334,511	₱688,566

The movements in the retirement liability are as follows:

	2018	2017
Balance at beginning of year	₱1,760,049	₱812,718
Total retirement expense for the year	4,287,775	1,635,897
Defined benefit income recognized in OCI	(1,645,945)	(688,566)
Balance at end of year	₱4,401,879	₱1,760,049

Movement in defined benefit obligation are as follows:

	2018	2017
Balance at beginning of year	₱1,760,049	₱812,718
Current service cost	4,185,692	1,588,272
Interest cost	102,083	47,625
Actuarial loss (gain) on:		
Experience adjustments	–	87,942
Change in demographic assumptions	–	(1,277,912)
Changes in financial assumptions	(1,645,945)	501,404
Balance at end of year	₱4,401,879	₱1,760,049

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

	2018	2017
Discount rate	7.61%	5.80%
Salary increase rate	5.00%	5.00%

The Parent Company does not maintain a fund for its retirement benefit obligation. While funding is not a requirement of the law, there is a cash flow risk that the Parent Company may be exposed to if several employees retire within the same year.

Shown below are the maturity profile of the undiscounted benefit payments as of December 31, 2018 and 2017 are as follows:

	2018	2017
Less than one year	₱–	₱–
One to less than five years	**568,824**	755,226
Five to less than 10 years	**845,504**	309,837
10 to less than 15 years	**2,386,405**	10,126,839
15 to less than 20 years	**4,243,737**	17,587,343
20 years and above	**13,140,844**	57,056,448
	₱21,185,314	₱85,835,693

The average duration of the expected benefit payments as of December 31, 2018 and 2017 is 25.85 years and 22.92 years, respectively.

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

		Effect on retirement liability
Discount rate		
	8.61% (Actual + 1.00%)	(₱666,284)
	6.61% (Actual - 1.00%)	826,412
Salary increase rate		
	6.00% (Actual + 1.00%)	₱840,401
	4.00% (Actual - 1.00%)	(686,977)

17. Significant Commitments

PTO

As discussed in Notes 1 and 2, 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.

Under this arrangement, the Parent Company shall 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 approved and deemed necessary by PAGCOR:

(1) Certain number of gaming tables, table layout, chairs and other equipment and paraphernalia.
(2) A minimum number of new slot machines and an online tokenless system of linking and networking all slot machines.

The use of slot machines and gaming tables ("Gaming Equipment") by PAGCOR will be for the major part of the Gaming Equipment's economic life.

In addition, the Parent Company shall also establish the gaming facility, including furnishings; undertake and shoulder the cost of designing, furnishing and maintaining PAGCOR San Lazaro.

The use of certain floors in the Parent Company's building as gaming facility did not substantially transfer the risk and benefits related to the ownership of the building.

The Parent Company requested PAGCOR to manage PAGCOR San Lazaro and PAGCOR shall exclusively and directly control, supervise and manage PAGCOR San Lazaro.

The Parent Company's share from gross gaming revenue of PAGCOR San Lazaro amounted to ₱413.4 million in 2018 and ₱283.2 million in 2017, respectively. Portion of the share from gross gaming revenue of PAGCOR San Lazaro related to gaming equipment was applied as payment for receivable arising from PTO in 2018 amounting to ₱47.5 million. Accordingly, revenue share in gaming operations for the year ended December 31, 2018 and 2017, presented in the parent company statements of comprehensive income, amounted to ₱365.9 million and ₱283.2 million, respectively. The details of the revenue share in gaming operations for the years ended December 31, 2018 and 2017 are as follows:

	2018	2017
Revenue share from gaming operations related to:		
Gaming facility	₱322,178,581	₱283,196,090
Gaming equipment	43,693,744	–
	₱365,872,325	₱283,196,090

The future minimum collection related to the gaming equipment follows:

	2018
Within one year	₱100,557,388
After one year but not more than five years	402,229,553
More than five years	93,932,612
	596,719,553
Less: unamortized portion of discount	(157,363,158)
	439,356,395
Less: current portion (Note 8)	(57,122,087)
Noncurrent portion (Note 13)	₱382,234,308

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 2018 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 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 two years of lease. In 2018, the Parent Company agreed to amend the rental rates from ₱650 per sqm. to ₱200 per sqm. per month exclusive of VAT.

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 lease contract was renewed in 2019. 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 one year commencing on February 2018 and was subsequently renewed. The monthly payment amounts to ₱30,000, inclusive of electrical consumption but exclusive of VAT, for the first quarter of 2018 and ₱15,000 thereafter.

i. The Parent Company also entered into an agreement of lease with Asian Integrated 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.

k. The Parent Company also entered into an agreement of lease with Globe Telecom, Inc. for ten years starting February 1, 2016 to lease a 6 sqm. area of Winford Hotel and Casino to be used as telecommunication site. The lease is payable at a monthly rate amounting to ₱36,700, net of all taxes and 5% escalation fee on the third year thereafter.

l. The Parent Company also entered into an agreement of lease with Smart Communications, Inc. for five years commencing on November 10, 2016 to lease a 9 sqm. area of Winford Hotel and Casino to be used for satellite services. The lease is payable at a monthly rate amounting to ₱36,700, net of all taxes and 5% escalation fee on the third year thereafter.

m. The Parent Company also entered into an agreement of lease with AIO FX Trade, Inc. for five years commencing on December 18, 2017 to lease a 5.06 sqm. area of Winford Hotel and Casino. AIO FX Trade, Inc is a money changer. The lease is payable at a monthly rate of ₱30,000, inclusive of VAT for the first year, ₱37,000, inclusive of VAT for the second year and 10% escalation fee on the third year thereafter applied on the second-year monthly rate.

n. The Parent Company also entered into an agreement of lease with Andresons Global, Inc. for three years commencing on April 8, 2018 to lease a 14.09 sqm. area of Winford Hotel and Casino to sell high end liquors. The lease is payable at a monthly rate of ₱20,000 exclusive of VAT and no escalation during the lease term.

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

	2018	2017
Within one year	₱29,894,591	₱11,218,022
After one year but not more than five years	51,730,920	38,994,097
Five years onwards	17,384,971	40,926,122
	₱99,010,482	₱91,138,241

Rent income amounted to ₱27.4 million and ₱22.3 million in 2018 and 2017.

Operating Lease Commitment - the Parent Company as Lessee

a. On July 15, 2014, the Parent Company entered into a lease agreement with EEG Development Corporation to lease a property located at 1774 Consuelo Street, Sta. Cruz, Manila consisting of a floor area of 225 sqm. for the purposes of the mockup of Winford Hotel and Casino project. The lease term is for a period of two years commencing July 15, 2014 and expiring on July 14, 2016, renewable under such terms and conditions mutually agreed upon by the parties. The monthly rate for rental amounted to ₱45,000, exclusive of VAT and subject to withholding tax, which is payable every 15th day of each calendar month. No renewal was made on July 14, 2016.

Service Agreements

a. The Parent Company also entered into an agreement with a service provider, engaging the latter to provide consultancy, advisory and technical services in relation to the operation, management and development of the hotel including recommendation or proposals on the activities or matters relating to the hotel. The agreement took effect on November 1, 2015 and will continue until terminated in accordance with the provisions of the agreement.

b. The Parent Company also entered into an agreement with a service provider, engaging the latter to provide consultancy, advisory, and technical services in relation to the operation, management and development of the casino. The agreement took effect on November 1, 2015 and will continue until terminated in accordance with the provisions of the agreement.

c. The Parent Company also entered into an agreement with a service provider, engaging the latter to provide communication strategy and planning development, conceptualization, production of advertising materials and marketing of the Parent Company's banquet and hotel rooms.

Total service fees recognized in 2018 and 2017 under these agreements amounted to ₱31.6 million and ₱25.7 million, respectively (see Note 24).

18. Deposit for Future Stock Subscription

The Parent Company presented the deposit amounting to ₱2.1 billion and ₱1.1 billion as "Deposit for future stock subscription" under noncurrent liabilities in the parent company statements of financial position as of December 31, 2018 and 2017, respectively, in accordance with FRB No. 6 as issued by the SEC.

19. Income Taxes

For income tax purposes, as the entity was 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).

The provision for income tax consists of final tax amounting to ₱94,395 and ₱54,252 in 2018 and 2017, respectively.

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

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

As of December 31, 2018 and 2017, net unrecognized deferred tax assets from its operations other than gaming are composed of the following:

	2018	2017
Deferred tax assets:		
Net operating loss carry over (NOLCO)	**₱560,907,136**	₱367,663,292
Bad debts	**16,553,130**	–
Unearned income	**1,566,124**	1,588,259
Retirement liability	**1,355,546**	547,601
Customer deposits	**1,220,886**	1,218,681
Unrealized foreign exchange loss	**4,088**	303,540
Service charge payable	–	1,106,325
Amortization of long term deposits	–	64,274
Minimum corporate income tax (MCIT)	–	3,318
	581,606,910	372,495,290
Deferred tax liabilities:		
Deferred rent income	**754,268**	529,304
Unrealized foreign exchange gain	**204,882**	181,716
	959,150	711,020
Deferred tax assets - net	**₱580,647,760**	₱371,784,270

As of December 31, 2018, the details of NOLCO and MCIT are as follows:

NOLCO

Year Incurred	Beginning Balance	Incurred	Expired	Ending Balance	Available Until
2015	₱57,532,611	₱–	(₱57,532,611)	₱–	2018
2016	405,982,377	–	–	405,982,377	2019
2017	762,029,320	–	–	762,029,320	2020
2018	–	701,678,755	–	701,678,755	2021
	₱1,225,544,308	₱701,678,755	(₱57,532,611)	₱1,869,690,452	

MCIT

MCIT incurred for the year 2014 amounted ₱3,318 has expired in 2018.

The reconciliation of the benefit from income tax based on the accounting income and the actual provision for income tax for years ended December 31 are as follows:

	2018	2017
Benefit from income tax based on accounting income before income tax	**(₱212,815,389)**	(₱227,018,790)
Additions to (reductions in) income tax resulting from tax effects of:		
Movement in unrecognized deferred tax assets	**208,863,490**	221,674,192
Expired NOLCO and MCIT	**17,263,101**	9,622,022
Loss (income) from gaming operations exempt from income tax	**(15,401,943)**	(7,066,562)
Nondeductible expenses and others	**2,232,402**	2,869,874
Interest income subjected to final tax	**(47,266)**	(26,484)
Provision for income tax	**₱94,395**	₱54,252

20. PEZA Registration

On February 10, 2015, the Parent Company's 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.

21. 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 Parent Company, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Parent Company. Entities and individuals owning, directly or indirectly, an interest in the voting power of the Parent Company that gives them significant influence over the entity, key management personnel, including directors and officers of the Parent Company 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 Parent Company has significant transactions with related parties as follows:

			2018		2017			
Entity	Relationship	Nature	Amount	Receivable (Payable)	Amount	Receivable (Payable)	Terms	Condition
TSLC	Subsidiary	Advances[a] (Note 8)	₱36,455,006	₱90,119,753	₱24,477,943	₱53,664,747	Noninterest-bearing: payable upon call	Unsecured, unimpaired
Manila Jockey Club, Inc. (MJCI)	Stockholder	Deposit for future stock subscription (Note 18)	84,979,217	(237,233,646)	152,254,429	(152,254,429)	Noninterest-bearing	Unsecured, unguaranteed
		Advances[b] (Note 14)	–	(4,970,819)	–	(4,970,819)	Noninterest-bearing; due and demandable	Unsecured, unguaranteed
		Commission from the off-track betting[c] (Note 8)	167,932	371,013	293,962	304,099	Noninterest-bearing; due and demandable	Unsecured, unimpaired
Various Shareholders	Stockholder	Deposit for future stock subscription (Note 18)	971,089,239	(1,904,967,451)	933,878,212	(933,878,212)	Noninterest-bearing	Unsecured, unguaranteed
Manilacockers Club, Inc. (MCI)	Affiliate	Commission from the off-track betting[d][e] (Note 8)	4,367,699	1,572,263	701,543	90,201	Noninterest-bearing; due and demandable	Unsecured, unimpaired

[a] *Advances of the Parent Company to its subsidiary were provided to fund the payment of license fees to PAGCOR in consideration of the grant given by PAGCOR authorizing TSLC to bring in pre-registered foreign players to play in the designated junket gaming areas within PAGCOR San Lazaro.*

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

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

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

[e] *MCI is an affiliate through a common stockholder, MJCI.*

Key Management Personnel

Total key management personnel compensation of the Parent Company amounted to ₱33.5 million and ₱13.2 million as of December 31, 2018 and 2017, respectively. The compensations are short-term employee benefits.

The Parent Company has no standard arrangement with regard to the remuneration of its directors. In 2018 and 2017, the BOD received directors' fees aggregating ₱0.7 million and ₱0.8 million, respectively (Note 24).

The Parent Company's advances to its employees amounted to ₱1.4 million and ₱0.9 million as of December 31, 2018 and 2017, respectively (see Note 8).

22. Equity

Capital Stock
The Parent Company has a total of 5,000,000,000 authorized shares, 3,174,405,821 issued and subscribed shares at ₱1.00 par value. The total issued, outstanding, and subscribed capital are held by 434 and 446 equity holders for the years 2018 and 2017, respectively.

On April 12, 2018, the BOD approved the conduct of a stock rights offering in order to raise additional capital. The total number of shares to be issued is 1,587,202,910 common shares and the stock offer price shall be at ₱1.00 per share. The entitlement ratio shall be one rights share for every two common shares held as of record date.

On September 17, 2018, the BOD approved the offer price for the rights shall be ₱1.00 rights per share, if paid in full upon submission on the application to subscribe, or ₱2.00 per rights share, if paid on installment basis. As of April 3, 2019, the stock rights offering is still pending approval of SEC.

23. Basic/Diluted Loss Per Share

	2018	2017
Net loss for the year	₱709,479,026	₱756,783,553
Divided by weighted average number of outstanding common shares	3,174,405,821	3,174,405,821
Basic/diluted losses per share	₱0.223	₱0.238

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

24. Operating Costs and Expenses

This account consists of:

	2018	2017
Depreciation and amortization (Notes 12 and 13)	₱514,823,788	₱517,395,349
Utilities	93,705,878	86,566,168
Contracted services	73,607,692	58,968,324
Salaries and wages	63,922,922	50,803,160
Bad debts (Note 8)	55,177,100	–
Repairs and maintenance	40,390,206	32,993,441
Security services	36,478,069	27,488,479
Taxes and licenses	35,125,265	3,675,868
Service fee (Note 17)	31,631,071	25,740,714
Advertising and marketing	31,289,095	37,672,153
Food, beverage, and tobacco	31,044,175	21,000,605
Gaming fees (Note 2)	29,428,659	16,755,105
Banquet expenses	22,607,167	16,241,552
Hotel room and supplies	15,262,456	16,523,870
Professional fees	13,868,503	10,250,178
Entertainment	11,694,686	12,885,180

(Forward)

	2018	2017
Communication	₱7,270,000	₱7,231,154
Transportation and travel	6,573,515	2,252,085
Insurance	6,425,422	6,414,645
Retirement (Note 16)	4,287,775	1,635,897
Supplies	3,518,538	2,138,746
Commission	3,148,816	3,754,417
Rent	2,531,601	4,151,117
Meetings and conferences	1,402,898	1,689,358
Directors' fees (Note 21)	680,000	776,000
Representation	97,500	155,275
Others	7,064,453	51,476,178
	₱1,143,057,250	₱1,016,635,018

25. Operating Segment Information

The Parent Company has two operating segments in 2018 and 2017. Gaming segment pertains to casino operations while non-gaming pertains to hotel operations. Management monitors the operating results of its operating segments for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net income or loss and is measured consistently with the total comprehensive loss on the parent company financial statements. The Parent Company's asset-producing revenues are located in the Philippines (i.e., one geographical location). Therefore, geographical segment information is no longer presented.

Segment Revenue and Expenses

The segment results for the years ended December 31, 2018 and 2017 are as follows:

	2018		
	Gaming	Non-gaming	Total
Revenue	₱411,677,559	₱211,357,200	₱623,034,759
Operating costs and expenses	(359,581,915)	(783,475,335)	(1,143,057,250)
Other expenses - net	(755,834)	(188,606,306)	(189,362,140)
Provision for income tax	–	(94,395)	(94,395)
Net income (loss)	₱51,339,810	(₱760,818,836)	(₱709,479,026)

	2017		
	Gaming	Non-gaming	Total
Revenue	₱309,136,298	₱160,243,331	₱469,379,629
Operating costs and expenses	(285,559,629)	(731,075,389)	(1,016,635,018)
Other expenses - net	(21,462)	(209,452,450)	(209,473,912)
Provision for income tax	–	(54,252)	(54,252)
Net income (loss)	₱23,555,207	(₱780,338,760)	(₱756,783,553)

Segment Assets and Liabilities and Other Information
The segment assets, liabilities, capital expenditures and other information as of and for the years ended December 31, 2018 and 2017 are as follows:

	2018		
	Gaming	Non-gaming	Total
Assets	₱2,033,710,525	₱4,754,649,514	₱6,788,360,039
Liabilities	149,111,808	5,508,908,420	5,658,020,228
Capital expenditures	66,661,405	172,625,441	239,286,846
Interest income	-	527,633	527,633
Depreciation and amortization	150,827,892	363,995,896	514,823,788

	2017		
	Gaming	Non-gaming	Total
Assets	₱1,650,042,062	₱5,350,186,673	₱7,000,228,735
Liabilities	147,612,586	5,032,572,616	5,180,185,202
Capital expenditures	102,682,870	258,426,245	361,109,115
Interest income	–	324,559	324,559
Depreciation and amortization	144,427,766	372,967,583	517,395,349

26. Financial Risk Management Objectives and Policies and Fair Value Measurement

The Parent Company's financial instruments comprise of cash in banks, receivables (excluding "advances from employees"), deposits (presented as part of "Prepayments and other current assets" in the parent company financial statements), noncurrent portion of receivable arising from PTO and long-term deposits (presented as part of "Other noncurrent assets" in the parent company financial statements), accounts payable and other current liabilities (excluding "withholding taxes payable"), retention payable, interest payable and loans payable. The main purpose of these financial instruments is to finance the Parent Company's operations. The main risks arising from the use of these financial instruments include credit risk and liquidity risk. The Parent Company'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 Parent Company limits its maximum exposure to credit risk to the amount of carrying value of the instruments. The Parent Company 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 Parent Company as at December 31, 2018 and 2017 as follows:

	2018	2017
At amortized cost/loans and receivables:		
Cash in banks (Note 7)	₱464,859,307	₱553,215,966
Receivables* (Note 8)	301,126,805	233,826,414
Deposits** (Note 11)	7,404,740	7,190,495
Long-term deposits (Note 13)	6,161,000	6,161,000
Receivable arising from PTO related to gaming equipment - net of current portion (Note 13)	382,234,308	–
	₱1,161,786,160	₱800,393,875

**Excluding advances to employees*
**Excluding security deposit to be applied at the end of the contract and advance payments for operating supplies and television advertisements.*

As of December 31, 2018 and 2017, the aging analysis of receivables is as follows:

2018	Total	Neither past due nor impaired	Past due but not impaired: Less than 30 days past due	31 to 60 days past due	61 to 90 days past due	91 to 180 days past due	More than 180 days past due	Impaired
Trade:								
Non-related parties	₱53,962,725	₱6,790,829	₱3,968,979	₱6,097,486	₱1,997,424	₱35,108,007	₱–	₱
Related parties	1,943,276	513,235	366,506	362,044	281,800	419,691	–	–
Nontrade	55,204,817	55,435	–	–	–	–	55,149,382	55,177,100
Advances to related parties	90,119,753	6,389,672	3,252,292	3,189,493	3,178,738	74,109,558	–	–
Receivable arising from PTO	482,130,542	481,215,042	265,500	650,000	–	–	–	–
	₱683,361,113	₱494,964,213	₱7,853,277	₱10,299,023	₱5,457,962	₱109,637,256	₱55,149,382	₱55,177,100

2017	Total	Neither past due nor impaired	Past due but not impaired: Less than 30 days past due	31 to 60 days past due	61 to 90 days past due	91 to 180 days past due	More than 180 days past due	Impaired
Trade:								
Non-related parties	₱24,421,046	₱12,542,225	₱2,203,084	₱2,347,663	₱2,465,559	₱1,695,201	₱3,167,314	₱–
Related parties	394,300	394,300	–	–	–	–	–	–
Nontrade	110,326,482	55,435	–	–	–	–	110,271,047	–
Advances to related parties	53,664,747	53,664,747	–	–	–	–	–	–
Receivable arising from PTO	45,019,839	44,112,866	–	599,500	6,000	18,000	283,473	–
	₱233,826,414	₱110,769,573	₱2,203,084	₱2,947,163	₱2,471,559	₱1,713,201	₱113,721,834	₱–

The table below shows the credit quality of the Parent Company's neither past due nor impaired receivables as of December 31, 2018 and 2017, based on the Parent Company's experience with its debtor's ability to pay:

2018	Grade A	Grade B	Grade C	Total
Trade:				
Non-related parties	₱3,767,015	₱1,715,819	₱1,307,995	₱6,790,829
Related parties	513,235	–	–	513,235
Nontrade	55,435	–	–	55,435
Advances to related parties	–	6,389,672	–	6,389,672
Receivable arising from PTO	481,215,042	–	–	481,215,042
	₱485,550,727	₱8,105,491	₱1,307,995	₱494,964,213

	2017			
	Grade A	Grade B	Grade C	Total
Trade:				
Non-related parties	₱4,509,546	₱2,198,162	₱5,834,517	₱12,542,225
Related parties	394,300	–	–	394,300
Nontrade	55,435	–	–	55,435
Advances to related parties	53,664,747	–	–	53,664,747
Receivable arising from PTO	44,112,866	–	–	44,112,866
	₱102,736,894	₱2,198,162	₱5,834,517	₱110,769,573

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

- Grade A
  This includes cash deposited with banks having good reputation and bank standing and receivables from customers or affiliates that always pay on time or even before the maturity date.

- Grade B
  This includes receivables that are collected on their due dates provided that they were reminded or followed up by the Parent Company.

- Grade C
  This includes receivables which are still collected within their extended due dates.

Liquidity Risk
Liquidity risk is defined as the risk that the Parent Company would not be able to settle or meet its obligations on time or at a reasonable price. The Parent Company'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 Parent Company maximizes the net cash inflows from operations to finance its working capital requirements.

The tables below summarize the maturity profile of the Parent Company's financial liabilities as at December 31, 2018 and 2017 based on contractual undiscounted payments.

	2018			
	Due and Demandable	**Less than 1 year**	**1 year or above**	**Total**
Loans payable*	**₱–**	**₱901,993,406**	**₱2,164,441,498**	**₱3,066,434,904**
Accounts payable and other current liabilities**	**4,970,819**	**542,799,787**	**–**	**547,770,606**
Retention payable	**138,453,425**	**–**	**–**	**138,453,425**
Interest payable	**–**	**15,925,877**	**–**	**15,925,877**
	₱143,424,244	**₱1,460,719,070**	**₱2,164,441,498**	**₱3,768,584,812**

**Including interest.*
***Excluding withholding taxes payable amounting to ₱6,395,327.*

	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	303,604,507	–	308,575,326
Retention payable	279,174,193	–	–	279,174,193
Interest payable	–	19,055,836	–	19,055,836
	₱284,145,012	₱1,224,540,113	₱3,127,760,382	₱4,636,445,507

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

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

	2018			
	Due and Demandable	Less than 1 year	1 year or above	Total
At amortized cost:				
Cash in banks	₱464,859,307	₱–	₱–	₱464,859,307
Receivables	13,749,171	133,247,519	536,364,423	683,361,113
Deposits	–	–	7,404,740	7,404,740
Long-term deposits	–	–	6,161,000	6,161,000
	₱478,608,478	₱133,247,519	₱549,930,163	₱1,161,786,160

	2017			
	Due and Demandable	Less than 1 year	1 year or above	Total
Loans and receivables:				
Cash in banks	₱553,215,966	₱–	₱–	₱553,215,966
Receivables	123,056,841	110,769,573	–	233,826,414
Deposits	–	–	7,190,495	7,190,495
Long-term deposits	–	–	6,161,000	6,161,000
	₱676,272,807	₱110,769,573	₱13,351,495	₱800,393,875

As discussed in Note 22, the Group's BOD approved the conduct of a stock rights offering in order to raise additional capital which will be used for debt servicing requirements. In addition, the Parent Company will consider raising additional cash from shareholders or long-term loans.

Changes in liabilities arising from financing activities

	December 31, 2017	Cash flows	Others*	December 31, 2018
Loans payable	₱3,479,406,982	(₱700,000,000)	₱7,102,605	₱2,786,509,587
Deposit for future stock subscription	1,086,132,641	1,056,068,456	–	2,142,201,097
Interest payable	19,055,836	(185,505,520)	182,375,561	15,925,877
Total liabilities from financing activities	₱4,584,595,459	₱170,562,936	₱189,478,166	₱4,944,636,561

***Others includes accrual of interest from interest-bearing loans and accretion of loans payable.**

	December 31, 2016	Cash flows	Others*	December 31, 2017
Loans payable	₱3,471,974,747	₱–	₱7,432,235	₱3,479,406,982
Deposit for future stock subscription	–	1,086,132,641	–	1,086,132,641
Interest payable	19,055,836	(201,867,966)	201,867,966	19,055,836
Total liabilities from financing activities	₱3,491,030,583	₱884,264,675	₱209,300,201	₱4,584,595,459

***Others includes accrual of interest from interest-bearing loans and accretion of loans payable.**

Fair Value Measurement

The carrying values of cash in banks, receivables, deposits, 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 receivable arising from PTO related to gaming equipment, 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 receivable arising from PTO related to gaming equipment, long-term deposits and loans payable are as follows:

	2018		2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Receivable arising from PTO related to gaming equipment	₱439,356,395	₱484,729,339	₱–	₱–
Long-term deposits	6,161,000	6,161,000	6,161,000	6,161,000
	₱445,517,395	₱490,890,339	₱6,161,000	₱6,161,000
Financial Liabilities				
Loans payable	₱2,786,509,587	₱2,739,441,141	₱3,479,406,982	₱3,620,808,095

As of December 31, 2018 and 2017, the Parent Company'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 December 31, 2018 and 2017.

27. Working Capital and Capital Management

The primary objective of the Parent Company's working capital and capital management is to ensure that the Parent Company has sufficient funds in order to support its business, pay existing obligation and maximize stockholders' value. The Parent Company considers its total equity, including deposit for future stock subscription, amounting to ₱3.3 billion and ₱2.9 billion as its capital as of December 31, 2018 and 2017, respectively.

The Parent Company maintains a capital base to cover risks inherent in the business. The Parent Company 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 Parent Company may return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

The Parent Company 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 Parent Company.

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

	2018	2017
Total current assets	₱847,267,709	₱887,545,941
Total current liabilities	1,415,373,642	1,301,944,166
Current ratio	0.60	0.68

Total liabilities, excluding deposit for future stock subscription	₱3,515,819,131	₱4,094,052,561
Total equity	3,272,540,908	2,906,176,174
Debt-to-equity ratio	1.07	1.41

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

28. Supplementary Information Required Under Revenue Regulations (RR) 15-2010

On November 25, 2010, the Bureau of Internal Revenue issued RR 15-2010 to amend certain provisions of RR 21-2002 prescribing the matter of compliance with any documentary and/or procedural requirements in connection with the preparation and submission of financial statements accompanying the tax returns. It requires the disclosure of taxes, duties and licenses paid or accrued during the year.

The Parent Company also reported and/or paid the following types of taxes for the year ended December 31, 2018.

a. The Parent Company has VAT output tax declaration of ₱21.2 million in 2018 based on the amount reflected in the revenue from hotel and food and beverage and other revenue arising from sale of tobacco amounting to ₱176.7 million.

   The Parent Company's revenue share in gaming operations is exempt from VAT as mentioned in P.D. 1869. The Parent Company is subject to 5% franchise tax, which shall be in lieu of all other taxes, including income tax and value added tax.

   The following table shows the sources of input VAT claimed:

Balance at beginning of the year	₱345,890,281
Purchases of:	
Goods other than for resale	6,899,680
Services lodged under other accounts	52,893,925
Claims for tax credit/refund and other adjustments	(21,202,244)
Balance at end of the year	₱384,481,642

b. Other taxes and licenses

Details consist of the following:

National	
Filing and Listing fees	₱3,104,720
Documentary stamp taxes	801,897
Public performance license	79,542
Custom duties and taxes	41,883
Trademark fees	3,152
BIR registration	500
	4,031,694
Local	
Real property tax	29,592,766
PEZA permit	630,291
Business permit	575,960
Inspection fee	69,653
Barangay clearance certificate	46,518
Advertising billboard permit	41,900
Notarial services	3,400
Hotel permit	1,000
Others	132,083
	31,093,571
Total	₱35,125,265

The Parent Company incurred franchise tax amounting to ₱25,735,517 from its gaming operations and is offset against "Revenue share in gaming operations" account.

The Parent Company did not have any importations or purchases of any products subject to excise tax. Details of the Parent Company's withholding taxes in 2018 are as follows:

Expanded withholding taxes	₱18,660,739
Withholding taxes on compensation	7,876,445
Final withholding tax	14,328,709
Total	₱40,865,893

Tax Assessments or Tax Cases

The Parent Company is currently not involved in any tax cases, preliminary investigations, litigations and/or prosecution in courts outside of BIR.

COVER SHEET
for
AUDITED CONSOLIDATED FINANCIAL STATEMENTS

SEC Registration Number

0 0 0 0 0 1 0 0 2 0

COMPANY NAME

~~M J C   I N V E S T M E N T S   C O R P O R A T I O N~~   D O I N G   B U S I N E S S   U N D E R   T H E   N A M E   A N D   S T Y L E   O F   W I N F O R D   L E I S U R E   A N D   E N T E R T A I N M E N T   C O M P L E X   A N D   W I N F O R D   H O T E L   A N D   C A S I N O   A N D   S U B S I D I A R Y

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

Winford Hotel and Casino, MJC Drive, Sta. Cruz, Manila

Form Type	Department requiring the report	Secondary License Type, If Applicable
AACFS	SEC	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
–	528-2300	–

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
434	6/28	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Joemar Onnagan	joemar.onnagan @winfordmanila.com	528-2300 (loc. 1132)	0917-595-5222

CONTACT PERSON's ADDRESS

Winford Hotel and Casino, MJC Drive, Sta. Cruz, Manila

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

2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commissi

ANNEX "

MJC INVESTMENTS CORP.

Winford Hotel & Casino, MJC Drive, Sta. Cruz, Manila
Tel. No. 528-3600

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of **MJC INVESTMENTS CORPORATION** Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino and Subsidiary ("the Group") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2018, 2017 and 2016, in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Alfonso R. Reyno, Jr.
Chairman of the Board and Chief Executive Officer

BUREAU OF INTERNAL REVENUE
RDO-31 STA. CRUZ, MANILA • RR6
APR 15 2019
ROMUALDO R. CABUBAS
REVENUE OFFICER
COLLECTION SECTION

Jose Alvaro D. Rubio
Treasurer

SUBSCRIBED AND SWORN TO BEFORE ME THIS ___ DAY OF ___

13 APR 2019

MANILA

ATTY. HENRY D. ADASA
NOTARY PUBLIC
COMMISSION 17-23
PASADENA ST., PASAY CITY
IBP NO. 047427 - 01/03/19 PASIG
PTR NO. 5826667 - 01/03/19 P.C.
MCLE COMPLIANCE NO. VI-0002830 - 4/14/2022
ROLL NO. 29679

DOC NO. 604
PAGE NO. 12
BOOK NO. XVII
SERIES OF 2019

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
MJC INVESTMENTS CORPORATION
Doing business under the name and style of Winford Leisure
And Entertainment Complex and Winford Hotel and Casino
(Formerly MJC Investments Corporation)
Winford Hotel and Casino, MJC Drive,
Sta. Cruz, Manila

BUREAU OF INTERNAL REVENUE
RDO-31 STA. CRUZ, MANILA - RR6
APR 15 2019
ROMUALDO R. CABUBAS
REVENUE OFFICER
COLLECTION SECTION

Opinion

We have audited the consolidated financial statements of MJC INVESTMENTS CORPORATION [Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino] (Formerly MJC Investments Corporation) and Subsidiary (the Group), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

The engagement partner on the audit resulting in this independent auditor's report is Adeline D. Lumbres.

SYCIP GORRES VELAYO & CO.

Adeline D. Lumbres
Partner
CPA Certificate No. 0107241
SEC Accreditation No. 1555-A (Group A),
April 14, 2016, valid until April 14, 2019
Tax Identification No. 224-024-746
BIR Accreditation No. 08-001998-118-2019,
January 28, 2019, valid until January 27, 2022
PTR No. 7332568, January 3, 2019, Makati City

April 3, 2019

BUREAU OF INTERNAL REVENUE
RDO-31 STA. CRUZ, MANILA - RR6
APR 15 2019
ROMUALDO R. CABUBAS
REVENUE OFFICER
COLLECTION SECTION

MJC INVESTMENTS CORPORATION

Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino and Subsidiary

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2018	2017
ASSETS		
Current Assets		
Cash (Note 7)	₱472,403,840	₱558,855,778
Receivables (Note 8)	212,430,569	181,045,664
Inventories (Note 9)	20,595,969	28,268,696
Input value-added tax (VAT) - current (Note 10)	33,303,677	24,777,789
Prepayments and other current assets (Note 11)	19,702,314	42,220,537
Total Current Assets	758,436,369	835,168,464
Noncurrent Assets		
Property and equipment (Notes 12 and 15)	5,132,755,047	5,630,328,456
Input VAT - net of current portion (Note 10)	367,079,972	337,794,085
Other noncurrent assets (Note 13)	442,303,457	145,733,757
Total Noncurrent Assets	5,942,138,476	6,113,856,298
	₱6,700,574,845	₱6,949,024,762
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 14)	₱554,202,301	₱310,870,849
Retention payable	138,453,425	279,174,193
Interest payable (Note 15)	15,925,877	19,055,836
Current portion of loans payable (Note 15)	694,286,996	692,879,656
Contract liabilities (Note 5)	12,541,411	–
Total Current Liabilities	1,415,410,010	1,301,980,534
Noncurrent Liabilities		
Loans payable - net of current portion (Note 15)	2,092,222,591	2,786,527,326
Deposit for future stock subscription (Notes 18 and 21)	2,142,201,097	1,086,132,641
Other noncurrent liabilities (Note 16)	8,222,898	5,581,069
Total Noncurrent Liabilities	4,242,646,586	3,878,241,036
Total Liabilities	5,658,056,596	5,180,221,570
Equity		
Capital stock (Note 22)	3,174,405,821	3,174,405,821
Deficit	(2,134,222,083)	(1,406,291,195)
Actuarial gains on retirement liability (Note 16)	2,334,511	688,566
Total Equity	1,042,518,249	1,768,803,192
	₱6,700,574,845	₱6,949,024,762

See accompanying Notes to Consolidated Financial Statements.

MJC INVESTMENTS CORPORATION

Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino and Subsidiary

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2018	2017	2016
REVENUE			
Revenue share in gaming operations (Note 17)	**₱365,872,325**	₱283,196,090	₱174,085,288
Hotel	**90,124,116**	76,763,068	18,217,694
Food and beverage	**78,603,365**	49,916,196	10,101,061
Bingo operations	**45,805,234**	25,940,208	14,052,800
Rental (Note 17)	**27,369,552**	22,274,636	2,839,601
Other revenue	**15,260,167**	11,289,431	2,750,232
	623,034,759	469,379,629	222,046,676
OPERATING COSTS AND EXPENSES (Note 24)	**(1,179,639,463)**	(1,050,101,324)	(541,001,557)
OPERATING LOSS	**(556,604,704)**	(580,721,695)	(318,954,881)
OTHER INCOME (EXPENSES)			
Interest expense (Note 15)	**(189,478,166)**	(209,300,201)	(128,180,135)
Interest income (Note 7)	**528,936**	342,977	1,307,544
Miscellaneous expenses - net	**(411,657)**	(498,320)	(276,979)
	(189,360,887)	(209,455,544)	(127,149,570)
LOSS BEFORE INCOME TAX	**(745,965,591)**	(790,177,239)	(446,104,451)
PROVISION FOR INCOME TAX (Note 19)	**(94,656)**	(57,936)	(258,915)
NET LOSS	**(746,060,247)**	(790,235,175)	(446,363,366)
OTHER COMPREHENSIVE INCOME			
Item that will not be reclassified to profit or loss in subsequent periods:			
Re-measurement gain on defined benefit obligation (Note 16)	**1,645,945**	688,566	–
TOTAL COMPREHENSIVE LOSS	**(₱744,414,302)**	(₱789,546,609)	(₱446,363,366)
Basic/Diluted Loss Per Share (Note 23)	**₱0.235**	₱0.249	₱0.141

See accompanying Notes to Consolidated Financial Statements.

MJC INVESTMENTS CORPORATION

Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino and Subsidiary

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

	Capital Stock (Note 22)					
	Issued and subscribed	Subscription receivables	Net	Deficit	Actuarial gains on retirement liability (Note 16)	Total
BALANCES AT DECEMBER 31, 2017	₱3,174,405,821	₱–	₱3,174,405,821	(₱1,406,291,195)	₱688,566	₱1,768,803,192
Effect of changes in accounting policy (Note 5)	–	–	–	18,129,359	–	18,129,359
Total comprehensive loss for the year	–	–	–	(746,060,247)	1,645,945	(744,414,302)
BALANCES AT DECEMBER 31, 2018	₱3,174,405,821	₱–	₱3,174,405,821	(₱2,134,222,083)	₱2,334,511	₱1,042,518,249
BALANCES AT DECEMBER 31, 2016	₱3,174,405,821	₱–	₱3,174,405,821	(₱616,056,020)	₱–	₱2,558,349,801
Total comprehensive loss for the year	–	–	–	(790,235,175)	688,566	(789,546,609)
BALANCES 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
Collection of subscriptions receivable	–	38,739,719	38,739,719	–	–	38,739,719
Total comprehensive loss for the year	–	–	–	(446,363,366)	–	(446,363,366)
BALANCES AT DECEMBER 31, 2016	₱3,174,405,821	₱–	₱3,174,405,821	(₱616,056,020)	₱–	₱2,558,349,801

See accompanying Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax	(₱745,965,591)	(₱790,177,239)	(₱446,104,451)
Adjustments for:			
Depreciation and amortization (Notes 12, 13 and 24)	514,951,145	517,522,706	242,194,560
Interest expense (Note 15)	189,478,166	209,300,201	128,180,135
Bad debts expense (Notes 8 and 24)	55,177,100	–	–
Retirement benefit expense (Notes 16 and 24)	4,287,775	1,635,897	812,718
Unrealized foreign exchange (gain) loss	(669,312)	406,081	92,219
Interest income (Note 7)	(528,936)	(342,977)	(1,307,544)
Gain on sale of disposal of transportation equipment (Note 12)	–	–	(137,054)
Operating income (loss) before working capital changes	16,730,347	(61,655,331)	(76,269,417)
Decrease (increase) in:			
Receivables	(52,566,616)	(43,160,696)	(25,949,847)
Inventories	7,672,727	(6,960,605)	(17,369,951)
Input VAT	(37,811,775)	51,107,153	(55,158,352)
Prepayment and other current assets	24,945,283	(41,803,918)	311,631
Increase (decrease) in:			
Accounts payable and other current liabilities	249,001,633	20,748,987	(118,896,561)
Retention payable	(140,720,768)	(70,199,052)	147,212,285
Contract liabilities	2,937,635	–	–
Other noncurrent liabilities	–	2,098,441	1,722,579
Net cash from (used in) operations	70,188,466	(149,825,021)	(144,397,633)
Income taxes paid	(94,656)	(57,936)	(262,233)
Interest received	528,936	342,977	1,307,544
Net cash flows from (used in) operating activities	70,622,746	(149,539,980)	(143,352,322)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment (Note 12)	(239,286,846)	(361,109,115)	(1,963,671,966)
Decrease (increase) in other noncurrent assets	(89,038,071)	60,661,384	239,706,463
Proceeds from disposal of non-gaming equipment (Note 12)	17,985	–	650,000
Payment of accounts payable for construction costs	–	–	(165,703,369)
Net cash flows used in investing activities	(328,306,932)	(300,447,731)	(1,889,018,872)
CASH FLOWS FROM FINANCING ACTIVITIES			
Collections of deposit for future stock subscription	1,056,068,456	1,086,132,641	–
Payment of principal	(700,000,000)	–	–
Payment of interest	(185,505,520)	(201,867,966)	(116,648,831)
Proceeds from availment of loans	–	–	995,000,000
Collection of subscriptions receivable	–	–	38,739,719
Net cash flows from financing activities	170,562,936	884,264,675	917,090,888
EFFECT OF EXCHANGE RATE CHANGES ON CASH	669,312	(406,081)	(92,219)
NET INCREASE (DECREASE) IN CASH	(86,451,938)	433,870,883	(1,115,372,525)
CASH AT BEGINNING OF YEAR	558,855,778	124,984,895	1,240,357,420
CASH AT END OF YEAR (Note 7)	₱472,403,840	₱558,855,778	₱124,984,895

See accompanying 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. In 2005, the SEC approved the extension of the Parent Company's corporate life for another fifty (50) years starting July 2005.

The Parent Company's primary purpose 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.

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

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

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, PAGCOR 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 ₱1.00 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).

Authorization for the Issuance of Consolidated financial statements
The consolidated financial statements were approved and authorized for issuance by the Board of Directors (BOD) on April 3, 2019.

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, in accordance with the provisions of the PTO.

The 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 gaming 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, 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, the Parent Company's revenue share in gaming 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 Parent Company 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, on a monthly basis, 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 (presented as "Gaming fees" under "Operating costs and expenses") (see Note 24).

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 four (4) junket gaming tables. Operation of gaming tables in excess of the initial four junket gaming tables 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 (MGF) of US$10,000 per table or (b) ten percent (10%) of the monthly gross winnings generated from the junket gaming operations. The MGF shall be subject to an annual escalation at the rate of ten percent (10%) commencing on the second year of operation. 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. These expenses are presented as part of "Gaming fees" recorded under "Operating costs and expenses" (see Note 24). In addition to the monthly fee, TSLC shall remit five percent (5%) of the monthly gross winnings of the junket gaming operations to PAGCOR as franchise tax.

In compliance with the junket agreement, TSLC shall also deposit to PAGCOR the following:

a) an amount equivalent to six (6) months of the minimum guaranteed fee for gaming tables for the junket gaming operations 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 which are recorded as part of "Long-term deposits" under "Other noncurrent assets" in the consolidated statements of financial position (see Note 13).

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

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.

TSLC generated revenue of nil for the years ended December 31, 2018 and 2017, and ₱1.4 million for the year ended December 31, 2016, respectively (presented as part of "Other revenue").

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

Changes in Accounting Policies
The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2018:

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

  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. Entities are required to apply the amendments to: (1) share-based payment transactions that are unvested or vested but unexercised as of January 1, 2018, (2) share-based payment transactions granted on or after January 1, 2018 and to (3) modifications of share-based payments that occurred on or after January 1, 2018. Retrospective application is permitted if elected for all three amendments and if it is possible to do so without hindsight.

  These amendments have no impact on the consolidated financial statements since the Group has no share-based payment options.

- PFRS 9, *Financial Instruments*

PFRS 9, *Financial Instruments,* 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.

The Group chose not to restate comparative figures as permitted by the transitional provisions of PFRS 9, thereby resulting in the following impact:

- Comparative information for prior periods will not be restated. The classification and measurement requirements previously applied in accordance with PAS 39 and disclosures required in PFRS 7 will be retained for the comparative periods. Accordingly, the information presented for 2017 and 2016 does not reflect the requirements of PFRS 9.
- The Group will disclose the accounting policies for both the current period and the comparative periods, one applying PFRS 9 beginning January 1, 2018 and one applying PAS 39 as of December 31, 2017.
- The difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period that includes the date of initial application will be recognized in the opening retained earnings or other component of equity, as applicable.
- As comparative information is not restated, the Group is not required to provide a third statement of financial position at the beginning of the earliest comparative period presented.

As of January 1, 2018, the Group has reviewed and assessed all of its existing financial assets. The table below illustrates the classification and measurement of financial assets and financial liabilities under PFRS 9 and PAS 39 at the date of initial application. The accounting policies adopted by the Group in its evaluation of the classification and measurement categories under PFRS 9 are discussed in Note 6.

The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with PAS 39 to their new measurement categories upon transition to PFRS 9 on January 1, 2018:

Financial Assets	PAS 39		Reclassification	PFRS 9		
	Category	Amount		Expected Credit Losses (ECL)	Amount	Category
Cash in banks	Loans and Receivables (L&R)	₱554,257,499	₱–	₱–	₱554,257,499	Amortized Cost (AC)
Receivables	L&R	180,161,667	–	–	180,161,667	AC
Trade		24,815,346	–	–	24,815,346	
Receivable arising from PTO		45,019,839	–	–	45,019,839	
Nontrade		110,326,482	–	–	110,326,482	
Deposits	L&R	7,190,495	–	–	7,190,495	AC
Long-term deposits	L&R	27,103,000	–	–	27,103,000	AC
		₱768,712,661	₱–	₱–	₱768,712,661	

The Group does not have financial assets and financial liabilities which had previously been designated at fair value through profit or loss (FVTPL) to reduce an accounting mismatch in accordance with PAS 39 which had been reclassified to AC or fair value through other comprehensive income (FVOCI) upon transition to PFRS 9.

The Group does not have impairment allowance in 2017 measured in accordance with PAS 39 that needs to be reconciled to the opening impairment allowance determined in accordance with PFRS 9 as of January 1, 2018.

Under PFRS 9, the level of provision for credit and impairment losses has generally increased due to the incorporation of a more forward-looking approach in determining provisions. Further, since the implementation of PFRS 9, all financial assets except receivables and those measured at FVTPL are assessed for at least 12-month ECL and the population of financial assets to which the lifetime ECL applies is larger than the population for which there is objective evidence of impairment in accordance with PAS 39.

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

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

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

- PFRS 15, *Revenue from Contracts with Customers*

  PFRS 15 supersedes PAS 11, *Construction Contracts*, PAS 18, *Revenue*, and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The five-step model is as follows:

  1. Identify the contracts with a customer
  2. Identify the performance obligations in the contract
  3. Determine the transaction price
  4. Allocate the transaction price to the performance obligations in the contract
  5. Recognize revenue as the entity satisfies a performance obligation.

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

  The Group adopted PFRS 15 using the modified retrospective method of adoption with the date of initial application of January 1, 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to all contracts as at January 1, 2018. Therefore, the comparative information was not restated and were reported under PAS 18 and related Interpretations.

  The Group has concluded that it is acting as principal in all of its revenue arrangements because the Group is the primary obligor who is responsible for providing the goods and services to the customers and the Group bears the credit risk.

The impact of adopting PFRS 15 are disclosed in Note 5 to the consolidated financial statements.

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

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

  These amendments did not have any impact on the Group's consolidated financial statements.

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

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

  These amendments did not have any impact on the Group's consolidated financial statements.

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

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

  These amendments did not have any significant impact on the Group's consolidated financial statements.

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 consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2019

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

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

- 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 also be 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 re-measurement of the lease liability as an adjustment to the right-of-use asset.

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

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

  A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

  As of December 31, 2018, the Group does not have lease arrangement wherein the Group is the lessee, therefore the Group does not expect PFRS 16 to impact its consolidated financial statements.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

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

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

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

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

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

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

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

The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. Since the Group does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its consolidated financial statements.

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

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

The interpretation specifically addresses the following:

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

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

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

Annual Improvements to PFRSs 2015-2017 Cycle

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

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

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

  An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

  These amendments are currently not applicable to the Group but may apply to future transactions.

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

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

  An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments are not relevant to the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

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

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

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

  These amendments are currently not applicable to the Group but may apply to future transactions.

Effective beginning on or after January 1, 2020

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

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

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

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

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

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

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

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

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

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

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

  PFRS 17 is not applicable to the Group.

Deferred effectivity

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

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

  On January 13, 2016, the FRSC 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. Effect of Adoption of PFRS 15 and Other Adjustments

As of January 1, 2018, the Group adopted PFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to all contracts as at January 1, 2018. Therefore, the comparative information were not restated and were reported under PAS 18 and related interpretations. In addition, adjustments related to the accounting for the gaming equipment were adjusted to the opening deficit. The impact of these adjustments on the prior year financial statements were not material, thus, comparative information were not restated.

	Reference	Increase (decrease)
ASSETS		
Current Assets		
Receivables	(e)	₱33,995,389
Prepayments and other current assets	(b)	2,427,060
Total Current Assets		36,422,449
Noncurrent Assets		
Property and equipment	(e)	(254,938,110)
Other noncurrent assets	(e)	240,578,614
Total Noncurrent Assets		(14,359,496)
		₱22,062,953
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities	(b), (c), (d)	(₱5,670,182)
Contract liabilities	(b), (c)	9,603,776
Total Current Liabilities		3,933,594
Equity		
Deficit	(b), (d), (e)	18,129,359
		₱22,062,953

Set out below, are the amounts by which each financial statement line item is affected as at and for the year ended December 31, 2018 as a result of the adoption of PFRS 15. The adoption of PFRS 15 did not have a material impact on other comprehensive income or the Group's operating, investing and financing cash flows. The first column shows what the amounts would have been had PFRS 15 not been adopted and the second column shows amounts under PFRS 15:

Consolidated statement of comprehensive income ~~for the year ended December 31, 2018~~

	Reference	PAS 18	PFRS 15 adjustments	PFRS 15
REVENUE				
Revenue share in gaming operations		₱365,872,325	₱–	₱365,872,325
Hotel rooms	(a), (d)	89,966,986	157,130	90,124,116
Food and beverage	(a), (d)	76,472,771	2,130,594	78,603,365
Bingo operations		45,805,234	–	45,805,234
Rental		27,369,552	–	27,369,552
Other revenue	(d)	15,239,914	20,253	15,260,167
		620,726,782	2,307,977	623,034,759
OPERATING COSTS AND EXPENSES	(b)	(1,175,768,403)	(3,871,060)	(1,179,639,463)
OPERATING LOSS		(555,041,621)	(1,563,083)	(556,604,704)
OTHER INCOME (EXPENSES)				
Interest expense		(189,478,166)	–	(189,478,166)
Interest income		528,936	–	528,936
Miscellaneous expense - net		(411,657)	–	(411,657)
		(189,360,887)	–	(189,360,887)
LOSS BEFORE INCOME TAX		(744,402,508)	(1,563,083)	(745,965,591)
PROVISION FOR INCOME TAX		(94,656)	–	(94,656)
NET LOSS		(744,497,164)	(1,563,083)	(746,060,247)
OTHER COMPREHENSIVE INCOME		1,645,945	–	1,645,945
TOTAL COMPREHENSIVE LOSS		(₱742,851,219)	(₱1,563,083)	(₱744,414,302)
Basic/Diluted Loss Per Share		₱0.238		₱0.235

Consolidated statement of financial position as at December 31, 2018

	Reference	PAS 18	PFRS 15 adjustments	PFRS 15
ASSETS				
Current Assets				
Cash		₱472,403,840	₱–	₱472,403,840
Receivables		212,430,569	–	212,430,569
Inventories		20,595,969	–	20,595,969
Current portion of input value-added tax (VAT)		33,303,677	–	33,303,677
Prepayments and other current assets	(b)	19,642,314	60,000	19,702,314
Total Current Assets		758,376,369	60,000	758,436,369

(Forward)

	Reference	PAS 18	PFRS 15 adjustments	PFRS 15
Noncurrent Assets				
Property and equipment		₱5,132,755,047	₱–	₱5,132,755,047
Input VAT - net of current portion		367,079,972	–	367,079,972
Other noncurrent assets		442,303,457	–	442,303,457
Total Noncurrent Assets		5,942,138,476	–	5,942,138,476
		₱6,700,514,845	₱60,000	₱6,700,574,845
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts payable and other current liabilities	(b), (c), (d)	₱563,614,095	(₱9,411,794)	₱554,202,301
Retention payable		138,453,425	–	138,453,425
Interest payable		15,925,877	–	15,925,877
Current portion of loans payable		694,286,996	–	694,286,996
Contract liabilities	(b), (c)	–	12,541,411	12,541,411
Total Current Liabilities		1,412,280,393	3,129,617	1,415,410,010
Noncurrent Liabilities				
Loans payable - net of current portion		2,092,222,591	–	2,092,222,591
Deposit for future stock subscription		2,142,201,097	–	2,142,201,097
Other noncurrent liabilities		8,222,898	–	8,222,898
Total Noncurrent Liabilities		4,242,646,586	–	4,242,646,586
Total Liabilities		5,654,926,979	3,129,617	5,658,056,596
Equity				
Capital stock		3,174,405,821	–	3,174,405,821
Deficit	(b), (d)	(2,131,152,466)	(3,069,617)	(2,134,222,083)
Actuarial gains on retirement liability		2,334,511	–	2,334,511
Total Equity		1,045,587,866	(3,069,617)	1,042,518,249
		₱6,700,514,845	₱60,000	₱6,700,574,845

The nature of the adjustments as at January 1, 2018 and the reasons for the significant changes in the consolidated statement of financial position as at December 31, 2018 and the consolidated statement of comprehensive income for the year ended December 31, 2018 are described below:

(a) Hotel, food and beverage are recognized when services are performed or the goods are sold. The Group offers promos or package deal to customers to avail of their hotel rooms. These promos or package deal typically include hotel room services, complimentary breakfast, use of function room services and catering services. The Group applies a practical expedient by accounting for its hotel, food and beverage transactions on a portfolio basis versus an individual basis as all transactions have similar characteristics.

    Upon adoption of PFRS 15, for hotel room transactions that include complimentary breakfast, use of function room services and catering services provided by the Group, the Group allocates the standalone selling price of each good or service to the appropriate revenue type based on the good or service provided. The transaction price is the net amount collected from customers for such goods and services and is recorded when the goods are provided or services are performed. Revenue from contracts with multiple goods or services are allocated to each good or service based on its relative standalone selling price.

(b) The Group has noncash transactions with various advertising service providers in which the Group offers voucher that covers function rooms usage, hotel rooms and catering services in exchange for advertising services. The vouchers have no expiration and is not convertible to cash. The Group applies a practical expedient by accounting for noncash transactions on a portfolio basis versus an individual basis as all transactions have similar characteristics.

Upon adoption of PFRS 15, transactions with noncash considerations with various advertising service providers are recorded as prepayments for advertising services received and contract liability for the Group's obligations to provide goods or services to be performed in the future. The transaction price is the fair value of advertising services less considerations paid. The Group records revenue when the goods are provided or services are performed.

(c) There may be a difference between the timing of cash receipts from the customer and the recognition of revenue, resulting in a contract related-liability. The Group generally has two types of liabilities related to contracts with customers: (1) advance payments on hotel rooms and banquet events, and (2) pre-selling of bingo cards for monthly/quarterly event. The Group applies for practical expedient for advance payments received. The Group will not adjust the amount of consideration for the effect of financing component in contracts since the period between the time the customer pays for the good or service and when the Group transfers that promised good or service to the customer will be one year or less.

Upon adoption of PFRS 15, the Group records the advance payments received as contract liability. The transaction price is the amount collected in advance from customers for good or service to be provided in the future. The Group records revenue when the goods are provided or services are performed.

(d) The Group charged its customers service charge for hotel room accommodation and sale of food and beverage. The Group distributed 85% of the total collected service charge to its employees. The 15% is used to cover for breakages incurred by the hotel and is retained under "Accounts payable and other current liabilities".

Under PFRS 15, revenue is measured at the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer and should exclude amounts collected on behalf of third parties.

(e) For accounting purposes, the Parent Company accounted for the use of gaming equipment as finance lease. The Parent Company derecognized its gaming equipment and recorded a receivable arising from PTO related to gaming equipment.

6. Summary of Significant Accounting and Financial Reporting Policies, Significant Accounting Judgments, Estimates and Assumptions

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 consolidated 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 AC are disclosed in Note 26.~~

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.

Financial Instruments - Classification and Measurement *(applicable starting January 1, 2018 upon the adoption of PFRS 9)*

Classification of financial assets

Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Group's business model for managing the financial assets. The Group classifies its financial assets into the following measurement categories:

- financial assets measured at AC
- financial assets measured at FVTPL

- financial assets measured at FVOCI, where cumulative gains or losses previously recognized are reclassified to profit or loss
- financial assets measured at FVOCI, where cumulative gains or losses previously recognized are not reclassified to profit or loss

~~*Contractual Cash Flows Characteristics*~~

If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Group assesses whether the cash flows from the financial asset represent SPPI on the principal amount outstanding.

In making this assessment, the Group determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI on the principal amount outstanding.

Business Model

The Group's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument.

The Group's business model refers to how it manages its financial assets in order to generate cash flows. The Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Relevant factors considered by the Group in determining the business model for a group of financial assets include how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel, the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed and how managers of the business are compensated.

Financial assets at AC

A financial asset is measured at amortized cost if (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding. Financial assets at AC are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at AC include cash in banks, receivables, deposits and long-term deposits.

Financial assets at FVTPL

Financial assets at FVTPL are measured at fair value unless these are measured at AC or at FVOCI. Included in this classification are equity investments held for trading and debt instruments with contractual terms that do not represent SPPI. Financial assets held at FVTPL are initially recognized at fair value, with transaction costs recognized in the consolidated statements of comprehensive income as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the consolidated statements of comprehensive income.

Additionally, even if the asset meets the AC or the FVOCI criteria, the Group may choose at initial recognition to designate the financial asset at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) that would otherwise arise from measuring financial assets on a different basis.

Trading gains or losses are calculated based on the results arising from trading activities of the Group, including all gains and losses from changes in fair value for financial assets and financial liabilities at FVTPL, and the gains or losses from disposal of financial investments.

As of December 31, 2018, the Group does not have financial assets at FVTPL.

Financial assets at FVOCI

Debt Instruments

A debt financial asset is measured at FVOCI if (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and (ii) its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment losses or reversals, interest income and foreign exchange gains and losses are recognized in profit and loss until the financial asset is derecognized. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. This reflects the gain or loss that would have been recognized in profit or loss upon derecognition if the financial asset had been measured at amortized cost. Impairment is measured based on the ECL model.

As of December 31, 2018, the Group does not have debt instruments at FVOCI.

Equity instruments

The Group may also make an irrevocable election to measure at FVOCI on initial recognition investments in equity instruments that are neither held for trading nor contingent consideration recognized in a business combination in accordance with PFRS 3. Amounts recognized in OCI are not subsequently transferred to profit or loss. However, the Group may transfer the cumulative gain or loss within equity. Dividends on such investments are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment.

As of December 31, 2018, the Group does not have equity instruments at FVOCI.

Classification of financial liabilities

Financial liabilities are measured at AC, except for the following:

- financial liabilities measured at FVTPL;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the Group retains continuing involvement;
- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate; and
- contingent consideration recognized by an acquirer in accordance with PFRS 3.

A financial liability may be designated at FVTPL if it eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) or:

- if a host contract contains one or more embedded derivatives; or
- if a group of financial liabilities or financial assets and liabilities is managed and its performance

evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Where a financial liability is designated at FVTPL, the movement in fair value attributable to changes in the Group's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income.

Reclassifications of Financial Instruments *(applicable starting January 1, 2018 upon the adoption of PFRS 9)*
The Group reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Group and any previously recognized gains, losses or interest shall not be restated. The Group does not reclassify its financial liabilities.

Impairment of Financial Assets *(applicable starting January 1, 2018 upon the adoption of PFRS 9)*
PFRS 9 introduces a single, forward-looking "expected loss" impairment model, replacing the "incurred loss" impairment model under PAS 39.

No ECL is recognized for the Group's financial assets at AC.

ECLs are measured in a way that reflects the following:
- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

Stage 1: 12-month ECL
For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date are recognized.

Stage 2: Lifetime ECL - not credit-impaired
For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.

Stage 3: Lifetime ECL - credit-impaired
Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted EIR to the amortized cost of the financial asset.

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

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

~~The Group considers a financial asset in default when contractual payments are 120 days past due.~~ However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Write-off Policy
The Group writes-off a financial asset, in whole or in part, when the asset is considered uncollectible, it has exhausted all practical recovery efforts and has concluded that it has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof.

Financial Assets and Liabilities *(prior to adoption of PFRS 9)*
Date of Recognition
The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position 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 FVTPL, L&R, held-to-maturity investments and available-for-sale financial assets. Financial liabilities are classified as financial liabilities at FVTPL 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 FVTPL, held-to-maturity investments and available-for-sale financial assets as of 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 L&R 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 noncurrent assets.

This category includes cash in banks, receivables, deposits and long-term deposits.

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 noncurrent liabilities.

This category includes accounts payable and other current liabilities (excluding "withholding taxes payable"), retention payable, interest payable and loans payable.

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 AC

If there is objective evidence that an impairment loss on loans and receivables carried at AC 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 EIR. 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 EIR 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 AC 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.

Cash
Cash in the consolidated statements of financial position comprises of cash on hand and cash in banks.

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. Advances to contractors and suppliers are presented under "Other noncurrent assets" in the consolidated statements of financial position.

Creditable Withholding Taxes (CWT)
CWT represents the amount of tax withheld by counterparties from the Group. These are recognized upon collection and are utilized as tax credits against income tax due as allowed by the Philippine taxation laws and regulations. CWT is presented under "Prepayment and other current assets" 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.

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") includes linens uniforms, and utensils, which are carried at cost. Bulk purchases of items of operating equipment with expected usage period of beyond one year are classified as noncurrent assets and are amortized over 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.

Contract Liabilities *(applicable starting January 1, 2018 upon the adoption of PFRS 15)*
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from a customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs the obligation under the contract.

Contract liabilities include payments received by the Group from the customers for which revenue recognition has not yet commenced. Accordingly, deposits by hotel, banquet customers, advance collection for purchase of bingo cards, services received from customers, and lessees are recorded as contract liabilities until services or goods are provided or sold to the customers.

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 consolidated statements of financial position. 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 *(applicable for both periods presented)*
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.

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.

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 EIR. Interest income represents interest earned from cash and advances to related parties.

Loyalty Program Points
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 loyalty points give rise to a separate performance obligation as they provide a material right to the customer. The Group's customer is able to use the points as a currency (i.e., currency value has been fixed and can no longer be changed by the Group). A portion of the transaction price is allocated to the loyalty points awarded to customers based on relative stand-alone selling price and recognized as a financial liability until the points are redeemed.

Revenue Recognition *(applicable starting January 1,2018 upon the adoption of PFRS 15)*
The Group's revenue from contracts with customers primarily consist of hotel accommodation services, food and beverage, bingo services and other revenue. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements.

Revenue from Contracts with Customer
Revenue from Hotel
Revenue from hotel is recognized over time as the service is rendered to the customer, generally when the hotel services are performed. Deposits received from customers in advance on rooms are recorded under "Contract liabilities" until services are provided to the customers.

Revenue from Food and Beverage
Revenue from food and beverage is recognized at point in time when the control of the goods is transferred to the customer, generally when the goods are delivered.

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. Revenue is recognized at point in time upon the conduct of the bingo operations.

Revenue Recognition *(applicable until December 31,2017 prior to the adoption of PFRS 15)*
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.

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 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.

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 re-measurements 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.

Re-measurements 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. Re-measurements 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 Parent Company 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 - Operating lease
Lease 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.

Parent Company as a Lessor - Finance lease
Lease in which the Parent Company transfers substantially all the risks and benefits of ownership of the assets are classified as finance lease. Lease collections are apportioned between the finance income and the reduction of the outstanding receivable so as to achieve a constant periodic rate of interest on the remaining balance of the receivable for each period. Finance income are charged directly against profit or loss. A combination of the following would normally lead to a lease being classified as finance lease:

a. ownership of the asset to the lessee by the end of the lease term.
b. the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised.
c. the lease term is for the major part of the economic life of the asset even if title is not transferred.
d. at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset.
e. the leased assets are of such a specialized nature that only the lessee can use them without major modifications.

<u>VAT</u>
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" in the consolidated statements of financial position.

<u>Provisions</u>
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.

Segment Reporting
For management purposes, the Group is organized and managed separately according to the nature of the business. These operating businesses are the basis upon which the Group reports its segment information presented in Note 25.

An operating segment is a component of an entity:
a. that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
b. with operating results regularly reviewed by the entity's chief of operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance; and
c. for which discrete financial information is available.

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 (see Note 17)
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.

Parent Company as the Lessor - Finance Lease Commitments
The Parent Company has entered into agreements with PAGCOR involving its gaming equipment. The ~~Parent Company has determined that the lease term is for the major part of the asset's economic life. In calculating the present value of the minimum lease payments to measure the finance lease receivable~~ at initial recognition, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine it; otherwise, the lessee's incremental borrowing rate is used. Initial direct costs incurred, if any, are included as part of the asset.

Revenue from Contracts with Customers (applicable starting January 1, 2018 upon adoption of PFRS 15)
The Group applied the following judgments that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- *Identifying of contracts with customers under PFRS 15*
  The Group applied PFRS 15 guidance to a portfolio of contracts with similar characteristics as the Group reasonably expects that the effects on the consolidated financial statements of applying this guidance to the portfolio would not differ materially from applying this guidance to the individual contracts within that portfolio.

- *Identifying performance obligations*
  The Group provides hotel services, food and beverage sales, bingo services and other sales and services to its customers. The Parent Company has determined that each of the services are capable of being distinct.

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 December 31, 2018 and 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 (see Note 19).

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.

Definition of Default and Credit-Impaired Financial Assets (applicable starting January 1,2018 upon adoption of PFRS 9)
Upon adoption of PFRS 9, the Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

- *Quantitative Criteria*
  The borrower is more than 120 days past due on its contractual payments, which is consistent with the Group's definition of default.

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

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

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

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

Grouping of Instruments for Losses Measured on Collective Basis
For ECL provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

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

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

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

Provision for doubtful accounts recognized in 2018 amounted to ₱55.2 million. The carrying amount of receivables amounted to ₱212.4 million as at December 31, 2018 (see Note 8).

Estimation of Allowance for Doubtful Accounts of Receivables (applicable until December 31, 2017 prior to adoption of PFRS 9)
The Group assesses whether objective evidence of impairment exists for receivables that are individually significant and collectively for receivables that are not individually significant. Allowance for impairment losses on receivables is maintained at a level considered adequate to provide for potentially uncollectible receivables. Allowance for impairment losses on receivables is recognized for

the difference between the outstanding principal amount and recoverable amount which is the present value of future cash flows expected to be received from collection of receivables.

There was no provision for doubtful accounts on receivables recognized in 2017. The carrying amounts of receivables are disclosed in Note 8 to the consolidated financial statements.

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 December 31, 2018 and 2017 are disclosed in Note 12 to the consolidated financial statements.

Determination of Indicators of Impairment of Non-Financial Assets
The Group determines whether its non-financial assets are impaired whenever events or changes in circumstances indicate that the carrying values of the assets may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following, among others:

- significant underperformance relative to expected historical or projected operating results;
- significant changes in the manner of use of acquired assets or the overall business strategy; and
- significant negative industry or economic trends.

Management assessed that, there are no indicators or circumstances that indicate that the carrying values of the Group's non-financial assets may not be recoverable. Accordingly, no provision for impairment losses was recognized in 2018 and 2017.

The net book values of the Group's non-financial assets pertaining to input VAT, property and equipment and other noncurrent assets are disclosed in Notes 10, 12 and 13 to the consolidated financial statements, respectively.

7. Cash

This account consists of:

	2018	2017
Cash in banks	₱465,901,982	₱554,257,499
Cash on hand	6,501,858	4,598,279
	₱472,403,840	₱558,855,778

Cash in banks generally earns interest at the respective bank deposit rates. Total interest income earned from cash in banks amounted to ₱0.5 million, ₱0.3 million and ₱1.3 million in 2018, 2017 and 2016, respectively.

8. Receivables

This account consists of:

	2018	2017
Trade:		
Non-related parties	₱53,962,725	₱24,421,046
Related parties (Note 21)	1,943,276	394,300
Nontrade	110,381,917	110,326,482
Receivable arising from PTO related to:		
Gaming equipment (Notes 5 and 17)	57,122,087	–
Gaming facility (Note 17)	42,774,147	45,019,839
Advances to employees (Note 21)	1,423,517	883,997
	267,607,669	181,045,664
Less: allowance for doubtful accounts (Note 24)	55,177,100	–
	₱212,430,569	₱181,045,664

Trade receivables consist mainly of claims against the lessees of the building spaces for commercial operations and claims against the travel agencies for the hotel accommodations. These receivables 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 arising from PTO pertains to the outstanding balance of the Group's revenue share in gaming operations related to gaming facility and gaming equipment 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 the PTO.

In 2018, management provided allowance for doubtful accounts amounting to ₱55.2 million pertaining to nontrade receivables.

9. Inventories

This account consists of:

	2018	2017
At cost:		
Operating supplies	₱17,121,808	₱24,945,725
Food, beverage, and tobacco	3,474,161	3,322,971
	₱20,595,969	₱28,268,696

Operating supplies include cards, seals and dice.

No allowance for inventory obsolescence was recognized in 2018 and 2017.

10. Input VAT

	2018	2017
Input VAT- current	₱33,303,677	₱24,777,789
Noncurrent:		
Input VAT - noncurrent	351,181,565	321,116,092
Deferred input VAT	15,898,407	16,677,993
	367,079,972	337,794,085
	₱400,383,649	₱362,571,874

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. Prepayments and Other Current Assets

This account consists of:

	2018	2017
Deposits	₱14,191,752	₱7,488,371
Prepayments	3,231,339	4,124,093
CWT	2,279,223	1,009,868
Prepaid taxes	–	29,598,205
	₱19,702,314	₱42,220,537

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

Prepayments pertain to advance payments for software maintenance and health insurance.

CWT pertains to the taxes withheld by the withholding agent from the payment to the Group.

Prepaid taxes paid in 2017 pertain to the real property tax for 2018.

12. Property and Equipment

This account consists of:

	2018						
	Land	Building	Machinery	Gaming equipment (Note 5)	Non-gaming equipment	Kitchen and bar equipment, computer software and hardware	Total
Cost							
Balance at beginning of year	₱600,800,000	₱4,156,152,679	₱207,348,587	₱330,421,219	₱431,964,951	₱620,285,115	₱6,346,972,551
Additions	–	190,030,268	11,554,155	–	21,867,362	15,835,061	239,286,846
Disposal/Reclassification	–	–	–	(330,421,219)	(44,962)	–	(330,466,181)
Balance at end of year	600,800,000	4,346,182,947	218,902,742	–	453,787,351	636,120,176	6,255,793,216
Accumulated depreciation							
Balance at beginning of year	–	229,607,402	21,412,752	75,483,109	117,247,918	272,892,914	716,644,095
Depreciation (Note 24)	–	145,515,649	30,389,042	–	90,651,931	215,347,538	481,904,160
Disposal/Reclassification	–	–	–	(75,483,109)	(26,977)	–	(75,510,086)
Balance at end of year	–	375,123,051	51,801,794	–	207,872,872	488,240,452	1,123,038,169
Net book value	₱600,800,000	₱3,971,059,896	₱167,100,948	₱–	₱245,914,479	₱147,879,724	₱5,132,755,047

	2017						
	Land	Building	Machinery	Gaming equipment	Non-gaming equipment	Kitchen and bar equipment, computer software and hardware	Total
Cost							
Balance at beginning of year	₱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
Disposal/Reclassification	–	–	–	–	–	(695,664)	(695,664)
Balance at end of 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 of year	–	93,440,349	1,562,485	35,778,249	33,277,437	68,531,817	232,590,337
Depreciation (Note 24)	–	136,167,053	19,850,267	39,704,860	83,970,481	205,056,761	484,749,422
Disposal/Reclassification	–	–	–	–	–	(695,664)	(695,664)
Balance at end of 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

As of December 31, 2018 and 2017, land and building with an aggregate carrying values of ₱4.6 billion and ₱4.5 billion, respectively, were pledged as collateral for the loan facility (see Note 15).

Gain on sale of non-gaming equipment amounted to nil in 2018, 2017, and ₱0.1 million in 2016.

13. Other Noncurrent Assets

This account consists of:

	2018	2017
Receivable arising from PTO related to gaming equipment - net of current portion (Notes 5 and 17)	₱382,234,308	₱–
Long-term deposits	27,103,000	27,103,000
Operating equipment	23,114,358	55,880,233
Advances to contractors and suppliers	9,851,791	62,750,524
	₱442,303,457	₱145,733,757

Long-term deposits pertain to guarantee payment for utility bills and deposits by TSLC to PAGCOR under Junket Agreement (see Note 2).

Movement in operating equipment are as follows:

	2018			
	Utensils	**Linens**	**Uniforms**	**Total**
Cost				
Balance at beginning of year	₱23,562,076	₱70,667,222	₱4,690,413	₱98,919,711
Additions	–	250,275	30,835	281,110
Balance at end of year	23,562,076	70,917,497	4,721,248	99,200,821
Accumulated amortization				
Balance at beginning of year	12,737,713	28,757,814	1,543,951	43,039,478
Amortization (Note 24)	7,854,025	23,626,139	1,566,821	33,046,985
Balance at end of year	20,591,738	52,383,953	3,110,772	76,086,463
Net book value	₱2,970,338	₱18,533,544	₱1,610,476	₱23,114,358

	2017			
	Utensils	Linens	Uniforms	Total
Cost				
Balance at beginning of year	₱23,562,076	₱69,952,228	₱3,883,279	₱97,397,583
Additions	–	714,994	807,134	1,522,128
Balance at end of year	23,562,076	70,667,222	4,690,413	98,919,711
Accumulated depreciation				
Balance at beginning of year	4,883,688	5,175,753	206,753	10,266,194
Amortization (Note 24)	7,854,025	23,582,061	1,337,198	32,773,284
Balance at end of year	12,737,713	28,757,814	1,543,951	43,039,478
Net book value	₱10,824,363	₱41,909,408	₱3,146,462	₱55,880,233

14. Accounts Payable and Other Current Liabilities

This account consists of:

	2018	2017
Accounts payable	₱429,415,044	₱213,104,250
Accrued expenses	61,693,012	53,817,707
Gaming liabilities	27,600,511	19,344,013
Withholding taxes payable	6,395,327	2,259,155
Advances from related parties (Note 21)	4,970,819	4,970,819
Others	24,127,588	17,374,905
	₱554,202,301	₱310,870,849

Accounts payable are noninterest-bearing and are normally settled within 30 to 60 days 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, professional 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.

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 deposits which shall be applied as payment for future bookings of hotel rooms, statutory liabilities and other various individually insignificant items.

15. Loans Payable

This account consists of:

	2018	2017
Principal	₱2,800,000,000	₱3,500,000,000
Less unamortized debt discount	(13,490,413)	(20,593,018)
	2,786,509,587	3,479,406,982
Less current portion of long-term debt	(694,286,996)	(692,879,656)
	₱2,092,222,591	₱2,786,527,326

The movements in unamortized debt discount follow:

	2018	2017
Unamortized debt discount at beginning of year	₱20,593,018	₱28,025,253
Less: amortization*	(7,102,605)	(7,432,235)
Unamortized debt discount at end of year	₱13,490,413	₱20,593,018

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

Future repayment of the principal as follows:

	2018	2017
Within one year	₱700,000,000	₱700,000,000
After one year but not more than five years	2,100,000,000	2,800,000,000
	₱2,800,000,000	₱3,500,000,000

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 furniture and equipment and permanent working capital of the Parent Company. In November 2015, the Parent Company drew ₱2.5 billion from the loan facility, receiving proceeds of ₱2.5 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 ₱189.5 million, ₱209.3 million and ₱128.2 million in 2018, 2017, and 2016 respectively. Total interest paid amounted to ₱185.5 million, ₱201.9 million and ₱116.7 million in 2018, 2017 and 2016, respectively.

The loan is secured by the Parent Company's land and building with an aggregate carrying value of ₱4.6 billion and ₱4.5 billion as of December 31, 2018 and 2017, respectively (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. As of December 31, 2018 and 2017, the Parent Company has complied with the loan covenants.

16. Retirement Benefits

The Group does not have an established retirement plan and only conforms to the minimum regulatory benefit under the Retirement Pay Law (RA 7641) which is of the defined benefit type and provides a retirement equal to 22.5 days' pay for every year of credited service. The regulatory benefit is paid in a lump sum upon retirement. The Group liability for retirement benefits is based solely on the requirement under RA 7641. Benefits are based on the employee's final salary and years of service.

The table below summarizes the components of retirement cost recognized under "Operating costs and expenses" in the consolidated statements of comprehensive income (see Note 24):

	2018	2017
Current service cost	₱4,185,692	₱1,588,272
~~Net interest cost~~	~~102,083~~	~~47,625~~
	~~₱4,287,775~~	~~₱1,635,897~~

Movements in the cumulative actuarial gain in the consolidated statements of comprehensive income are as follows:

	2018	2017
Balance at beginning of year	₱688,566	₱–
Actuarial gain recognized in other comprehensive income	1,645,945	688,566
	₱2,334,511	₱688,566

The movements in the retirement liability are as follows:

	2018	2017
Balance at beginning of year	₱1,760,049	₱812,718
Total retirement expense for the year	4,287,775	1,635,897
Defined benefit income recognized in OCI	(1,645,945)	(688,566)
Balance at end of year	₱4,401,879	₱1,760,049

Movement in defined benefit obligation are as follows:

	2018	2017
Balance at beginning of year	₱1,760,049	₱812,718
Current service cost	4,185,692	1,588,272
Interest cost	102,083	47,625
Actuarial loss (gain) on:		
Experience adjustments	–	87,942
Change in demographic assumptions	–	(1,277,912)
Changes in financial assumptions	(1,645,945)	501,404
Balance at end of year	₱4,401,879	₱1,760,049

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

	2018	2017
Discount rate	7.61%	5.80%
Salary increase rate	5.00%	5.00%

The Group does not maintain a fund for its retirement benefit obligation. While funding is not a requirement of the law, there is a cash flow risk that the Group may be exposed to if several employees retire within the same year.

Shown below are the maturity profile of the undiscounted benefit payments as of December 31, 2018 and 2017 are as follows:

	2018	2017
Less than one year	₱–	₱–
One to less than five years	568,824	755,226
Five to less than 10 years	845,504	309,837
10 to less than 15 years	2,386,405	10,126,839
15 to less than 20 years	4,243,737	17,587,343
20 years and above	13,140,844	57,056,448
	₱21,185,314	₱85,835,693

The average duration of the expected benefit payments as of December 31, 2018 and 2017 is 25.85 years and 22.92 years, respectively.

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

		Effect on retirement liability
Discount rate		
	8.61% (Actual + 1.00%)	(₱666,284)
	6.61% (Actual - 1.00%)	826,412
Salary increase rate		
	6.00% (Actual + 1.00%)	₱840,401
	4.00% (Actual - 1.00%)	(686,977)

17. Significant Commitments

PTO

As discussed in Notes 1 and 2, 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.

Under this arrangement, the Parent Company shall 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 approved and deemed necessary by PAGCOR:

(1) Certain number of gaming tables, table layout, chairs and other equipment and paraphernalia.
(2) A minimum number of new slot machines and an online tokenless system of linking and networking all slot machines.

The use of slot machines and gaming tables ("Gaming Equipment") by PAGCOR will be for the major part of the Gaming Equipment's economic life.

In addition, the Parent Company shall also establish the gaming facility, including furnishings; undertake and shoulder the cost of designing, furnishing and maintaining PAGCOR San Lazaro.

The use of certain floors in the Parent Company's building as gaming facility did not substantially transfer the risk and benefits related to the ownership of the building.

The Parent Company requested PAGCOR to manage PAGCOR San Lazaro and PAGCOR shall exclusively and directly control, supervise and manage PAGCOR San Lazaro.

The Parent Company's share from gross gaming revenue of PAGCOR San Lazaro amounted to ₱413.4 million in 2018 and ₱283.2 million in 2017, respectively. Portion of the share from gross gaming revenue of PAGCOR San Lazaro related to gaming equipment was applied as payment for receivable arising from PTO in 2018 amounting to ₱47.5 million. Accordingly, revenue share in gaming operations for the year ended December 31, 2018 and 2017, presented in the consolidated statements of comprehensive income, amounted to ₱365.9 million and ₱283.2 million, respectively. The details of the revenue share in gaming operations for the years ended December 31, 2018 and 2017 are as follows:

	2018	2017
Revenue share from gaming operations related to:		
Gaming facility	₱322,178,581	₱283,196,090
Gaming equipment	43,693,744	–
	₱365,872,325	₱283,196,090

The future minimum collection related to the gaming equipment follows:

	2018
Within one year	₱100,557,388
After one year but not more than five years	402,229,553
More than five years	93,932,612
	596,719,553
Less: unamortized portion of discount	(157,363,158)
	439,356,395
Less: current portion (Note 8)	(57,122,087)
Noncurrent portion (Note 13)	₱382,234,308

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 2018 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 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 two years of lease. In 2018, the Parent Company agreed to amend the rental rates from ₱650 per sqm. to ₱200 per sqm. per month exclusive of VAT.

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 lease contract was renewed in 2019. 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 one year commencing on February 2018 and was subsequently renewed. The monthly payment amounts to ₱30,000, inclusive of electrical consumption but exclusive of VAT, for the first quarter of 2018 and ₱15,000 thereafter.

i. The Parent Company also entered into an agreement of lease with Asian Integrated 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.

k. The Parent Company also entered into an agreement of lease with Globe Telecom, Inc. for ten years starting February 1, 2016 to lease a 6 sqm. area of Winford Hotel and Casino to be used as telecommunication site. The lease is payable at a monthly rate amounting to ₱36,700, net of all taxes and 5% escalation fee on the third year thereafter.

l. The Parent Company also entered into an agreement of lease with Smart Communications, Inc. for five years commencing on November 10, 2016 to lease a 9 sqm. area of Winford Hotel and Casino to be used for satellite services. The lease is payable at a monthly rate amounting to ₱36,700, net of all taxes and 5% escalation fee on the third year thereafter.

m. The Parent Company also entered into an agreement of lease with AIO FX Trade, Inc. for five years commencing on December 18, 2017 to lease a 5.06 sqm. area of Winford Hotel and Casino. AIO FX Trade, Inc is a money changer. The lease is payable at a monthly rate of ₱30,000, inclusive of VAT for the first year, ₱37,000, inclusive of VAT for the second year and 10% escalation fee on the third year thereafter applied on the second-year monthly rate.

n. The Parent Company also entered into an agreement of lease with Andresons Global, Inc. for three years commencing on April 8, 2018 to lease a 14.09 sqm. area of Winford Hotel and Casino to sell high end liquors. The lease is payable at a monthly rate of ₱20,000 exclusive of VAT and no escalation during the lease term.

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

	2018	2017
Within one year	₱29,894,591	₱11,218,022
After one year but not more than five years	51,730,920	38,994,097
Five years onwards	17,384,971	40,926,122
	₱99,010,482	₱91,138,241

Rent income amounted to ₱27.4 million, ₱22.3 million and ₱2.8 million in 2018, 2017 and 2016.

Operating Lease Commitment - the Parent Company as Lessee

a. On July 15, 2014, the Parent Company entered into a lease agreement with EEG Development Corporation to lease a property located at 1774 Consuelo Street, Sta. Cruz, Manila consisting of a floor area of 225 sqm. for the purposes of the mockup of Winford Hotel and Casino project. The lease term is for a period of two years commencing July 15, 2014 and expiring on July 14, 2016, renewable under such terms and conditions mutually agreed upon by the parties. The monthly rate for rental amounted to ₱45,000, exclusive of VAT and subject to withholding tax, which is payable every 15th day of each calendar month. No renewal was made on July 14, 2016.

Rent expense amounted to nil in 2018 and 2017 and ₱3.5 million in 2016.

Service Agreements

a. The Parent Company also entered into an agreement with a service provider, engaging the latter to provide consultancy, advisory and technical services in relation to the operation, management and development of the hotel including recommendation or proposals on the activities or matters relating to the hotel. The agreement took effect on November 1, 2015 and will continue until terminated in accordance with the provisions of the agreement.

b. The Parent Company also entered into an agreement with a service provider, engaging the latter to provide consultancy, advisory, and technical services in relation to the operation, management and development of the casino. The agreement took effect on November 1, 2015 and will continue until terminated in accordance with the provisions of the agreement.

c. The Parent Company also entered into an agreement with a service provider, engaging the latter to provide communication strategy and planning development, conceptualization, production of advertising materials and marketing of the Group's banquet and hotel rooms.

Total service fees recognized in 2018, 2017 and 2016 under these agreements amounted to ~~₱31.6 million, ₱25.7 million and ₱17.4 million, respectively (see Note 24).~~

18. Deposit for Future Stock Subscription

The Group presented the deposit amounting to ₱2.1 billion and ₱1.1 billion as "Deposit for future stock subscription" under noncurrent liabilities in the consolidated statements of financial position as of December 31, 2018 and 2017, respectively, in accordance with FRB No. 6 as issued by the SEC.

19. Income Taxes

For income tax purposes, as the entity was 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).

The provision for income tax consists of final tax amounting to ₱94,656, ₱57,936 and ₱258,915 in 2018, 2017 and 2016, respectively.

As of December 31, 2018 and 2017, no deferred tax assets were recognized as management believes that the Group 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 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).

As of December 31, 2018 and 2017, net unrecognized deferred tax assets from its operations other than gaming are composed of the following:

	2018	2017
Deferred tax assets:		
Net operating loss carry over (NOLCO)	**₱560,907,136**	₱367,663,292
Bad debts	**16,553,130**	–
Unearned income	**1,566,124**	1,588,259
Retirement liability	**1,355,546**	547,601
Customer deposits	**1,220,886**	1,218,681
Unrealized foreign exchange loss	**4,088**	303,540
Service charge payable	–	1,106,325
Amortization of long term deposits	–	64,274
Minimum corporate income tax (MCIT)	–	3,318
	581,606,910	372,495,290

(Forward)

	2018	2017
Deferred tax liabilities:		
Deferred rent income	₱754,268	₱529,304
Unrealized foreign exchange gain	204,882	181,716
	959,150	711,020
~~Deferred tax assets - net~~	~~₱580,647,760~~	~~₱371,784,270~~

As of December 31, 2018, the details of NOLCO and MCIT are as follows:

NOLCO

Year Incurred	Beginning Balance	Incurred	Expired	Ending Balance	Available Until
2015	₱57,532,611	₱–	(₱57,532,611)	₱–	2018
2016	405,982,377	–	–	405,982,377	2019
2017	762,029,320	–	–	762,029,320	2020
2018	–	701,678,755	–	701,678,755	2021
	₱1,225,544,308	₱701,678,755	(₱57,532,611)	₱1,869,690,452	

MCIT

MCIT incurred for the year 2014 amounted ₱3,318 has expired in 2018.

The reconciliation of the benefit from income tax based on the accounting income and the actual provision for income tax for years ended December 31 are as follows:

	2018	2017	2016
Benefit from income tax based on accounting income before income tax	**(₱223,789,677)**	(₱237,053,172)	(₱133,133,619)
Additions to (reductions in) income tax resulting from tax effects of:			
Movement in unrecognized deferred tax assets	**208,863,490**	221,674,192	111,634,426
Expired NOLCO and MCIT	**17,263,101**	9,622,022	12,048,420
Loss (income) from gaming operations exempt from income tax	**(4,427,264)**	2,973,345	(728,253)
Nondeductible expenses and others	**2,232,402**	2,869,874	10,837,907
Interest income subjected to final tax	**(47,396)**	(28,325)	(399,966)
Provision for income tax	**₱94,656**	₱57,936	₱258,915

20. PEZA Registration

On February 10, 2015, the Parent Company's 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.

21. 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:

			2018		2017			
Entity	Relationship	Nature	Amount	Receivable (Payable)	Amount	Receivable (Payable)	Terms	Condition
Manila Jockey Club, Inc. (MJCI)	Stockholder	Deposit for future stock subscription (Note 18)	₱84,979,217	(₱237,233,646)	₱152,254,429	(₱152,254,429)	Noninterest-bearing	Unsecured, unguaranteed
		Advances[a] (Note 14)	–	(4,970,819)	–	(4,970,819)	Noninterest-bearing; due and demandable	Unsecured, unguaranteed
		Commission from the off-track betting[b] (Note 8)	167,932	371,013	293,962	304,099	Noninterest-bearing; due and demandable	Unsecured, unimpaired
Various Shareholders	Stockholder	Deposit for future stock subscription (Note 18)	971,089,239	(1,904,967,451)	933,878,212	(933,878,212)	Noninterest-bearing	Unsecured, unguaranteed
Manilacockers Club, Inc. (MCI)	Affiliate	Commission from the off-track betting[c][d] (Note 8)	4,367,699	1,572,263	701,543	90,201	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.
[d] MCI is an affiliate through a common stockholder, MJCI.

Key Management Personnel

Total key management personnel compensation of the Group amounted to ₱33.5 million, ₱13.2 million, and ₱11.2 million as of December 31, 2018, 2017 and 2016, respectively. The compensations are short-term employee benefits.

The Group has no standard arrangement with regard to the remuneration of its directors. In 2018, 2017 and 2016, the BOD received directors' fees aggregating ₱0.7 million, ₱0.8 million and ₱0.6 million respectively (Note 24).

The Group's advances to its employees amounted to ₱1.4 million and ₱0.9 million as of December 31, 2018 and 2017, respectively (see Note 8).

22. Equity

Capital Stock
The Parent Company has a total of 5,000,000,000 authorized shares, 3,174,405,821 issued and subscribed shares at ₱1.00 par value. The total issued, outstanding, and subscribed capital are held by 434, 446, and 444 equity holders for the years 2018, 2017 and 2016, respectively.

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 April 12, 2018, the BOD approved the conduct of a stock rights offering in order to raise additional capital. The total number of shares to be issued is 1,587,202,910 common shares and the stock offer price shall be at ₱1.00 per share. The entitlement ratio shall be one rights share for every two common shares held as of record date.

On September 17, 2018, the BOD approved the offer price for the rights shall be ₱1.00 rights per share, if paid in full upon submission on the application to subscribe, or ₱2.00 per rights share, if paid on installment basis. As of April 3, 2019, the stock rights offering is still pending approval of SEC.

23. Basic/Diluted Loss Per Share

	2018	2017	2016
Net loss for the year	₱746,060,247	₱790,235,175	₱446,363,366
Divided by weighted average number of outstanding common shares	3,174,405,821	3,174,405,821	3,174,405,821
Basic/diluted losses per share	₱0.235	₱0.249	₱0.141

The Group has no potential dilutive common shares as of December 31, 2018, 2017 and 2016. Therefore, the basic and diluted loss per share are the same as of those dates.

24. Operating Costs and Expenses

This account consists of:

	2018	2017	2016
Depreciation and amortization (Notes 12 and 13)	₱514,951,145	₱517,522,706	₱242,194,560
Utilities	93,705,878	86,566,168	66,022,075
Contracted services	73,607,692	58,968,324	51,365,621
Gaming fees (Note 2)	65,820,131	48,131,185	22,820,092
Salaries and wages	63,922,922	52,287,878	44,014,296
Bad debts (Note 8)	55,177,100	–	–
Repairs and maintenance	40,390,203	32,993,441	1,651,483
Security services	36,478,069	27,488,479	27,582,364
Taxes and licenses	35,158,649	3,710,892	5,983,506
Service fee (Note 17)	31,631,071	25,740,714	17,385,900

(Forward)

	2018	2017	2016
Advertising and marketing	**₱31,289,095**	₱37,672,153	₱6,539,620
Food, beverage, and tobacco	**31,044,175**	21,000,605	6,912,332
Banquet expenses	**22,607,167**	16,241,552	2,931,745
Hotel room and supplies	**15,262,456**	16,523,870	6,075,570
Professional fees	**13,898,503**	10,280,178	11,915,007
Entertainment	**11,694,686**	12,885,180	2,286,355
Communication	**7,270,000**	7,231,154	6,331,746
Transportation and travel	**6,573,515**	2,252,605	2,096,979
Insurance	**6,425,422**	6,414,645	2,150,766
Retirement (Note 16)	**4,287,775**	1,635,897	812,718
Supplies	**3,518,538**	2,140,746	1,249,668
Commission	**3,148,816**	3,754,417	376,053
Rent	**2,531,601**	4,151,117	4,610,654
Meetings and conferences	**1,402,898**	1,689,358	1,515,417
Directors' fees (Note 21)	**680,000**	776,000	553,000
Representation	**97,500**	155,275	1,203,731
Others	**7,064,456**	51,886,785	4,420,299
	₱1,179,639,463	₱1,050,101,324	₱541,001,557

25. Operating Segment Information

The Group has two operating segments in 2018, 2017, and 2016. Gaming segment pertains to casino operations while non-gaming pertains to hotel operations. Management monitors the operating results of its operating segments for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net income or loss and is measured consistently with the total comprehensive loss on the consolidated financial statements. The Group's asset-producing revenues are located in the Philippines (i.e., one geographical location). Therefore, geographical segment information is no longer presented.

Segment Revenue and Expenses

The segment results for the years ended December 31, 2018, 2017 and 2016 are as follows:

	2018		
	Gaming	**Non-gaming**	**Total**
Revenue	**₱411,677,559**	**₱211,357,200**	**₱623,034,759**
Operating costs and expenses	**(396,164,128)**	**(783,475,335)**	**(1,179,639,463)**
Other expenses - net	**(754,581)**	**(188,606,306)**	**(189,360,887)**
Provision for income tax	**(261)**	**(94,395)**	**(94,656)**
Net income (loss)	**₱14,758,589**	**(₱760,818,836)**	**(₱746,060,247)**

	2017		
	Gaming	Non-gaming	Total
Revenue	₱309,136,298	₱160,243,331	₱469,379,629
Operating costs and expenses	(319,025,935)	(731,075,389)	(1,050,101,324)
Other expenses - net	(3,094)	(209,452,450)	(209,455,544)
Provision for income tax	(3,684)	(54,252)	(57,936)
Net loss	(₱9,896,415)	(₱780,338,760)	(₱790,235,175)

	2016		
	Gaming	Non-gaming	Total
Revenue	₱189,539,608	₱32,507,068	₱222,046,676
Operating costs and expenses	(181,659,471)	(359,342,086)	(541,001,557)
Other income (expenses) - net	92,417	(127,241,987)	(127,149,570)
Provision for income tax	(21,352)	(237,563)	(258,915)
Net income (loss)	₱7,951,202	(₱454,314,568)	(₱446,363,366)

Segment Assets and Liabilities and Other Information
The segment assets, liabilities, capital expenditures and other information as of and for the years ended December 31, 2018 and 2017 are as follows:

	2018		
	Gaming	**Non-gaming**	**Total**
Assets	**₱1,945,925,332**	**₱4,754,649,513**	**₱6,700,574,845**
Liabilities	**149,148,176**	**5,508,908,420**	**5,658,056,596**
Capital expenditures	**66,661,405**	**172,625,441**	**239,286,846**
Interest income	**1,303**	**527,633**	**528,936**
Depreciation and amortization	**150,955,249**	**363,995,896**	**514,951,145**

	2017		
	Gaming	Non-gaming	Total
Assets	₱1,598,838,089	₱5,350,186,673	₱6,949,024,762
Liabilities	147,648,954	5,032,572,616	5,180,221,570
Capital expenditures	102,682,870	258,426,245	361,109,115
Interest income	18,418	324,559	342,977
Depreciation and amortization	144,555,123	372,967,583	517,522,706

26. Financial Risk Management Objectives and Policies and Fair Value Measurement

The Group's consolidated financial instruments comprise of cash in banks, receivables (excluding "advances from employees"), deposits (presented as part of "Prepayments and other current assets" in the consolidated financial statements), noncurrent portion of receivable arising from PTO and long-term deposits (presented as part of "Other noncurrent assets" in the consolidated financial statements), accounts payable and other current liabilities (excluding "withholding taxes payable"), retention payable, interest payable 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 December 31, 2018 and 2017 as follows:

	2018	2017
At amortized cost/loans and receivables:		
Cash in banks (Note 7)	₱465,901,982	₱554,257,499
Receivables* (Note 8)	211,007,052	180,161,667
Deposits** (Note 11)	7,404,740	7,190,495
Long-term deposits (Note 13)	27,103,000	27,103,000
Receivable arising from PTO related to gaming equipment - net of current portion (Note 13)	382,234,308	–
	₱1,093,651,082	₱768,712,661

**Excluding advances to employees.*

***Excluding security deposit to be applied at the end of the contract and advance payments for operating supplies and television advertisements.*

As of December 31, 2018 and 2017, the aging analysis of receivables is as follows:

			Past due but not impaired					
2018	Total	Neither past due nor impaired	Less than 30 days past due	31 to 60 days past due	61 to 90 days past due	91 to 180 days past due	More than 180 days past due	Impaired
Trade:								
Non-related parties	₱53,962,725	₱6,790,829	₱3,968,979	₱6,097,486	₱1,997,424	₱35,108,007	₱–	₱
Related parties	1,943,276	513,235	366,506	362,044	281,800	419,691	–	–
Nontrade	55,204,817	55,435	–	–	–	–	55,149,382	55,177,100
Receivable arising from PTO	482,130,542	481,215,042	265,500	650,000	–	–	–	–
	₱593,241,360	₱488,574,541	₱4,600,985	₱7,109,530	₱2,279,224	₱35,527,698	₱55,149,382	₱55,177,100

			Past due but not impaired					
2017	Total	Neither past due nor impaired	Less than 30 days past due	31 to 60 days past due	61 to 90 days past due	91 to 180 days past due	More than 180 days past due	Impaired
Trade:								
Non-related parties	₱24,421,046	₱12,542,225	₱2,203,084	₱2,347,663	₱2,465,559	₱1,695,201	₱3,167,314	₱–
Related parties	394,300	394,300	–	–	–	–	–	–
Nontrade	110,326,482	55,435	–	–	–	–	110,271,047	–
Receivable arising from PTO	45,019,839	44,112,866	599,500	–	6,000	18,000	283,473	–
	₱180,161,667	₱57,104,826	₱2,802,584	₱2,347,663	₱2,471,559	₱1,713,201	₱113,721,834	₱–

The table below shows the credit quality of the Group's neither past due nor impaired receivables as of December 31, 2018 and 2017, based on the Group's experience with its debtor's ability to pay:

	2018			
	Grade A	Grade B	Grade C	Total
Trade:				
Non-related parties	₱3,767,015	₱1,715,819	₱1,307,995	₱6,790,829
Related parties	513,235	–	–	513,235
Nontrade	55,435	–	–	55,435
Receivable arising from PTO	481,215,042	–	–	481,215,042
	₱485,550,727	₱1,715,819	₱1,307,995	₱488,574,541

	2017			
	Grade A	Grade B	Grade C	Total
Trade:				
Non-related parties	₱4,509,546	₱2,198,162	₱5,834,517	₱12,542,225
Related parties	394,300	–	–	394,300
Nontrade	55,435			55,435
Receivable arising from PTO	44,112,866		–	44,112,866
	₱49,072,147	₱2,198,162	₱5,834,517	₱57,104,826

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

- Grade A
  This includes cash deposited with banks having good reputation and bank standing and receivables from customers or affiliates that always pay on time or even before the maturity date.

- Grade B
  This includes receivables that are collected on their due dates provided that they were reminded or followed up by the Group.

- Grade C
  This includes receivables which are still collected within their extended due dates.

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 December 31, 2018 and 2017 based on contractual undiscounted payments.

	2018			
	Due and Demandable	Less than 1 year	1 year or above	Total
Loans payable*	₱–	₱901,993,406	₱2,164,441,498	₱3,066,434,904
Accounts payable and other current liabilities**	4,970,819	542,836,155	–	547,806,974
Retention payable	138,453,425	–	–	138,453,425
Interest payable	–	15,925,877	–	15,925,877
	₱143,424,244	₱1,460,755,438	₱2,164,441,498	₱3,706,478,179

**Including interest.*
***Excluding withholding taxes payable amounting to ₱6,395,327.*

	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:

	2018			
	Due and Demandable	Less than 1 year	1 year or above	Total
At amortized cost:				
Cash in banks	₱465,901,982	₱–	₱–	₱465,901,982
Receivables	82,313,289	128,693,763	382,234,308	593,241,360
Deposits	–	–	7,404,740	7,404,740
Long-term deposits	–	–	27,103,000	27,103,000
	₱548,215,271	₱128,693,763	₱416,742,048	₱1,093,651,082

	2017			
	Due and Demandable	Less than 1 year	1 year or above	Total
Loans and receivables:				
Cash in banks	₱554,257,499	₱–	₱–	₱554,257,499
Receivables	123,056,841	57,104,826	–	180,161,667
Deposits	–	–	7,190,495	7,190,495
Long-term deposits	–	–	27,103,000	27,103,000
	₱677,314,340	₱57,104,826	₱34,293,495	₱768,712,661

As discussed in Note 22, the Group's BOD approved the conduct of a stock rights offering in order to raise additional capital which will be used for debt servicing requirements. In addition, the Group will consider raising additional cash from shareholders or long-term loans.

Changes in liabilities arising from financing activities

	December 31, 2017	Cash flows	Others*	December 31, 2018
Loans payable	₱3,479,406,982	(₱700,000,000)	₱7,102,605	₱2,786,509,587
Deposit for future stock subscription	1,086,132,641	1,056,068,456	–	2,142,201,097
Interest payable	19,055,836	(185,505,520)	182,375,561	15,925,877
Total liabilities from financing activities	₱4,584,595,459	₱170,562,936	₱189,478,166	₱4,944,636,561

***Others includes accrual of interest from interest-bearing loans and accretion of loans payable.**

	December 31, 2016	Cash flows	Others*	December 31, 2017
Loans payable	₱3,471,974,747	₱–	₱7,432,235	₱3,479,406,982
Deposit for future stock subscription	–	1,086,132,641	–	1,086,132,641
Interest payable	19,055,836	(201,867,966)	201,867,966	19,055,836
Total liabilities from financing activities	₱3,491,030,583	₱884,264,675	₱209,300,201	₱4,584,595,459

***Others includes accrual of interest from interest-bearing loans and accretion of loans payable.**

Fair Value Measurement
The carrying values of cash in banks, receivables, deposits, 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 receivable arising from PTO related to gaming equipment, 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 receivable arising from PTO related to gaming equipment, long-term deposits and loans payable are as follows:

	2018		2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Receivable arising from PTO related to gaming equipment	₱439,356,395	₱484,729,339	₱–	₱–
Long-term deposits	27,103,000	27,103,000	27,103,000	27,103,000
	₱466,459,395	₱511,832,339	₱27,103,000	₱27,103,000
Financial Liabilities				
Loans payable	₱2,786,509,587	₱2,739,441,141	₱3,479,406,982	₱3,620,808,095

As of December 31, 2018 and 2017, the Group's consolidated 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 December 31, 2018 and 2017.

27. 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 ₱3.2 billion and ₱2.9 billion as its capital as of December 31, 2018 and 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 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:

	2018	2017
Total current assets	₱758,436,369	₱835,168,464
Total current liabilities	1,415,410,010	1,301,980,534
Current ratio	0.54	0.64

Total liabilities, excluding deposit for future stock subscription	₱3,515,855,499	₱4,094,088,929
Total equity	3,184,719,346	2,854,935,833
Debt-to-equity ratio	1.1	1.43

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

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
MJC INVESTMENTS CORPORATION
Doing business under the name and style of Winford Leisure
And Entertainment Complex and Winford Hotel and Casino
(Formerly MJC Investments Corporation)
Winford Hotel and Casino, MJC Drive,
Sta. Cruz, Manila

We have audited in accordance with Philippine Standards on Auditing, the accompanying consolidated financial statements of MJC INVESTMENTS CORPORATION [Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino] (Formerly MJC Investments Corporation) and Subsidiary (the Group) as at December 31, 2018 and 2017 and for each of the three years in the period ended December 31, 2018 included in this Form 17-A and have issued our report thereon dated April 3, 2019. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The schedules listed in the Index to Consolidated Financial Statements and Supplementary Schedules are the responsibility of the management of the Group. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Adeline D. Lumbres

Adeline D. Lumbres
Partner
CPA Certificate No. 0107241
SEC Accreditation No. 1555-A (Group A),
April 14, 2016, valid until April 14, 2019
Tax Identification No. 224-024-746
BIR Accreditation No. 08-001998-118-2019,
January 28, 2019, valid until January 27, 2022
PTR No. 7332568, January 3, 2019, Makati City

April 3, 2019

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

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

MJC INVESTMENTS CORPORATION

SCHEDULE A: FINANCIAL ASSETS

December 31, 2018

Financial Assets	Name of Issuing entity and association of each	Number of shares or principal amount of bonds and notes	Amount shown in the Balance Sheet	Valued based on market quotation at balance sheet date	Income Received and Accrued
Cash and cash equivalents*	N/A	N/A	₱465,901,982	N/A	N/A
Receivables**	N/A	N/A	211,007,052	N/A	N/A
Deposits***	N/A	N/A	7,404,740	N/A	N/A
Long-term deposits****	N/A	N/A	27,103,000	N/A	N/A
Receivable arising from PTO related to gaming equipment - net of current portion****	N/A	N/A	382,234,308	N/A	N/A
TOTAL			₱1,093,651,082		

**Excluding cash on hand amounting to ₱6,501,858 for the year ended December 31, 2018.*

***Excluding advances to employees amounting to ₱1,423,517 for the year ended December 31, 2018.*

****Excluding security deposit to be applied at the end of the contract and advance payments for operating supplies and television advertisements amounting to ₱6,787,012 for the year ended December 31, 2018..*

*****Presented under "Other noncurrent assets" in consolidated financial statements.*

MJC INVESTMENTS CORPORATION

SCHEDULE B: AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)

December 31, 2018

Name and designation of Debtor	Balance at beginning of period	Additions	Deductions		Current	Not Current	Balance at End of period
			Amounts Collected	Amounts Written Off			
Manila Jockey Club, Inc.	₱304,099	*₱453,426*	*(₱386,512)*	₱–	₱371,013	₱–	₱371,013
Manila Cockers Club, Inc.	90,201	*3,000,788*	*(1,518,726)*	–	1,572,263	–	1,572,263
Advances to Employee	883,997	*5,438,120*	*(4,898,600)*	–	1,423,517	–	1,423,517
TOTAL	₱1,278,297	₱8,892,334	(₱6,803,838)	₱–	₱3,366,793	₱–	₱3,366,793

MJC INVESTMENTS CORPORATION

SCHEDULE C: AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING CONSOLIDATION OF FS

December 31, 2018

Name and Designation of Debtor	Balance at the Beginning of Period	Additions	Deductions			Current	Not Current	Balance at End of period
			Amounts Collected	Amounts Written Off	Others			
Trafalgar Square Leisure Corporation	₱53,664,747	₱36,455,006	₱–	₱–	₱–	₱90,119,753	₱–	₱90,119,753
TOTAL	₱53,664,747	₱36,455,006	₱–	₱–	₱–	₱90,119,753	₱–	₱90,119,753

MJC INVESTMENTS CORPORATION

SCHEDULE D: INTANGIBLE ASSETS(OTHER ASSETS)

December 31, 2018

Description	Beginning Balance	Additions at Cost	Charged to Costs and Expenses	Charged to Other Accounts	Other Changes Additions (Deductions)	Ending Balance
			NOT APPLICABLE			

MJC INVESTMENTS CORPORATION

SCHEDULE H: CAPITAL STOCK

December 31, 2018

Title of Issue	No. of Shares Authorized	No. of shares issued and outstanding and shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by affiliates	Directors, Officers and Employees	Others
Common Stock	5,000,000,000	₱3,174,405,821	N/A	N/A	N/A	N/A
TOTAL	**5,000,000,000**	**₱3,174,405,821**				

MJC INVESTMENTS CORPORATION

SCHEDULE I: AMOUNTS PAYABLE TO RELATED PARTIES WHICH ARE ELIMINATED DURING CONSOLIDATION OF FS

December 31, 2018

Name of Creditor	Designation of Creditor	Balance at the Beginning of Period	Additions	Deductions		Current	Not Current	Balance at End of period
				Amounts Paid	Others			

NOT APPLICABLE

MJC INVESTMENTS CORPORATION

SCHEDULE J: PARENT COMPANY RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

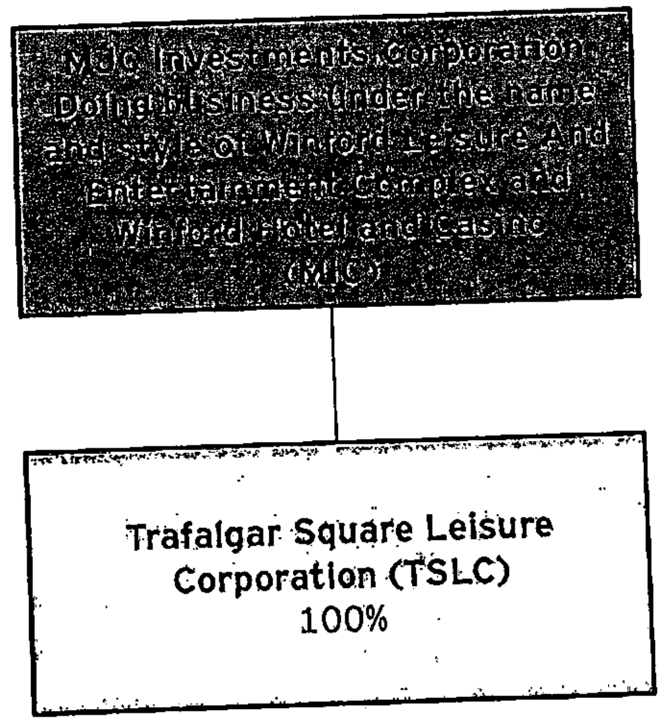
December 31, 2018

NOT APPLICABLE

MJC INVESTMENTS CORPORATION

SCHEDULE K: MAP OF AFFILIATES

December 31, 2018



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

SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS
AS OF DECEMBER 31, 2018

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Financial Reporting Standards				
PFRS 1	First-time Adoption of Philippine Financial Reporting Standards			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2, Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4, Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	✓		
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
Philippine Accounting Standards				
PAS 1	Presentation of Financial Statements	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 10	Events after the Reporting Period	✓		
PAS 12	Income Taxes	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 19	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
PAS 23	Borrowing Costs	✓		
PAS 24	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Separate Financial Statements	✓		
PAS 28	Investments in Associates and Joint Ventures			✓
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
PAS 40	Investment Property			✓
	Amendments to PAS 40, Transfers of Investment Property			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 41	Agriculture			✓
Philippine Interpretations				
Philippine Interpretation IFRIC-1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
Philippine Interpretation IFRIC-2	Members' Shares in Co-operative Entities and Similar Instruments			✓
Philippine Interpretation IFRIC-4	Determining whether an Arrangement contains a Lease	✓		
Philippine Interpretation IFRIC-5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
Philippine Interpretation IFRIC-6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
Philippine Interpretation IFRIC-7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
Philippine Interpretation IFRIC-10	Interim Financial Reporting and Impairment			✓
Philippine Interpretation IFRIC-12	Service Concession Arrangements			✓
Philippine Interpretation IFRIC-14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
Philippine Interpretation IFRIC-16	Hedges of a Net Investment in a Foreign Operation			✓
Philippine Interpretation IFRIC-17	Distributions of Non-cash Assets to Owners			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Interpretation IFRIC-19	Extinguishing Financial Liabilities with Equity Instruments			✓
Philippine Interpretation IFRIC-20	Stripping Costs in the Production Phase of a Surface Mine			✓
Philippine Interpretation IFRIC-21	Levies			✓
Philippine Interpretation IFRIC-22	Foreign Currency Transactions and Advance Consideration			✓
Philippine Interpretation SIC-7	Introduction of the Euro			✓
Philippine Interpretation SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
Philippine Interpretation SIC-15	Operating Leases - Incentives	✓		
Philippine Interpretation SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
Philippine Interpretation SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
Philippine Interpretation SIC-29	Service Concession Arrangements: Disclosures			✓
Philippine Interpretation SIC-32	Intangible Assets - Web Site Costs			✓

MJC Investments Corporation
Reconciliation of Retained Earnings Available for Dividend Declaration

ANNEX 68-C

RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
As of December 31, 2018
MJC INVESTMENTS CORPORATION
Winford Hotel and Casino, MJC Drive, Sta. Cruz, Manila

Unappropriated Retained Earnings, as adjusted to *available for dividend distribution, beginning Dec 31, 2017*	(1,388,161,836.00)	
Add: Net income actually earned/realized during the period		
Net income during the period closed to Retained Earnings	(744,414,302.00)	
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture	-	
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents) Unrealized actuarial gain	1,645,945.00	
Fair value adjustment (M2M gains)	-	
Fair value adjustment of Investment Property resulting to gain	-	
Adjustment due to deviation from PFRS/GAAP-gain	-	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-	
Sub-total	(2,134,222,083.00)	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	-	
Adjustment due to deviation from PFRS/GAAP – loss	-	
Loss on fair value adjustment of investment property (after tax)	-	
	-	
Net income actually earned during the period		(2,134,222,083.00)
Add(Less):		
Dividend declarations during the period	-	
Appropriations of Retained Earnings during the period	-	
Reversals of appropriations	-	
Effects of prior period adjustments	-	
Treasury shares	-	-
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND		**(2,134,222,083.00)**

MJC Investments Corporation
Reconciliation of Retained Earnings Available for Dividend Declaration

ANNEX 68-C

RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
As of December 31, 2018
MJC INVESTMENTS CORPORATION
Winford Hotel and Casino, MJC Drive, Sta. Cruz, Manila

Unappropriated Retained Earnings, as adjusted to *available for dividend distribution, beginning Dec 31, 2017*	(1,388,161,836.00)	
Add: Net income actually earned/realized during the period		
Net income during the period closed to Retained Earnings	(744,414,302.00)	
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture	-	
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents) Unrealized actuarial gain	1,645,945.00	
Fair value adjustment (M2M gains)	-	
Fair value adjustment of Investment Property resulting to gain	-	
Adjustment due to deviation from PFRS/GAAP-gain	-	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-	
Sub-total	(2,134,222,083.00)	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	-	
Adjustment due to deviation from PFRS/GAAP – loss	-	
Loss on fair value adjustment of investment property (after tax)	-	
	-	
Net income actually earned during the period		(2,134,222,083.00)
Add(Less):		
Dividend declarations during the period	-	
Appropriations of Retained Earnings during the period	-	
Reversals of appropriations	-	
Effects of prior period adjustments	-	
Treasury shares	-	-
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND		(2,134,222,083.00)

COVER SHEET

1	0	0	2	0

S.E.C. Registration Number

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

(Company's Full Name)

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

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

ATTY. LEMUEL M. SANTOS

Contact Person

632-7373

Company's Telephone Number

12 **31**

Month ***Day***

Fiscal Year

QUARTERLY REPORT

17-Q

FORM TYPE

06 **28**

Month ***Day***

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

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, 2019**

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. Province, country or other jurisdiction of incorporation or organization **Republic of the Philippines**

6. Industry Classification Code: (SEC Use Only)

7. Address of issuer's principal office Postal Code

   Winford Hotel and Casino, MJC Drive, Sta. Cruz, Manila **1014**

8. Issuer's telephone number, including area code **(632) 528-2300**

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

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

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common	3,174,405,821

11. Are any or all of 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 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 **Annex "A"**.

- Consolidated Statement of Financial Position as of March 31, 2019 and December 31, 2018
- Consolidated Statement of Comprehensive Income for the quarters ended March 31,2019 and 2018
- Consolidated Statement of Changes in Equity for the quarters ended March 31, 2019 and 2018
- Consolidated Statement of Cash Flow for the quarters ended March 31, 2019 and 2018
- Aging of Accounts Receivable as of March 31, 2019
- Notes to Consolidated Financial Statements

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

Please see attached **Annex "B"**.

PART II – OTHER INFORMATION

There is no material information which had not been previously reported 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
Doing business under the name and style of
Winford Leisure and Entertainment Complex
and Winford Hotel and Casino

May 15, 2019
Date

By:

JOEMAR L. ONNAGAN
Director for Finance and Administration

ANNEX "A"

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

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT March 31, 2019
(With Comparative Audited Figures as at December 31, 2018)

	March 31, 2019 ***(Unaudited)***	December 31, 2018 *(Audited)*
ASSETS		
Current Assets		
Cash and Cash Equivalent(Note 6)	₱125,022,216	₱472,403,840
Receivables(Note 7)	223,719,810	212,430,569
Inventories(Note 8)	25,768,616	20,595,969
Current portion of input value-added tax (VAT) (Note 9)	50,011,039	33,303,677
Prepayments and other current assets (Note 10)	28,821,593	19,702,314
Total Current Assets	**453,343,274**	**758,436,369**
Noncurrent Assets		
Property and equipment (Notes 11 and 14)	5,027,172,911	5,132,755,047
Input VAT - net of current portion (Note 9)	361,701,078	367,079,972
Other noncurrent assets (Note 12)	419,078,870	442,303,457
Total Noncurrent Assets	**5,807,952,859**	**5,942,138,476**
TOTAL ASSETS	**6,261,296,133**	**6,700,574,845**
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 13)	445,793,131	554,202,301
Retention payable	79,810,837	138,453,425
Interest payable (Notes 14)	13,274,021	15,925,877
Current portion of loans payable (Note 14)	694,623,745	694,286,996
Contract Liabilities	13,667,731	12,541,411
Total Current Liabilities	**1,247,169,465**	**1,415,410,010**
Noncurrent Liabilities		
Loans payable - net of current portion (Note 14)	1,918,432,939	2,092,222,591
Deposit for future stock subscription (Note 18)	2,182,201,097	2,142,201,097
Other noncurrent liabilities	8,326,416	8,222,898
Total Non-Current Liabilities	**4,108,960,452**	**4,242,646,586**
Total Liabilities	**5,356,129,917**	**5,658,056,596**
Equity		
Capital stock (Note 17)	3,174,405,821	3,174,405,821
Deficit	(2,271,804,687)	(2,134,222,083)
Actuarial gains on retirement liability	2,565,082	2,334,511
Total Equity	**905,166,216**	**1,042,518,249**
TOTAL LIABILITIES AND EQUITY	**₱ 6,261,296,133**	**₱6,700,574,845**

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

MJC INVESTMENTS CORPORATION

Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino and Subsidiary

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the period Ended	
	March 31, 2019 *Unaudited*	**March 31, 2018** *Unaudited*
REVENUE		
Revenue Share in Gaming Operations	**115,965,621**	72,305,330
Hotel	**15,983,999**	23,390,076
Food and beverage	**19,538,054**	18,155,205
Bingo Operations	**11,395,641**	8,211,492
Rental	**6,414,128**	7,144,991
Other revenue	**4,682,390**	1,325,359
	173,979,833	130,532,453
OPERATING COST AND EXPENSES (Note 20)	**(271,037,018)**	(257,465,843)
OPERATING LOSS	**(97,057,185)**	(126,933,390)
OTHER INCOME(EXPENSES)		
Interest Expense(Note 14)	**(40,947,841)**	(55,181,558)
Interest Income	**209,860**	311,150
Miscellaneous Income(Expense) - net	**254,522**	(22,150)
	(40,483,459)	(54,892,558)
INCOME(LOSS) BEFORE INCOME TAX	**(137,540,644)**	(181,825,948)
PROVISION FOR INCOME TAX	**(41,960)**	(2,741,929)
NET LOSS	**(137,582,604)**	(184,567,877)
OTHER COMPREHENSIVE INCOME		
Item that will not be reclassified to profit or loss in subsequent periods: Remeasurement gain on defined benefit obligation	**230,571**	-
TOTAL COMPREHENSIVE INCOME(LOSS)	**(137,352,033)**	(184,567,877)
Basic Earnings(Losses) per Share (Note 19)	**(0.04)**	(0.06)

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

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

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018

	Capital Stock (Note 17)	Deficit	Actuarial gains on retirement liability	Total
BALANCES AT DECEMBER 31, 2018	**3,174,405,821**	**(2,134,222,083)**	**2,334,511**	**1,042,518,249**
Total Comprehensive income for the period	-	**(137,582,604)**	**230,571**	**(137,352,033)**
BALANCES AT MARCH 31, 2019	**3,174,405,821**	**(2,271,804,687)**	**2,565,082**	**905,166,216**
BALANCE AT DECEMBER 31, 2017	3,174,405,821	(1,406,291,195)	688,566	1,768,803,192
Total Comprehensive income for the year	-	(184,567,877)	-	(184,567,877)
BALANCE AT MARCH 31, 2018	**3,174,405,821**	**(1,590,859,072)**	**688,566**	**1,584,235,315**

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

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

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	**(₱137,540,644)**	(₱181,825,948)
Adjustments for:		
Depreciation and amortization (Notes 11 and 12)	**115,997,760**	125,977,357
Interest expense (Note 14)	**40,947,841**	55,181,558
Retirement expense	**209,889**	–
Unrealized foreign exchange loss (gain)	**(2,735)**	14,793
Interest Income	–	(311,150)
Operating income (loss) before working capital changes	**19,612,111**	(963,390)
Decrease (increase) in:		
Receivables (Note 7)	**(11,289,241)**	11,115,589
Inventories (Note 8)	**(5,172,647)**	4,646,298
Input VAT	**(11,328,468)**	(12,493,591)
Prepayment and other current assets (Note 10)	**(9,340,261)**	(38,873,324)
Increase (decrease) in:		
Accounts payable and other current liabilities (Note 13)	**(108,409,170)**	(2,689,324)
Retention payable	**(58,642,588)**	–
Contract Liabilities	**1,126,321**	–
Other noncurrent liabilities	**124,200**	(74,622,130)
Net cash used in operations	**(183,319,743)**	(113,879,872)
Income taxes paid	**(41,960)**	(2,741,929)
Interest received	–	311,150
Net cash flows used in operating activities	**(183,361,703)**	(116,310,651)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment (Notes 11 and 12)	**(2,301,618)**	(32,797,264)
Increase in advances to contractors-current (Note 10)	**220,982**	50,558,287
Decrease in other noncurrent assets (Note 12)	**15,110,580**	–
Payment of accounts payable for construction costs	–	(3,888)
Payment of long term debt	–	–
Net cash flows provided by (used in) investing activities	**13,029,944**	17,757,135
CASH FLOWS FROM FINANCING ACTIVITIES		
Collections of deposit for future stock subscription	**40,000,000**	–
Payment of principal (Note 14)	**(175,000,000)**	(175,000,000)
Payment of interest (Note 14)	**(42,052,600)**	–
Proceeds from availment of loans	–	(52,565,750)
Net cash flows provided by (used in) financing activities	**(177,052,600)**	(227,565,750)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**2,735**	(14,793)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(347,381,624)**	(326,134,059)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**472,403,840**	558,855,778
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 6)	**₱125,022,216**	₱232,721,719

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

Aging of Receivable

The following summarizes the aging of the Group`s receivable as of March 31, 2019:

	Total	Neither past due nor impaired	Past due but not impaired					Impaired
			Less than 30 days past due	31 to 60 days past due	61 to 90 days past due	91 to 180 days past due	More than 180 days past due	
Trade								
Non-related parties	57,913,581	6,122,842	3,931,750	1,856,995	3,498,215	42,503,778	-	-
Related parties	1,193,731	528,345	354,797	-	102,298	208,290	-	-
Nontrade	55,204,817	-	-	55,435	-	-	55,149,382	55,177,100
Receivable arising from PTO	475,368,146	474,222,957	1,141,889	3,300	-	-	-	-
	589,680,275	**480,874,145**	**5,428,437**	**1,915,730**	**3,600,514**	**42,712,068**	**55,149,382**	**55,177,100**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

MJC INVESTMENTS CORPORATION [Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino] (the Parent Company) and Trafalgar Square Leisure Corporation (TSLC) (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. In 2005, the SEC approved the extension of the Parent Company's corporate life for another fifty (50) years starting July 2005.

The Parent Company's primary purpose 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.

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

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

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, PAGCOR 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 ₱1.00 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).

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 unaudited interim condensed 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, in accordance with the provisions of the PTO.

The 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 gaming 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, 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, the Parent Company's revenue share in gaming 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 Parent Company 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, on a monthly basis, 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 (presented as "Gaming fees" under "Operating costs and expenses") (see Note 20).

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 four (4) junket gaming tables. Operation of gaming tables in excess of the initial four junket gaming tables 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 (MGF) of US$10,000 per table or (b) ten percent (10%) of the monthly gross winnings generated from the junket gaming operations. The MGF shall be subject to an annual escalation at the rate of ten percent (10%) commencing on the second year of operation. 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. These expenses are presented as part of "Gaming fees" recorded under "Operating costs and expenses" (see Note 20). In addition to the monthly fee, TSLC shall remit five percent (5%) of the monthly gross winnings of the junket gaming operations to PAGCOR as franchise tax.

In compliance with the junket agreement, TSLC shall also deposit to PAGCOR the following:

a) an amount equivalent to six (6) months of the minimum guaranteed fee for gaming tables for the junket gaming operations 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 12).

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 12).

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 which are recorded as part of "Long-term deposits" under "Other noncurrent assets" in the consolidated statements of financial position (see Note 12).

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

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.

TSLC generated net revenue of ₱ 0.8 million for the three months ended March 31, 2019 and nil in the same period last year (presented as part of "Other revenue").

3. Basis of Preparation and Statement of Compliance

Basis of Preparation
The unaudited interim condensed consolidated financial statements are prepared using the historical cost basis. The unaudited interim condensed 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 unaudited interim condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. Accordingly, the interim condensed consolidated financial statements do not include all the information and disclosures required in the annual audited consolidated financial statements, and should be read in conjunction with the Group's audited annual consolidated financial statements as at and for the year ended December 31, 2018.

4. Summary of Changes in Accounting Policies and Disclosures

Changes in Accounting Policies
The accounting policies adopted for the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements as at and for the year ended December 31, 2018 except that the Group has adopted the following new and amended standards starting January 1, 2019:

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

  Under PFRS 9, a debt instrument can be measured at AC or at FVOCI, provided that the contractual cash flows represent solely payments of principal and interest (SPPI) on the principal amount outstanding (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted. The adoption of these amendments did not result in any significant impact on the interim condensed consolidated financial statements.

- 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 also be 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 re-measurement of the lease liability as an adjustment to the right-of-use asset.

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

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

  A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

  The Group adopted PFRS 16 and shall continue to assess the impact in accordance with the requirements of the new standard.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

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

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

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

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

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

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

  The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. The Group adopted the amendments effective January 1, 2019 and will apply on future plan amendments, curtailments, or settlements.

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

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

  The interpretation specifically addresses the following:

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

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

  The Group adopted the amendments and shall continue to assess the impact in accordance with the requirements of the said amendments.

<u>Annual Improvements to PFRSs 2015-2017 Cycle</u>

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

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

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

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

These amendments are currently not applicable to the Group but may apply to future transactions.

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

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

  An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments are not relevant to the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

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

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

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

  These amendments are currently not applicable to the Group but may apply to future transactions.

<u>Standards Issued but not yet Effective</u>
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 consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2020

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

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

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

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

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

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

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

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

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

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

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

  PFRS 17 is not applicable to the Group.

Deferred effectivity

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

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

  On January 13, 2016, the FRSC 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 consolidated 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 AC are disclosed in Note 21.

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

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

The principal or the most advantageous market must be accessible 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.

Financial Instruments - Classification and Measurement

Classification of financial assets

Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Group's business model for managing the financial assets. The Group classifies its financial assets into the following measurement categories:

- financial assets measured at AC
- financial assets measured at FVTPL
- financial assets measured at FVOCI, where cumulative gains or losses previously recognized are reclassified to profit or loss
- financial assets measured at FVOCI, where cumulative gains or losses previously recognized are not reclassified to profit or loss

Contractual Cash Flows Characteristics

If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Group assesses whether the cash flows from the financial asset represent SPPI on the principal amount outstanding.

In making this assessment, the Group determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI on the principal amount outstanding.

Business Model
The Group's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument.

The Group's business model refers to how it manages its financial assets in order to generate cash flows. The Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Relevant factors considered by the Group in determining the business model for a group of financial assets include how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel, the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed and how managers of the business are compensated.

Financial assets at AC
A financial asset is measured at amortized cost if (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding. Financial assets at AC are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at AC include cash in banks, receivables, deposits and long-term deposits.

Financial assets at FVTPL
Financial assets at FVTPL are measured at fair value unless these are measured at AC or at FVOCI. Included in this classification are equity investments held for trading and debt instruments with contractual terms that do not represent SPPI. Financial assets held at FVTPL are initially recognized at fair value, with transaction costs recognized in the consolidated statements of comprehensive income as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the consolidated statements of comprehensive income.
Additionally, even if the asset meets the AC or the FVOCI criteria, the Group may choose at initial recognition to designate the financial asset at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) that would otherwise arise from measuring financial assets on a different basis.

Trading gains or losses are calculated based on the results arising from trading activities of the Group, including all gains and losses from changes in fair value for financial assets and financial liabilities at FVTPL, and the gains or losses from disposal of financial investments.

As of March 31, 2019, the Group does not have financial assets at FVTPL.

Financial assets at FVOCI
Debt Instruments
A debt financial asset is measured at FVOCI if (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and (ii) its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment losses or reversals, interest income and foreign exchange gains and losses are recognized in profit and loss until the financial asset is derecognized. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. This reflects the gain or loss that would have been recognized in profit or loss upon derecognition if the financial asset had been measured at amortized cost. Impairment is measured based on the ECL model.

As of March 31, 2019, the Group does not have debt instruments at FVOCI.

Equity instruments
The Group may also make an irrevocable election to measure at FVOCI on initial recognition investments in equity instruments that are neither held for trading nor contingent consideration recognized in a business combination in accordance with PFRS 3. Amounts recognized in OCI are not subsequently transferred to profit or loss. However, the Group may transfer the cumulative gain or loss within equity. Dividends on such investments are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment.

As of March 31, 2019, the Group does not have equity instruments at FVOCI.

Classification of financial liabilities
Financial liabilities are measured at AC, except for the following:
- financial liabilities measured at FVTPL;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the Group retains continuing involvement;
- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate; and
- contingent consideration recognized by an acquirer in accordance with PFRS 3.

A financial liability may be designated at FVTPL if it eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) or:
- if a host contract contains one or more embedded derivatives; or
- if a group of financial liabilities or financial assets and liabilities is managed and its performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Where a financial liability is designated at FVTPL, the movement in fair value attributable to changes in the Group's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income.

Reclassifications of Financial Instruments
The Group reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Group and any previously recognized gains, losses or interest shall not be restated. The Group does not reclassify its financial liabilities.

Impairment of Financial Assets
PFRS 9 introduces a single, forward-looking "expected loss" impairment model, replacing the "incurred loss" impairment model under PAS 39.

No ECL is recognized for the Group's financial assets at AC.

ECLs are measured in a way that reflects the following:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

Stage 1: 12-month ECL
For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date are recognized.

Stage 2: Lifetime ECL - not credit-impaired
For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.

Stage 3: Lifetime ECL - credit-impaired
Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted EIR to the amortized cost of the financial asset.

Loss Allowance
For cash in banks, the Group applies a general approach in calculating ECLs. The Group recognizes a loss allowance based on ether 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk on its cash since initial recognition.
For receivables, deposits and long-term deposits, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 120 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Write-off Policy
The Group writes-off a financial asset, in whole or in part, when the asset is considered uncollectible, it has exhausted all practical recovery efforts and has concluded that it has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof.

Cash
Cash in the consolidated statements of financial position comprises of cash on hand and cash in banks.

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. Advances to contractors and suppliers are presented under "Other noncurrent assets" in the consolidated statements of financial position.

Creditable Withholding Taxes (CWT)
CWT represents the amount of tax withheld by counterparties from the Group. These are recognized upon collection and are utilized as tax credits against income tax due as allowed by the Philippine taxation laws and regulations. CWT is presented under "Prepayment and other current assets" 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.

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") includes linens uniforms, and utensils, which are carried at cost. Bulk purchases of items of operating equipment with expected usage period of beyond one year are classified as noncurrent assets and are amortized over 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.

Contract Liabilities *(applicable starting January 1, 2018 upon the adoption of PFRS 15)*
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from a customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs the obligation under the contract.

Contract liabilities include payments received by the Group from the customers for which revenue recognition has not yet commenced. Accordingly, deposits by hotel, banquet customers, advance collection for purchase of bingo cards, services received from customers, and lessees are recorded as contract liabilities until services or goods are provided or sold to the customers.

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 consolidated statements of financial position. 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 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.

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.

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 EIR. Interest income represents interest earned from cash and advances to related parties.

Loyalty Program Points

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 loyalty points give rise to a separate performance obligation as they provide a material right to the customer. The Group's customer is able to use the points as a currency (i.e., currency value has been fixed and can no longer be changed by the Group). A portion of the transaction price is allocated to the loyalty points awarded to customers based on relative stand-alone selling price and recognized as a financial liability until the points are redeemed.

Revenue from contracts with customer

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

Revenue from Hotel

Revenue from hotel is recognized over time as the service is rendered to the customer, generally when the hotel services are performed. Deposits received from customers in advance on rooms are recorded under "Contract liabilities" until services are provided to the customers.

Revenue from Food and Beverage

Revenue from food and beverage is recognized at point in time when the control of the goods is transferred to the customer, generally when the goods are delivered.

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. Revenue is recognized at point in time upon the conduct of the bingo operations.

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 re-measurements 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.

Re-measurements 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. Re-measurements are not reclassified to profit or loss in subsequent periods.

Leases

At the inception of the lease, the Group assesses whether a contract is, or contains, a lease. This assessment involves the exercise of judgment about whether it depends on a specified asset, whether the Group obtains substantially all the economic benefits from the use of the asset and whether the Group has the right to direct the use of the asset.

The Group as a Lessee

The Group recognizes a right of use (ROU) asset and a lease liability at the commencement of the lease. The ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU asset includes the present value of lease payments, plus initial direct cost and the cost of obligations to refurbish the assets, less any lease incentives received.

The ROU is depreciated on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. The ROU is subject to test for impairment if there are indicators for impairment.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

Lease liabilities are measured at the present value of lease payments to be made over the lease term.
In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Group has elected not to recognize ROU assets and liabilities for leases with terms of less than or equal to 12 months, or for leases of low value assets. The payments for such leases are recognized in the statement of income on a straight-line basis over the lease term.

The Group as a Lessor - Operating lease

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

The Group as a Lessor - Finance lease

Lease in which the Group transfers substantially all the risks and benefits of ownership of the assets are classified as finance lease. Lease collections are apportioned between the finance income and the reduction of the outstanding receivable so as to achieve a constant periodic rate of interest on the remaining balance of the receivable for each period. Finance income are charged directly against profit or loss. A combination of the following would normally lead to a lease being classified as finance lease:

a. ownership of the asset to the lessee by the end of the lease term.
b. the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised.
c. the lease term is for the major part of the economic life of the asset even if title is not transferred.
d. at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset.
e. the leased assets are of such a specialized nature that only the lessee can use them without major modifications.

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" 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.

Segment Reporting
For management purposes, the Group is organized and managed separately according to the nature of the business. These operating businesses are the basis upon which the Group reports its segment information presented in Note 20.

An operating segment is a component of an entity:

a. that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
b. with operating results regularly reviewed by the entity's chief of operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance; and
c. for which discrete financial information is available.

6. Cash

This account consists of:

	March 31, 2019 *(Unaudited)*	December 31, 2018 *(Audited)*
Cash in banks	**₱110,838,123**	₱465,901,982
Cash on hand	**14,184,093**	6,501,858
	₱125,022,216	₱472,403,840

Cash in banks generally earns interest at the respective bank deposit rates. Total interest income earned from cash in banks amounted to ₱0.2 million and ₱0.3 million in 2019 and 2018, respectively.

7. Receivables

This account consists of:

	March 31, 2019 *(Unaudited)*	December 31, 2018 *(Audited)*
Trade:		
Non-related parties	**₱57,913,581**	₱53,962,725
Related parties (Note 16)	**1,193,731**	1,943,276
Nontrade	**110,381,917**	110,381,917
Receivable arising from PTO related to:		
Gaming equipment (Note 15)	**58,643,874**	57,122,087
Gaming facility (Note 15)	**49,631,842**	42,774,147
Advances to employees (Note 16)	**1,131,965**	1,423,517
	278,896,910	267,607,669
Less: allowance for doubtful accounts	**55,177,100**	55,177,100
	₱223,719,810	₱212,430,569

Trade receivables consist mainly of claims against the lessees of the building spaces for commercial operations and claims against the travel agencies for the hotel accommodations. These receivables 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 arising from PTO pertains to the outstanding balance of the Group's revenue share in gaming operations related to gaming facility and gaming equipment 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 the PTO.

In 2018, management provided allowance for doubtful accounts amounting to ₱55.2 million pertaining to nontrade receivables.

8. Inventories

This account consists of:

	March 31, 2019 *(Unaudited)*	December 31, 2018 *(Audited)*
At cost:		
Operating supplies	**₱21,090,952**	₱17,121,808
Food, beverage, and tobacco	**4,677,664**	3,474,161
	₱25,768,616	₱20,595,969

Operating supplies include cards, seals and dice.

No allowance for inventory obsolescence was recognized in 2019 and 2018.

9. Input VAT

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Input VAT- current	**₱50,011,039**	₱33,303,677
Noncurrent:		
Input VAT - noncurrent	**345,832,590**	351,181,565
Deferred input VAT	**15,868,488**	15,898,407
	361,701,078	367,079,972
	₱411,712,117	₱400,383,649

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.

10. Prepayments and Other Current Assets

This account consists of:

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Deposits	**₱13,250,977**	₱14,191,752
Prepayments	**6,727,904**	3,231,339
CWT	**2,605,887**	2,279,223
Prepaid Expenses	**6,015,843**	–
Advances to contractor-current	**220,982**	–
	₱28,821,593	₱19,702,314

Deposits pertain to deposit for electricity connection and advance payments for operating supplies and payroll system.

Prepayments pertain to advance payments for software maintenance and billboard placements.

CWT pertains to the taxes withheld by the withholding agent from the payment to the Group.

Prepaid expenses pertain to 2019 business permit and property insurance.

11. Property and Equipment

This account consists of:

	March 31, 2019 *(Unaudited)*						
	Land	**Building**	**Machinery**	**Gaming equipment (Note 5)**	**Non-gaming equipment**	**Kitchen and bar equipment, computer software and hardware**	**Total**
Cost							
Balance at beginning of year	**₱600,800,000**	**₱4,346,182,947**	**₱218,902,742**	**₱–**	**₱453,787,351**	**₱636,120,176**	**₱6,255,793,216**
Additions	–	**2,301,618**	–	–	–	–	**2,301,618**
Disposal/Reclassification	–	–	–	–	–	–	–
Balance at end of year	**600,800,000**	**4,348,484,565**	**218,902,742**	–	**453,787,351**	**636,120,176**	**6,258,094,834**
Accumulated depreciation							
Balance at beginning of year	–	**375,123,051**	**51,801,794**	–	**207,872,872**	**488,240,452**	**1,123,038,169**
Depreciation (Note 20)	–	**37,049,463**	**6,109,957**	–	**23,488,706**	**41,235,628**	**107,883,754**
Disposal/Reclassification	–	–	–	–	–	–	–
Balance at end of year	–	**412,172,514**	**57,911,751**	–	**231,361,578**	**529,476,080**	**1,230,921,923**
Net book value	**₱600,800,000**	**₱3,936,312,051**	**₱160,990,991**	**₱–**	**₱222,425,773**	**₱106,644,096**	**₱5,027,172,911**

	December 31, 2018 *(Audited)*						
	Land	Building	Machinery	Gaming equipment	Non-gaming equipment	Kitchen and bar equipment, computer software and hardware	Total
Cost							
Balance at beginning of year	₱600,800,000	₱4,156,152,679	₱207,348,587	₱330,421,219	₱431,964,951	₱620,285,115	₱6,346,972,551
Additions	–	190,030,268	11,554,155	–	21,867,362	15,835,061	239,286,846
Disposal/Reclassification	–	–	–	(330,421,219)	(44,962)	–	(330,466,181)
Balance at end of year	600,800,000	4,346,182,947	218,902,742	–	453,787,351	636,120,176	6,255,793,216
Accumulated depreciation							
Balance at beginning of year	–	229,607,402	21,412,752	75,483,109	117,247,918	272,892,914	716,644,095
Depreciation (Note 20)	–	145,515,649	30,389,042	–	90,651,931	215,347,538	481,904,160
Disposal/Reclassification	–	–	–	**(75,483,109)**	(26,977)	–	(75,510,086)
Balance at end of year	–	375,123,051	51,801,794	–	207,872,872	488,240,452	1,123,038,169
Net book value	₱600,800,000	₱3,971,059,896	₱167,100,948	₱–	₱245,914,479	₱147,879,724	₱5,132,755,047

As of March 31, 2019 and December 31, 2018, land and building with an aggregate carrying values of ₱4.5 billion and ₱4.6 billion, respectively, were pledged as collateral for the loan facility (see Note 14).

12. Other Noncurrent Assets

This account consists of:

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Receivable arising from PTO related to gaming equipment - net of current portion (Notes 15)	**₱367,092,430**	₱382,234,308
Long-term deposits	**27,103,000**	27,103,000
Operating equipment	**15,031,649**	23,114,358
Advances to contractors-non current	**9,851,791**	9,851,791
	₱419,078,870	₱442,303,457

Long-term deposits pertain to guarantee payment for utility bills and deposits by TSLC to PAGCOR under Junket Agreement (see Note 2).

Movement in operating equipment are as follows:

	March 31, 2019 *(Unaudited)*			
	Utensils	**Linens**	**Uniforms**	**Total**
Cost				
Balance at beginning of year	**₱23,562,076**	**₱70,917,497**	**4,721,248**	**₱99,200,821**
Additions	–	–	**31,297**	**31,297**
Balance at end of year	**23,562,076**	**70,917,497**	**4,752,545**	**99,232,118**
Accumulated amortization				
Balance at beginning of year	**20,591,738**	**52,383,953**	**3,110,772**	**76,086,463**
Amortization (Note 20)	**1,941,191**	**5,777,750**	**395,065**	**8,114,006**
Balance at end of year	**22,532,929**	**58,161,703**	**3,505,837**	**84,200,469**
Net book value	**₱1,029,147**	**₱12,755,794**	**₱1,246,708**	**₱15,031,649**

	December 31, 2018 *(Audited)*			
	Utensils	Linens	Uniforms	Total
Cost				
Balance at beginning of year	₱23,562,076	₱70,667,222	₱4,690,413	₱98,919,711
Additions	–	250,275	30,835	281,110
Balance at end of year	23,562,076	70,917,497	4,721,248	99,200,821
Accumulated depreciation				
Balance at beginning of year	12,737,713	28,757,814	1,543,951	43,039,478
Amortization (Note 20)	7,854,025	23,626,139	1,566,821	33,046,985
Balance at end of year	20,591,738	52,383,953	3,110,772	76,086,463
Net book value	₱2,970,338	₱18,533,544	₱1,610,476	₱23,114,358

13. Accounts Payable and Other Current Liabilities

This account consists of:

	March 31, 2019 *(Unaudited)*	December 31, 2018 *(Audited)*
Accounts payable	**₱312,183,265**	₱429,415,044
Accrued expenses	**73,382,188**	61,693,012
Gaming liabilities	**27,641,351**	27,600,511
Withholding taxes payable	**4,021,452**	6,395,327
Advances from related parties (Note 16)	**4,970,819**	4,970,819
Others	**23,594,056**	24,127,588
	₱445,793,131	₱554,202,301

Accounts payable are noninterest-bearing and are normally settled within 30 to 60 days 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, professional fees, among others, which are normally settled in the next quarters of the year.

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

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 deposits which shall be applied as payment for future bookings of hotel rooms, statutory liabilities and other various individually insignificant items.

14. Loans Payable

This account consists of:

	March 31, 2019 *(Unaudited)*	December 31, 2018 *(Audited)*
Principal	**₱2,625,000,000**	₱2,800,000,000
Less unamortized debt discount	**(11,943,316)**	(13,490,413)
	2,613,056,684	2,786,509,587
Less current portion of long-term debt	**(694,623,745)**	(694,286,996)
	₱1,918,432,939	₱2,092,222,591

The movements in unamortized debt discount follow:

	March 31, 2019 ***(Unaudited)***	December 31, 2018 *(Audited)*
Unamortized debt discount at beginning of year	**₱13,490,413**	₱20,593,018
Less: amortization*	**(1,547,097)**	(7,102,605)
Unamortized debt discount at end of year	**₱11,943,316**	₱13,490,413

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

Future repayment of the principal as follows:

	March 31, 2019 ***(Unaudited)***	December 31, 2018 *(Audited)*
Within one year	**₱700,000,000**	₱700,000,000
After one year but not more than five years	**1,925,000,000**	2,100,000,000
	₱2,625,000,000	₱2,800,000,000

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 furniture and equipment and permanent working capital of the Parent Company. In November 2015, the Parent Company drew ₱2.5 billion from the loan facility, receiving proceeds of ₱2.5 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 ₱41.0 million and ₱55.2 million in 2019 and 2018, respectively. Total interest paid amounted to ₱42.1 million and ₱52.5 million in 2019 and 2018, respectively.

The loan is secured by the Parent Company's land and building with an aggregate carrying value of ₱4.5 billion as of March 31, 2019 (see Note 11).

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. As of December 31, 2018, the Parent Company has complied with the loan covenants and is taking measures to assure compliance for 2019.

15. **Significant Commitments**

PTO

As discussed in Notes 1 and 2, 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.

Under this arrangement, the Parent Company shall 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 approved and deemed necessary by PAGCOR:

(1) Certain number of gaming tables, table layout, chairs and other equipment and paraphernalia.
(2) A minimum number of new slot machines and an online tokenless system of linking and networking all slot machines.

The use of slot machines and gaming tables ("Gaming Equipment") by PAGCOR will be for the major part of the Gaming Equipment's economic life.

In addition, the Parent Company shall also establish the gaming facility, including furnishings; undertake and shoulder the cost of designing, furnishing and maintaining PAGCOR San Lazaro.

The use of certain floors in the Parent Company's building as gaming facility did not substantially transfer the risk and benefits related to the ownership of the building.

The Parent Company requested PAGCOR to manage PAGCOR San Lazaro and PAGCOR shall exclusively and directly control, supervise and manage PAGCOR San Lazaro.

The Parent Company's share from gross gaming revenue of PAGCOR San Lazaro amounted to ₱129.7 million in 2019 and ₱82.7 million in 2018, respectively. Portion of the share from gross gaming revenue of PAGCOR San Lazaro related to gaming equipment was applied as payment for receivable arising from PTO in 2019 amounting to ₱13.7 million. Accordingly, revenue share in gaming operations for the three months ended March 31, 2019 and 2018, presented in the consolidated statements of comprehensive income, amounted to ₱116.0 million and ₱72.3 million, respectively. The details of the revenue share in gaming operations for the three months ended March 31, 2019 and 2018 are as follows:

	March 31, 2019 *(Unaudited)*	December 31, 2018 *(Audited)*
Revenue share from gaming operations related to:		
Gaming facility	**₱104,552,327**	₱62,260,667
Gaming equipment	**11,415,570**	10,044,663
	₱115,967,897	₱72,305,330

The future minimum collection related to the gaming equipment follows:

	2019
Within one year	₱100,577,212
After one year but not more than five years	388,250,676
More than five years	82,907,600
	571,735,488
Less: unamortized portion of discount	(145,999,184)
	425,736,304
Less: current portion (Note 7)	(58,643,874)
Noncurrent portion (Note 12)	₱367,092,430

16. 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:

Entity	Relationship	Nature	2019 Amount	2019 Receivable (Payable)	2018 Amount	2018 Receivable (Payable)	Terms	Condition
Manila Jockey Club, Inc. (MJCI)	Stockholder	Deposit for future stock subscription (Note 18)	₱40,000,000	(₱277,233,646)	₱84,979,217	(₱237,233,646)	Noninterest-bearing	Unsecured, unguaranteed
		Advances[a] (Note 13)	–	(4,970,819)	–	(4,970,819)	Noninterest-bearing; due and demandable	Unsecured, unguaranteed
		Commission from the off-track betting[b] (Note 7)	31,741	322,224	167,932	371,013	Noninterest-bearing; due and demandable	Unsecured, unimpaired
Various Shareholders	Stockholder	Deposit for future stock subscription	–	(1,904,967,451)	971,089,239	(1,904,9647,451)	Noninterest-bearing	Unsecured, unguaranteed
Manilacockers Club, Inc. (MCI)	Affiliate	Commission from the off-track betting[c][d] (Note 7)	1,133,853	871,507	4,367,699	1,572,263	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.*
[d] *MCI is an affiliate through a common stockholder, MJCI.*

Key Management Personnel

Total key management personnel compensation of the Group amounted to ₱8.4 million, ₱7.5 million, for the three months ended March 31, 2019 and 2018, respectively. The compensations are short-term employee benefits.

The Group has no standard arrangement with regard to the remuneration of its directors. In 2019 and 2018, the BOD received directors' fees aggregating ₱0.2 million and nil, respectively (Note 20).

The Group's advances to its employees amounted to ₱1.1 million and ₱1.4 million as of March 31, 2019 and 2018, respectively (see Note 7).

17. Equity

Capital Stock

The Parent Company has a total of 5,000,000,000 authorized shares, 3,174,405,821 issued and subscribed shares at ₱1.00 par value. The total issued, outstanding, and subscribed capital are held by 444 equity holders as of March 31, 2019.

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 April 12, 2018, the BOD approved the conduct of a stock rights offering in order to raise additional capital. The total number of shares to be issued is 1,587,202,910 common shares and the stock offer price shall be at ₱1.00 per share. The entitlement ratio shall be one rights share for every two common shares held as of record date.

On September 17, 2018, the BOD approved the offer price for the rights shall be ₱1.00 rights per share, if paid in full upon submission on the application to subscribe, or ₱2.00 per rights share, if paid on installment basis. As of April 3, 2019, the stock rights offering is still pending approval of SEC.

18. Deposit for Future Stock Subscription

The Group presented the deposit amounting to ₱2.2 billion and ₱2.1 billion as " Deposit for future stock subscription" under noncurrent liabilities in the consolidated statements of financial position as of March 31, 2019 and 2018, respectively, in accordance with FRB No. 6 as issued by the SEC.

19. Basic/Diluted Loss Per Share

	March 31, 2019 *(Unaudited)*	March 31, 2018 *(Unaudited)*
Net loss for the year	**₱137,582,604**	₱184,567,877
Divided by weighted average number of outstanding common shares	**3,174,405,821**	3,174,405,821
Basic/diluted losses per share	**₱0.043**	₱0.058

The Group has no potential dilutive common shares as of March 31, 2019 and December 31, 2018. Therefore, the basic and diluted loss per share are the same as of those dates.

20. Operating Costs and Expenses

This account consists of:

	March 31, 2019 (Unaudited)	March 31, 2018 (Unaudited)
Depreciation and amortization (Notes 11 and 12)	**₱115,997,760**	₱125,977,357
Utilities	**20,808,639**	19,185,727
Contracted services	**20,567,153**	14,381,458
Salaries and wages	**19,941,006**	15,207,820
Gaming fees (Note 2)	**16,779,428**	13,024,627
Service fee	**9,380,357**	9,680,357
Advertising and marketing	**8,979,312**	5,869,007
Security Services	**8,968,321**	7,551,156
Food, beverage, and tobacco	**8,931,130**	7,721,369
Repairs and Maintenance	**8,904,925**	9,455,468
Taxes and Licenses	**8,146,239**	8,312,804
Hotel room and supplies	**4,830,810**	3,593,510
Entertainment	**3,635,485**	2,556,662
Banquet expenses	**3,518,019**	5,486,612
Professional fees	**2,501,628**	2,616,924
Transportation and travel	**1,955,346**	433,857
Communication	**1,855,600**	1,781,480
Insurance	**1,603,793**	1,606,355
Supplies	**778,696**	566,733
Commission	**647,500**	775,215
Rent	**580,351**	706,364
Meetings and conferences	**345,283**	348,188
Others	**1,380,236**	626,794
	₱271,037,018	₱257,465,843

21. Operating Segment Information

The Group has two operating segments in 2018, 2017, and 2016. Gaming segment pertains to casino operations while non-gaming pertains to hotel operations. Management monitors the operating results of its operating segments for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net income or loss and is measured consistently with the total comprehensive loss on the consolidated financial statements. The Group's asset-producing revenues are located in the Philippines (i.e., one geographical location). Therefore, geographical segment information is no longer presented.

Segment Revenue and Expenses

The segment results for the three months ended March 31, 2018 and 2019 are as follows:

	2019		
	Gaming	**Non-gaming**	**Total**
Revenue	**₱130,297,868**	**₱43,681,965**	**₱173,979,833**
Operating costs and expenses	**(95,198,437)**	**(175,838,581)**	**(271,037,018)**

Other expenses - net	**(29,931,992)**	**(10,551,467)**	**(40,483,459)**
Provision for income tax	**(2,835)**	**(39,125)**	**(41,960)**
Net income (loss)	**₱5,164,603**	**(142,747,209)**	**(137,582,604)**

		2018	
	Gaming	Non-gaming	Total
Revenue	₱91,903,012	₱38,629,442	₱130,532,454
Operating costs and expenses	(99,326,447)	(158,139,396)	(257,465,843)
Other expenses - net	(40,595,010)	(14,297,548)	(54,892,558)
Provision for income tax	(2,679,772)	(62,158)	(2,741,930)
Net loss	(50,698,217)	(133,869,660)	(184,567,877)

Segment Assets and Liabilities and Other Information

The segment assets, liabilities, capital expenditures and other information as of March 31, 2019 and December 31, 2018 are as follows:

		2019	
	Gaming	**Non-gaming**	**Total**
Assets	**₱1,602,392,832**	**₱4,658,903,301**	**₱6,261,296,133**
Liabilities	**2,200,401,637**	**3,155,728,280**	**5,356,129,917**
Capital expenditures	**548,245**	**1,753,373**	**2,301,618**
Interest income	**3,503**	**206,357**	**209,860**
Depreciation and amortization	**30,960,133**	**85,037,628**	**115,997,761**

		2018	
	Gaming	Non-gaming	Total
Assets	₱1,945,925,332	4,754,649,513	₱6,700,574,845
Liabilities	149,148,176	5,508,908,420	5,658,056,596
Capital expenditures	66,661,405	172,625,441	239,286,846
Interest income	1,303	527,633	528,936
Depreciation and amortization	150,955,249	363,995,896	514,951,145

22. Fair Value Measurement

The carrying values of cash in banks, receivables, deposits, 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 receivable arising from PTO related to gaming equipment, 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 receivable arising from PTO related to gaming equipment, long-term deposits and loans payable are as follows:

	Mar. 31, 2019 (Unaudited)		Dec. 31, 2018 (Audited)	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets				
Receivable arising from PTO related to gaming equipment	**₱425,736,304**	**₱415,562,306**	₱439,356,395	₱484,729,339
Long-term deposits	**27,103,000**	**27,103,000**	27,103,000	27,103,000
	₱452,839,304	**₱442,665,306**	₱466,459,395	₱511,832,339
Financial Liabilities				
Loans payable	**₱2,613,072,445**	**₱2,612,158,631**	₱2,786,509,587	₱2,739,441,141

As of March 31, 2019 and December 31, 2018, the Group's consolidated 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, 2019 and December 31, 2018.

ANNEX" B "

MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

The following discussion and analysis relate to the consolidated financial position and results of operation of MJC Investments Corporation and Subsidiary and should be read in conjunction with the accompanying unaudited interim condensed consolidated financial statements and related notes as of and for the periods ended March 31, 2019 and 2018.

Discussion on Results of Operations

The following table shows a summary of results of the operations for the quarters ended March 31, 2019 and 2018:

	For the Three months Ended			
	March 31, 2019	March 31, 2018	Amount Change	% Change
	Amount in Millions of Philippine peso expect EPS			
Revenue				
Revenue share in gaming operation	116.0	72.3	43.7	60.4%
Hotel	16.0	23.4	(7.4)	(31.6%)
Food and Beverage	19.5	18.2	1.3	7.1%
Bingo Operations	11.4	8.2	3.2	39.0%
Rental	6.4	7.1	(0.7)	(9.9%)
Other revenue	4.7	1.3	3.4	261.5%
	174.0	130.5	43.5	33.3%
Operating cost and expenses	(271.1)	(257.5)	(13.6)	5.3%
Operating loss	(97.1)	(127.0)	29.9	(23.5%)
Other income (expenses)				
Interest expense	(41.0)	(55.2)	14.2	(25.7%)
Interest income	0.2	0.3	(0.1)	(33.3%)
Miscellaneous income (expenses)	0.3	(0.02)	0.3	(1500.0%)
	(40.5)	(54.9)	14.4	(26.2%)
Loss before income Tax	(137.6)	(181.9)	44.3	(24.4%)
Provision for income tax	(0.04)	(2.7)	2.7	(98.5%)
Net loss	(137.6)	(184.6)	47.0	(25.5%)
Other comprehensive income				
Actuarial Gains on retirement liability	0.2	-	0.2	100.0%
Total comprehensive loss	(137.4)	(184.6)	47.2	(25.6%)
Basic/diluted loss per share	(0.04)	(0.06)	(0.0)	(33.3%)

Comparison of Operating Results for the Three Months Ended March 31, 2019 and 2018

Revenue

Revenue includes revenue share in gaming operations, revenue from operation of hotel, food and beverages, bingo, rental and other revenue. Total revenue for the three months ended March 31, 2019 and 2018 amounted to ₱174.0 million and ₱130.5 million, respectively.

The significant accounts that contributed to the increase are as follows:

- Revenue share in gaming operations increased by 43.7 million or 60.4% from 72.3 million in 2018 to 116.0 million in 2019. The increase is due to higher gaming capacity this period comparing to same period last year. An additional gaming floor area was opened in April 2018. The expansion added more gaming tables and slot machines position to accommodate the upsurge of company's client base. Gaming tables increased from 24 in 2018 to 28 in 2019 and the increase in slot machines from 356 units in 2018 to 441 units in 2019. In addition, foot traffic in the property increased from 0.4 million in 2018 to 0.5 million in 2019.
- Revenue from hotel rooms decreased by 7.4 million or 31.6% from 23.4 million in 2018 to 16.0 million in 2019. Despite the increase in occupancy rate during the year from 63% in 2018 to 80% in 2019, room revenue decrease due to higher room complimentary to casino players. Of the 128 rooms available each day, average occupied room per day is 100 rooms in 2019, which is higher than the 79 rooms in 2018.
- Revenue from food and beverage increased by 1.3 million or 7.1% from 18.2 million in 2018 to 19.5 million in 2019. The increase is attributable to the increase in foot traffic due to the increase in hotel guests and casino players in 2019.
- Revenue from bingo operations increased by 3.2 million or 39.0% from 8.2 million in 2018 to 11.4 million in 2019. The increase is attributable to the introduction of monthly and quarterly events which offers attractive prizes and rewards.
- Revenue from rental decreased by 0.7 million or 9.9% from 7.1 million in 2018 to 6.4 million in 2019. The decrease is due to the lower percentage rental this period.

Operating Costs and Expenses

Total operating costs and expenses for the three months ended March 31, 2019 and 2018 amounted to ₱271.1 million and ₱257.5 million, respectively. The significant increase in the total operating costs and expenses is due to higher utilities, contracted services, salaries and wages, gaming fees, security services, costs of food, beverages and tobacco, advertising and marketing expenses and other expense.

The significant accounts that contributed to the increase are:

- Utilities amounting to ₱20.8 million is greater by ₱1.6 million or 8.3% as compared to prior year's ₱19.2 million. Increase is due to higher gaming capacity, additional gaming area, increase in the number of slot machines and hotel occupancy.

- Contracted services amounting to 20.6 million is greater by 6.2 million or 43.1% as compared to prior period's 14.4 million. The increase is due to increase in number of required manpower for its hotel and food and beverage operations.

- Salaries and wages increased by a margin of 4.7 million or 30.9% from prior period's 15.2 million. The increase in salaries and wages is attributable to the Group's employment of key management positions. In addition, the Group also employed additional employees as the Group's operation has been steadily increasing.

- Gaming fees amounting to ₱16.8 million is greater by ₱3.8 million or 29.2% as compared to prior period's ₱13.0 million. Gaming fees consist of the revenue share of PAGCOR in the Group's bingo revenue and the Group's subsidiary's manpower cost for its gaming operations. Furthermore, gaming fees also include prizes and rewards distributed for the monthly and quarterly bingo special events. The increase in gaming fees is also directly attributable to the related increase in revenue from bingo operations.

- Advertising and marketing expenses increased by a margin of 3.1 million or 52.5% from prior year's 5.9 million. The increase is due to additional billboard placements and various marketing promotions to further intensify the Company's revenue growth

- Security services increased by 1.4 million or 18.4% from 7.6 million in 2018 to 9.0 million in 2019. This is attributable to the increased security line personnel due to the increase in the foot traffic the hotel and casino have experienced.

- Cost of food, beverage and tobacco increased by a margin of ₱1.2 million or 15.6% from prior year amounting to ₱7.7 million in total. The increase is due to the increase in the number of guests in hotel, casino, concert, banquet and bingo events throughout the year. This is also directly attributable to the increase in revenue from food and beverage for the quarter.

- Depreciation and amortization decreased by a margin of 10.0 million or 7.9% from prior year's 126.0 million. The decrease is mainly attributable to the fully depreciated computer equipment and software as of this quarter.

- Hotel and supplies increased by 1.2 million or 33% from 3.6 million in 2018 to 4.8 million in 2019. The increase corresponds with the increase of occupancy this period comparing to same period last year.

- Other expenses of the group increased by 0.9% or 0.4 million. The increase is mainly due to the increase in casino and concert events throughout the quarter and shuttle service for guest and patrons.

Interest Expense

Total interest expense amounting to ₱41.0 million is lower by ₱14.2 million or 25.7% as compared to prior period's ₱55.2 million. Interest expense decreased because the principal value of the loans payable diminished upon payments made during the period.

Analysis of Statements of Financial Position

	For the Period Ended			
	March 31, 2019 *(Unaudited)*	December 31, 2018 *(Audited)*	**Amount Change**	**% Change**
	Amount in Millions of Philippine peso			
Assets				
Cash and cash equivalents	125.0	472.4	(347.4)	(73.5%)
Receivables	223.7	212.4	11.3	5.3%
Inventories	25.8	20.6	5.2	25.2%
Current portion of input value added tax (VAT)	50.0	33.3	16.7	50.2%
Prepayments and other current assets	28.8	19.7	9.1	46.2%
Property and equipment	5,027.2	5,132.8	(105.6)	(2.1%)
Input VAT- net of current portion	361.7	367.1	(5.4)	(1.5%)
Other noncurrent asset	419.1	442.3	(23.2)	(5.2%)
Total Assets	6,261.3	6,700.6	(439.3)	(6.6%)
Liabilities				
Accounts payable and other current Liabilities	445.8	554.2	(108.4)	(19.6%)
Retention payable	79.8	138.5	(58.7)	(42.4%)
Interest payable	13.3	15.9	(2.6)	(16.4%)
Contract Liabilities	13.7	12.5	1.2	9.6%
Loans payable	2,613.0 2,786.6		(173.6)	(6.2%)
Deposit for future subscription	2,182.2	2,142.2	40.0	1.9%
Other noncurrent liabilities	8.3	8.2	0.1	1.2%
Total Liabilities	5,356.1	5,658.1	(302.0)	(5.3%)
Equity				
Capital stock	3,174.4	3,174.4	-	0.0%
Deficit	(2,271.8)	(2,134.2)	(137.6)	6.4%
Actual gains on retirement liability	2.6	2.3	0.3	13.0%
Total Equity	905.2	1,042.5	(137.4)	(13.2%)
Total Liabilities and Equity	6,261.3	6,700.6	(439.3)	(6.6%)

<u>Discussion on some Significant Change in Financial Condition as of March 31, 2019 and December 31, 2018</u>

Total assets amounted to 6,261.3 million as of March 31, 2019, which decreased by 439.3 million or 6.6% from 6,700.6 million as of December 31,2018.

1. For the three months ended March 31, 2019, cash and cash equivalents amounting to 125.0 million, decreased by 347.4 million or 73.5% from 472.4 million in 2018 due to the following:

    a) In 2018, net cash flows from operating activities amounting to 183.4 million, which resulted from the difference in revenue generated during the period amounting to 174.0 million, cash operating expenses amounting to 154.8 million, and changes in the working capital amounting to 202.6 million.

    Cash operating expense in 2018 mainly pertains to utilities expenses (20.8 million), contracted services (20.6 million), salaries and wages (19.9 million), gaming fees (16.8 million), among others.

    b) Net cash flows used in investing activities amounting to 13.0 million comprise mainly of acquisition of property, plant and equipment amounting to 2.3 million and decrease on other noncurrent assets amounting to 15.1 million which pertains to the reclassification of the current portion of receivable arising from its permit to operate (PTO) related to gaming equipment.

    c) Net cash flows from financing activities amounting to 177.1 million comprise mainly the receipt of deposit for future stock subscription amounting to 40 million and payment of the principal and interest of its loan payable amounting to 217.1 million.

2. Receivable increased by 11.3 million or 5.3% from 212.4 million in 2018 to 223.7 million in 2019. The increase is primarily due to the increase in trade receivables from non-related parties amounting to 3.2 million. This increase is brought by the increase in the Group's receivable to its lessee. There was also an increase in receivable arising from PTO related to gaming equipment amounting to 1.5 million and an increase in receivable from PAGCOR amounting to 6.9 million.

3. Inventories increased by 5.2 million or 25.2% from 20.6 million in 2018 to 25.8 million in 2019. The increase is predominantly due to the newly purchased cards for daily operations of the gaming tables in the casino amounting to ₱3.7 million net of card consumptions for the year. Moreover, additional purchases were made for office, cleaning and other supplies to sustain daily operations of the hotel and casino.

4. Prepayment and other current assets increased by 9.1 million or 46.2% from 19.7 million in 2018 to 28.8 million in 2019. The significant increase in the account is caused mainly by the renewal of property all risk insurance, business permits and various software maintenance for 2019 amounting to 9.5 million.

5. Other noncurrent assets decreased by 23.2 million or 5.2% from 442.3 million in 2018 to 419.1 million in 2019. The decrease is mainly due to reclassification of current portion of receivable arising from PTO related to gaming equipment amounting to 15.1 million and the amortization for operating equipment amounting to 8.1 million.

6. Accounts payable and other current liabilities decreased by 108.4 million or 19.6% from

554.2 million in 2018 to 445.8 million in 2019. The decrease is mainly attributed to the payment of billings and accrued services to various contractors and suppliers in 2019.

7. Retention payable decreased by 42.4% due to completion of the Group's projects during the year and payment of the Group amounting to 58.7 million.

8. Loans payable decreased by 173.6 million or 6.2% from 2,786.6 million in 2018 to 2,613.0 million in 2019. The decrease is due to the partial payment of the principal amount amounting to 175.0 million and the accretion of interest amounting to 1.6 million.

9. Deposit for future stock subscription increased by 40 million or 1.9% from 2,142.2 million to 2,182.2 million in 2019 resulted from the additional cash provided by the shareholders in anticipation of the planned stock rights offering.

Key Performance Indicators

The following are the comparative key performance indicators of the Corporation and the manner of its computation for the three months ended March 31, 2019 and 2018:

Indicators	Manner of Computation	For the three months ended March 31	
		2019	2018
Current ratio	Current Assets / Current Liabilities	**0.36:1**	0.52:1
Debt-to-Equity Ratio	Total Liabilities / Total Equities	**1.03:1**	1.44:1
Asset Liability Ratio	Total Assets / Total Liabilities	**1.17:1**	1.32:1
Return on Assets	Net Income (Loss) / Total Assets	**(2%)**	(3%)
Basic Earnings (losses per share)	Net Income (Loss) / Outstanding Common Shares	**(₱0.04)**	(₱0.06)

Current ratio is regarded as a measure of the Group's liquidity or its ability to meet maturing obligations. For the three months ended March 31, 2019, the current ratio is 0.36:1 compared to 0.52:1 of the prior year. The outstanding liabilities in 2019 mostly consist of balances of payables to contractors and suppliers for the services and/or goods provided for the Group's day-to-day operations; accruals pertaining to payroll, employee benefits, utilities, travel and transportation, meeting and conferences, security service fees, professional fees and others wherein billings/settlements thereof are expected to be provided/resolved in the next financial year; and the current portion of loans arrangement with local banks. The Group has
0.36 current assets to support every 1.00 of their current liabilities.

The debt to equity ratio measures the riskiness of the Group's capital structure in terms of relationship between funds supplied to creditors (debt) and investors (equity). For the three months ended March 31, 2019, the debt to equity ratio has decreased by 0.41 from 1.44 of 2018 to 1.03 of 2019.

The asset-liability ratio, exhibits the relationship of the total assets of the Group with its total liabilities. For the three months ended March 31, 2019, the asset-liability ratio is 1.17:1 from 1.32:1 as of that of March 31, 2018. The ratio indicates that the Group has 1.17 of assets to satisfy every 1.00 of liability to creditors/suppliers through asset facilitation. Moreover, the effect of high assets to liabilities ratio indicates that the Group can still take additional financing through credit arrangements with banks and financial institutions.

Return on assets allowed the Group to see how much income (loss) generates per peso asset. For the three months ended March 31, 2019 and 2018, the return on assets are negative 2% and 3%, respectively.

For the three months ended March 31, 2019, the Group's loss per share amounts to 0.044 which decreased from 0.058 that of prior year.

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

Plans of Operation

Manila Jockey Club (MJC) Investment Corporation is a publicly-listed company whose primary business focus is in the rapidly-growing tourism and entertainment industries. Listed in the Philippine Stock Exchange (PSE) under the ticker symbol "MJIC", the company is majority-owned by a group of strategic investors with long and substantial experience in financial and tourism-related projects, with the Manila Jockey Club, Inc., a listed company, as the biggest single stockholder.

It owns and operates Winford Manila Resort and Casino (WMRC), a luxury hotel, entertainment, and tourism complex located in Sta. Cruz, Manila, and offers world-class accommodations within its 0.75-hectare property, an 18-storey high-rise development with 128 premium hotel rooms, high-end restaurants, a columnless 900+ capacity ballroom, 800 parking spaces, and over 9,000 square meters of internationally-designed indoor entertainment space that regularly hosts Filipino singers and performers. Its three-floor gaming area has 28 tables and 441 slot machines and electronic table games as of April 2019. The cost of the hotel and entertainment complex is estimated at PHP8 billion.

The Group has rapidly increased its operations. An additional gaming area floor was opened in April 2018. The expansion added more gaming tables and slot machine positions to accommodate the drastic increase of its client base. Electronic table games were also added to increase game mix offerings on the casino floor. As of March 31, 2019, the gaming capacity increased from 416 in 2018 to 441 slot machines. By the end of the year, the company aims to increase its gaming capacity from 28 to 40 tables, and from 441 slot machines to 600 machines. Electronic table games were also introduced to improve gaming variety on the casino floor. The Group steadily increased their membership acquisition through active casino marketing programs, continuous events, and aggressive casino promotions. Marketing initiatives include competitor membership card matching programs, points earning from gaming activities, and redemption of acquired points with increasing partner merchants. Recently, the Group introduced monthly and quarterly bingo events which offer attractive prizes and rewards.

Non-gaming operations such as hotel, food and beverage, and banquets have also improved. The Group surpassed last year's hotel revenue by strategically increasing its room rates and by consistently providing excellent customer service while maintaining cost efficient hotel operations. To further create awareness and generate revenue, the Group supported membership meetings of different travel associations; tapped nearby schools, hospitals, establishments, and companies with large databases; established merchant partnership program with known credit card companies; participated in various travel tour and business expos here and abroad; kept its alliance with travel and tour agencies; activated a booking engine in the Group's website, and continues to maintain a strong relationship with Department of Tourism (DOT) and the Tourism Promotions Board to capture the international market by supporting familiarization tours.

The Group is fully committed to provide all guests with the best experience possible, and has received several awards from Expedia, Hotel.com, Orbitz and more, which shows that the Group's emphasis on excellence hasn't gone unnoticed by guests and industry leaders.

The Group plans to raise additional funds through stock rights offering to partially pay its debt servicing requirements.