

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 September 30, 2020
- 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 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 No

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

Yes No

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Please see attached **Annex "A"**.

- Consolidated Statement of Financial Position as of September 30, 2020 and December 31, 2019
- Consolidated Statement of Comprehensive Income for the quarters ended September 30, 2020 and 2019
- Consolidated Statement of Changes in Equity for the quarters ended September 30, 2020 and 2019
- Consolidated Statement of Cash Flow for the quarters ended September 30, 2020 and 2019
- Aging of Accounts Receivable as of September 30, 2020
- 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

November 10, 2020
Date

By:


JOEMAR L. ONNAGAN

Director for Finance and Administration

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 September 30, 2020****(With Comparative Audited Figures as at December 31, 2019)**

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
ASSETS		
Current Assets		
Cash and Cash Equivalent (Note 6)	₱30,065,852	₱41,787,422
Receivables (Note 7)	195,627,446	238,243,536
Inventories (Note 8)	23,935,593	25,161,248
Input value-added tax (VAT) - current (Note 9)	30,401,445	16,781,594
Prepayments and other current assets (Note 10)	129,443,269	175,518,066
Total Current Assets	409,473,605	497,491,866
Noncurrent Assets		
Property and equipment (Note 11)	3,825,917,733	4,002,086,816
Investment properties (Note 12)	752,019,276	774,356,482
Input VAT - net of current portion (Note 9)	421,867,672	418,620,752
Other noncurrent assets (Note 13)	386,179,064	404,298,804
Total Noncurrent Assets	5,385,983,745	5,599,362,854
TOTAL ASSETS	5,795,457,350	6,096,854,720
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 14)	578,809,120	502,906,292
Retention payable	7,934,014	8,795,678
Interest payable (Notes 15)	10,820,468	13,593,170
Current portion of loans payable (Note 15)	91,082,375	185,287,516
Contract Liabilities (Note 5)	16,634,307	15,936,652
Total Current Liabilities	705,280,284	726,519,308
Noncurrent Liabilities		
Advances from stockholders (Note 18)	447,711,725	345,204,623
Loans payable - net of current portion (Note 15)	2,201,682,535	2,152,350,374
Deposit for future stock subscription (Note 17)	2,426,501,748	2,426,501,748
Other noncurrent liabilities	47,657,468	47,900,657
Total Non-Current Liabilities	5,123,553,476	4,971,957,402
Total Liabilities	5,828,833,760	5,698,476,710
Equity		
Capital stock (Note 19)	3,174,405,821	3,174,405,821
Deficit	(3,208,761,148)	(2,776,315,015)
Actuarial gains on retirement liability	978,917	287,204
Total Equity	(33,376,410)	398,378,010
TOTAL LIABILITIES AND EQUITY	₱ 5,795,457,350	₱ 6,096,854,720

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 Three months Ended		For the Nine months Ended	
	September 30		September 30	
	2020	2019	2020	2019
REVENUE				
Revenue share in gaming operations	₱19,048,979	₱137,106,794	₱138,052,059	₱366,669,584
Hotel	5,910,094	12,503,355	21,237,318	42,779,888
Food and beverage	281,651	22,085,970	15,839,032	62,583,147
Bingo operations	-	15,680,433	8,915,161	39,801,623
Rental	961,759	5,307,803	9,811,994	17,610,106
Other revenue	510,179	4,362,556	3,577,349	12,983,235
	26,712,662	197,046,911	197,432,913	542,427,583
OPERATING COSTS AND EXPENSES (Note 21)	(141,292,893)	(285,385,319)	(515,182,392)	(848,305,829)
OPERATING LOSS	(114,580,231)	(88,338,408)	(317,749,479)	(305,878,246)
OTHER INCOME (EXPENSES)				
Interest expense and other financing charges (Note 15)	(38,236,178)	(36,358,510)	(115,490,162)	(116,532,543)
Interest income (Note 6)	23,551	21,825	121,907	278,213
Miscellaneous expenses – net	158,575	207,210	695,788	880,143
	(38,054,052)	(36,129,475)	(114,672,467)	(115,374,187)
LOSS BEFORE INCOME TAX	(152,634,283)	(124,467,883)	(432,421,946)	(421,252,433)
PROVISION FOR INCOME TAX	(4,637)	(4,344)	(24,187)	(55,596)
NET LOSS	(152,638,920)	(124,472,227)	(432,446,133)	(421,308,029)
OTHER COMPREHENSIVE INCOME				
<i>Item that will not be reclassified to profit or loss in subsequent periods:</i>				
Remeasurement gain on defined benefit obligation	230,571	230,571	691,713	691,713
TOTAL COMPREHENSIVE LOSS	(152,408,349)	(124,241,656)	(431,754,420)	(420,616,316)
Basic/Diluted Loss Per Share (Note 20)	₱0.048	₱0.039	₱0.136	₱0.133

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 NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

	Capital Stock (Note 19)	Deficit	Actuarial gains on retirement liability	Total
BALANCES AT DECEMBER 31, 2019	3,174,405,821	(2,776,315,015)	287,204	398,378,010
Total Comprehensive income for the period	-	(432,446,133)	691,713	(431,754,420)
BALANCES AT SEPTEMBER 30, 2020	3,174,405,821	(3,208,761,148)	978,917	(33,376,410)
BALANCE AT DECEMBER 31, 2018	3,174,405,821	(2,134,222,083)	2,334,511	1,042,518,249
Total Comprehensive income for the year	-	(421,308,029)	691,713	(420,616,316)
BALANCE AT SEPTEMBER 30, 2019	3,174,405,821	(2,555,530,112)	3,026,224	621,901,932

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 NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(P432,421,946)	(P421,252,433)
Adjustments for:		
Depreciation and amortization (Notes 11 and 12)	212,471,709	337,984,514
Interest expense (Note 15)	115,490,163	117,152,014
Retirement expense	629,667	629,667
Unrealized foreign exchange loss (gain)	91,928	(684)
Interest Income	(121,907)	(278,213)
Miscellaneous Expense (recovery)	-	(2,942)
Operating income (loss) before working capital changes	(103,860,386)	34,231,923
Decrease (increase) in:		
Receivables (Note 7)	42,616,090	(52,405,182)
Inventories (Note 8)	1,225,655	(10,382,573)
Input VAT	(16,866,771)	(36,257,421)
Prepayment and other current assets (Note 10)	46,074,797	7,741,693
Increase (decrease) in:		
Accounts payable and other current liabilities (Note 14)	75,902,828	(37,836,544)
Retention payable	(861,664)	(128,959,581)
Contract Liabilities	697,655	3,459,520
Other noncurrent liabilities	(1,037,429)	5,631,565
Net cash used in operations	43,890,775	(214,776,600)
Income taxes paid	(24,188)	(55,596)
Interest received	121,907	278,213
Net cash flows provided by (used in) operating activities	43,988,494	(214,553,983)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment (Notes 11 and 13)	(15,496,061)	(49,153,475)
Increase in advances to contractors-current	-	(3,755,126)
Decrease in other noncurrent assets (Note 13)	19,650,381	12,836,605
Payment of accounts payable for construction costs	-	-
Payment of long term debt	-	-
Net cash flows provided by (used in) investing activities	4,154,320	(40,071,996)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in advances from stockholders	102,704,214	211,679,575
Collections of deposit for future stock subscription	-	254,300,651
Payment of principal (Note 15)	(47,100,000)	(525,000,000)
Payment of interest (Note 15)	(115,376,670)	(119,511,879)
Proceeds from availment of loans	-	-
Net cash flows provided by (used in) financing activities	(59,772,456)	(178,531,653)
EFFECT OF EXCHANGE RATE CHANGES ON		
CASH AND CASH EQUIVALENTS	(91,928)	684
NET DECREASE IN		
CASH AND CASH EQUIVALENTS	(11,721,570)	(433,156,948)
CASH AND CASH EQUIVALENTS		
AT BEGINNING OF YEAR	41,787,422	472,403,840
CASH AND CASH EQUIVALENTS		
AT END OF PERIOD (Note 6)	P30,065,852	P39,246,892

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 September 30, 2020:

	Total	Neither past due nor impaired	Past due but not impaired				More than 180 days past due	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		
Trade								
Non-related parties	83,840,332	1,579,561	3,842,978	6,039,421	1,093,651	71,284,721	-	-
Related parties	548,145	-	-	-	-	548,145	-	-
Nontrade	110,381,917	-	-	-	-	-	-	110,381,917
Receivable arising from PTO	464,416,030	463,024,464	-	-	-	1,391,566	-	-
	659,186,424	464,604,025	3,842,978	6,039,421	1,093,651	73,224,432	-	110,381,917

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):

<u>Date</u>	<u>Corporate Name</u>
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).

Status of Operation

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No.929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed community quarantine. As a result, PAGCOR issued a memorandum dated March 15, 2020 to suspend all gaming operations in Metro Manila until the end of the community quarantine. On June 7, 2020, the hotel resumed its operations after receiving the approval from the Department of Tourism. The hotel catered to foreign guests who are staying temporarily in the Philippines, long staying guests, overseas Filipino workers, government employees and health care workers. To ensure that systems that were shut down during the Enhanced Community Quarantine operate properly, as well as to test and address the system capabilities after the reconfiguration of the casino floors, the casino conducted dry run operations from June 16, 2020 to July 03, 2020, resumed last August 21, 2020 up to date operating at 30% capacity.

The Group's ability to continue as a going concern is dependent upon its ability to generate sufficient cash flows to meet its maturing obligations. To address such condition, the Group implemented cost-saving measures to reduce its fixed and variable costs. The Group also continuously boosts its marketing efforts to increase foot traffic within the property, while closely working with PAGCOR for the resumption of its operations and exploring new business opportunities. In addition, the Group has revisited its refinancing options and has ongoing discussions with the bank and its creditors to amend the payment terms.

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 21).

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.

As of the date of this report, the Company has not yet resumed its bingo operation.

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 21). 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.

On August 1, 2019, the junket agreement between TSLC and PAGCOR has expired. The junket agreement was no longer renewed.

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 (see Note 1).

Statement of Compliance

The unaudited interim condensed 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, 2019:

- PFRS 16, *Leases*

PFRS 16 supersedes PAS 17, *Leases*, Philippine Interpretation IFRIC 4, *Determining whether an Arrangement contains a Lease*, Philippine Interpretation SIC-15, *Operating Leases-Incentives* and Philippine Interpretation SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the balance sheet.

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. Therefore, PFRS 16 did not have an impact for leases where the Company is the lessor.

The Group is the lessor on its lease arrangements, therefore the adoption had no impact to the consolidated financial statements of the Group.

- 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*. It 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

The entity is required to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and use the approach that better predicts the resolution of the uncertainty. The entity shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

Based on the Group's assessment, it has no material uncertain tax treatments, accordingly, the adoption of this Interpretation has no significant impact on the consolidated financial statements.

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

Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify

that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments had no impact on the consolidated financial statements of the Group.

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

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

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

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

The amendments had no impact on the consolidated financial statements of the Group as it did not have any plan amendments, curtailments, or settlements during the period.

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

The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests. The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

The amendments had no impact on the consolidated financial statements as the Group does not have long-term interests in its associate and joint venture.

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 had no impact on the consolidated financial statements of the Group as there is no transaction where joint control is obtained.

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

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income (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 had no impact to the consolidated financial statements of 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 did not have any significant impact on the consolidated financial statements of the Group.

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, 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, 2023

- 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, 2023, with comparative figures required. Early application is permitted.

PFRS 17 is not expected to impact the consolidated financial statements of 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, Significant Accounting Judgements, 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(s) with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The Group 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. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities,

equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

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

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 September 30, 2020, 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 September 30, 2020, 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 September 30, 2020, 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 (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 either 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.

Investment Properties

The Group's investment properties consist of building held for lease. Investment properties are measured initially cost, including transaction costs and subsequently measured at cost less any accumulated depreciation and impairment.

Depreciation of investment properties commences once they become available for use and is calculated on a straight-line basis over the estimated remaining useful life of 26 years.

Depreciation ceases at the earlier of the date that the asset is classified as held for sale in accordance with PFRS 5 and the date that the asset is derecognized. The estimated useful life and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from the items of investment properties.

Investment properties are derecognized either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

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 asset's recoverable amount is the higher of the asset's 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

A contract liability is recognized if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognized as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract liabilities include payments received by the Group from the customers for which revenue recognition has not yet commenced. Accordingly, hotel deposits, 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. Contract liabilities as of September 30, 2020 and December 31, 2019 amounted to ₱16.6 million and ₱15.9 million, respectively.

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 to all period 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 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 (applicable for all periods presented)

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. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. 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.

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.

Leases (applicable starting January 1, 2019 upon the adoption of PFRS 16)

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a Lessee

The Group has not entered into any lease arrangement other than short-term leases of which the Group applies the short-term lease recognition exemption. Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Leases (applicable until December 31, 2018, prior to adoption of PFRS 16)

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

Group as a Lessee

Lease where the Group 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.

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 22.

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.

Assumption on Going Concern

Going concern is defined as the ability of an entity to generate resources needed to continue operating at least for the next twelve months after the reporting date. As of September 30, 2020, the Group determined that it has the ability to continue as a going concern at least for the next twelve months after the reporting date, as such, the Group prepared the financial statements on a going concern basis.

Evaluating Lease Commitments (see Note 16)

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

Group as the Lessor - Operating Lease Commitments

The Group has entered into various operating lease agreements as a lessor. The Group has determined that it has retained substantially all the risks and benefits of ownership of the assets. The ownership of the asset is not transferred to the 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.

Group as the Lessor - Finance Lease Commitments

The Group has entered into agreements with PAGCOR involving its gaming equipment. The Group 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 Group 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 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).

From its hotel operations as of December 31, 2019 and 2018, 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.

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

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

- *Quantitative Criteria*
The borrower is more than 90 days past due on its contractual payments, which is consistent with the Group's definition of default.
- *Qualitative Criteria*
The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:
 - a) The borrower is experiencing financial difficulty or is insolvent;
 - b) The borrower is in breach of financial covenant(s);
 - c) Concessions have been granted by the Group, for economic or contractual reasons relating to the borrower's financial difficulty; or
 - d) It is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the 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 2019 and 2018 amounted to ₱110.4 million and ₱55.2 million, respectively. The carrying amounts of receivables amounted to ₱199.3 million and ₱238.2 million as at September 30, 2020 and December 31, 2019, respectively (see Note 7).

Estimation of the Useful Lives of Property and Equipment and Investment Properties

The useful lives of each of the Group's property and equipment and investment properties 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 and investment property would increase the recorded operating expenses and decrease noncurrent assets.

There were no changes in the estimated useful lives of property and equipment in 2020, 2019 and 2018. The carrying value of property and equipment and investment properties as of September 30, 2020 and December 31, 2019 are disclosed in Notes 11 and 12 to the consolidated financial statements, respectively.

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 2020, 2019 and 2018.

The net book values of the Group's non-financial assets pertaining to input VAT, property and equipment, investment properties and other noncurrent assets are disclosed in Notes 9, 11, 12 and 13 to the consolidated financial statements, respectively.

6. Cash

This account consists of:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Cash on Hand	₱7,701,281	₱7,322,729
Cash in Bank	22,364,571	34,464,693
	₱30,065,852	₱41,787,422

Cash in banks generally earns interest at the respective bank deposit rates. Total interest income earned from cash in banks amounted to ₱0.1 million and ₱0.3 million in 2020 and 2019, respectively.

7. Receivables

This account consists of:

	September 30, 2020	December 31, 2019
	<i>(Unaudited)</i>	<i>(Audited)</i>
Trade:		
Non-related parties	101,091,470	₱109,208,630
Related parties (Note 18)	548,145	513,923
Nontrade	110,370,361	110,381,917
Receivable arising from PTO related to:		
Gaming equipment (Note 16)	73,158,072	71,241,648
Gaming facility (Note 16)	18,283,626	55,343,119
Advances to employees (Note 18)	2,557,689	1,936,216
	306,009,363	348,625,453
Less: allowance for expected credit losses	(110,381,917)	(110,381,917)
	195,627,446	₱238,243,536

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.

Trade receivable from non-related parties includes cash bond and initial payment by TSLC to PAGCOR under Junket Agreement amounting to ₱20.9 million. The said amount was collected in September 2020.

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.

Allowance for expected credit losses

The following table shows the roll forward of the allowance for expected credit losses as of September 30, 2020 and 2019:

	September 30, 2020	December 31, 2019
	<i>(Unaudited)</i>	<i>(Audited)</i>
Balance at beginning of year	₱110,381,917	₱55,177,100
Provision during the year	-	55,204,817
	₱110,381,917	₱110,381,917

The allowance for expected credit losses pertain to nontrade receivables.

8. Inventories

This account consists of:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
At cost:		
Operating supplies	₱18,866,134	₱20,310,583
Food, beverage, and tobacco	5,069,459	4,850,665
	₱23,935,593	₱25,161,248

Operating supplies include cards, seals and dice.

No allowance for inventory obsolescence was recognized in 2020 and 2019.

9. Input VAT

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Input VAT- current	₱30,401,445	₱16,781,594
Noncurrent:		
Input VAT – noncurrent	408,324,985	404,985,744
Deferred input VAT	13,542,687	13,635,008
	421,867,672	418,620,752
	₱452,269,117	₱435,402,346

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:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Restricted cash (Note 15)	₱112,609,708	₱163,271,629
Prepayments	7,053,277	4,941,395
Creditable withholding taxes	4,704,624	3,804,547
Deposits	4,554,095	3,480,320
Others	521,565	20,175

₱ 129,443,269	₱175,518,066
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Restricted cash are interest-bearing special accounts which are solely being used to maintain fund for loan quarterly payments in compliance with the requirements of the loan agreement (see Note 15).

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.

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

Others pertain to individually insignificant items.

11. Property and Equipment

This account consists of:

	September 30, 2020 (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	P600,800,000	P 3,489,843,089	P221,699,406	P-	464,754,666	P 636,513,164	P 5,413,610,325
Additions	-	8,901,663	-	-	1,372,149	3,397,254	13,671,066
Disposal/Reclassification	-	-	-	-	-	-	-
Balance at end of year	600,800,000	3,498,744,752	221,699,406	-	466,126,815	639,910,418	5,427,281,391
Accumulated depreciation							
Balance at beginning of year	-	417,459,176	76,342,833	-	302,716,169	615,005,331	1,411,523,509
Depreciation (Note 21)	-	89,803,329	18,408,765	-	72,121,405	9,506,650	189,840,149
Disposal/Reclassification	-	-	-	-	-	-	-
Balance at end of year	-	507,262,505	94,751,598	-	374,837,574	624,511,981	1,601,363,658
Net book value	P600,800,000	P 2,991,482,247	P 126,947,808	P-	P91,289,241	P15,398,437	P3,825,917,733
December 31, 2019 (Audited)							
	Land	Building	Machinery	Gaming equipment	Non-gaming equipment	Kitchen and bar equipment, computer software and hardware	Total
Cost							
Balance at beginning of year	P600,800,000	P4,346,182,947	P218,902,742	P-	P453,787,351	P636,120,176	P6,255,793,216
Additions	-	24,311,569	2,796,664	-	10,967,315	15,986,980	54,062,528
Disposal/Reclassification	-	(880,651,427)	-	-	-	(15,593,993)	(896,245,419)
Balance at end of year	600,800,000	3,489,843,089	221,699,406	-	464,754,666	636,513,163	5,413,610,325
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)	-	141,185,334	24,541,039	-	94,843,297	140,193,039	400,762,709
Disposal/Reclassification	-	(98,849,209)	-	-	-	(13,428,161)	(112,277,370)
Balance at end of year	-	417,459,176	76,342,833	-	302,716,169	615,005,330	1,411,523,509
Net book value	P600,800,000	P3,072,383,913	P145,356,573	P-	P162,038,497	P21,507,833	P4,002,086,816

In 2019, portion of the building with a carrying amount of ₱781.8 million was transferred to investment properties as there had been a change in use (see Note 12).

As of September 30, 2020 and December 31, 2019, land and building, including the amount reclassified to investment properties (see Notes 11 and 12), with an aggregate carrying values of ₱4.3 billion and ₱4.5 billion were pledged as collateral for the loan facility, respectively (see Note 15).

As of September 30, 2020 and December 31, 2019, land and building with an aggregate carrying values of ₱3.6 billion and ₱3.7 billion, respectively, were pledged as collateral for the loan facility (see Note 15).

12. Investment Properties

In 2019, the Parent Company entered into a lease agreement with a third party to lease and convert the parking and roof-deck area with square meter (sqm) of 15,718 out of 77,153 sqm of Winford Hotel and Casino into office space. Upon execution the of the lease agreement, the Parent Company reclassified its leased premises from “Property and equipment” to “Investment properties” amounting to ₱781.8 million.

The movements in the carrying amount of investment property is shown below:

	September 30, 2020	December 31, 2019
	<i>(Unaudited)</i>	<i>(Audited)</i>
Cost	₱781,802,218	₱781,802,218
Accumulated depreciation	29,782,942	7,445,736
Net book value	₱752,019,276	₱774,356,482

The investment property has a fair value of ₱1,051.6 million as at December 31, 2019 based on a valuation performed by a qualified independent appraiser whose report was dated August 5, 2019.

Fair value of the investment properties was determined using the market data approach for land and cost approach for building. This means that valuations performed by qualified independent appraisers are depreciated cost of subject improvement which is estimated by calculating the direct cost of reproducing or replacing the improvement, deducting accrued depreciation from all sources and adding the indirect costs attributed to the improvement. This valuation approach is categorized as Level 3 in the fair value hierarchy as of December 31, 2019. The significant unobservable input to the valuation is the price per square meter amounting to ₱0.095 million per square meter.

Significant increases or decreases in estimated price per square meter in isolation would result in a significantly higher or lower fair value on a linear basis.

No rental income was derived from rental-earning investment properties in 2020 as the operation has not yet started as of September 30, 2020. There were no restrictions on realizability of investment properties and no significant repairs and maintenance were made to maintain the Group’s investment properties in 2020.

13. Other Noncurrent Assets

This account consists of:

	September 30, 2020 <i>(Unaudited)</i>	December 31, 2019 <i>(Audited)</i>
Receivable arising from PTO related to gaming equipment - net of current portion (Notes 16)	P372,974,332	P391,670,199
Long-term deposits	6,267,386	6,964,000
Advances to contractors and suppliers	4,779,331	4,779,331
Operating equipment	2,158,015	885,274
	P 386,179,064	P404,298,804

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

Movement in operating equipment are as follows:

	September 30, 2020 <i>(Unaudited)</i>			
	Utensils	Linens	Uniforms	Total
Cost				
Balance at beginning of year	P23,562,076	P70,917,497	5,340,259	P99,819,832
Additions	-	1,715,645	109,350	1,824,995
Balance at end of year	23,562,076	72,633,142	5,449,609	101,644,827
Accumulated amortization				
Balance at beginning of year	23,562,076	70,816,300	4,556,182	98,934,558
Amortization (Note 21)	-	163,709	388,545	552,254
Balance at end of year	23,562,076	70,980,009	4,944,727	99,486,812
Net book value	P-	P1,653,133	P504,882	P2,158,015

	December 31, 2019 <i>(Audited)</i>			
	Utensils	Linens	Uniforms	Total
Cost				
Balance at beginning of year	P23,562,076	P70,917,497	P4,721,248	P99,200,821
Additions	-	-	619,011	619,011
Balance at end of year	23,562,076	70,917,497	5,340,259	99,819,832
Accumulated depreciation				
Balance at beginning of year	20,591,738	52,383,953	3,110,772	76,086,463
Amortization	2,970,338	18,432,347	1,445,410	22,848,095
Balance at end of year	23,562,076	70,816,300	4,556,182	98,934,558
Net book value	P-	P101,197	P784,077	P885,274

14. Accounts Payable and Other Current Liabilities

This account consists of:

	September 30, 2020	December 31, 2019
	<i>(Unaudited)</i>	<i>(Audited)</i>
Accounts payable	₱ 355,358,538	₱ 331,184,742
Accrued expenses	148,983,599	103,840,144
Gaming liabilities	36,050,004	33,872,011
Advances from related parties (Note 18)	4,970,819	4,970,819
Taxes payable	8,514,746	5,184,976
Others	24,931,414	23,853,600
	₱578,809,120	₱502,906,292

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.

15. Loans Payable

This account consists of:

	September 30, 2020	December 31, 2019
	<i>(Unaudited)</i>	<i>(Audited)</i>
Principal	₱2,307,900,000	₱2,355,000,000
Less unamortized debt discount	(15,135,090)	(17,362,110)
	2,292,764,910	2,337,637,890
Less current portion of long-term debt	(91,082,375)	(185,287,516)
	₱2,201,682,535	₱2,152,350,374

The movements in the principal balance of loans payable are as follows:

	September 30, 2020	December 31, 2019
	<i>(Unaudited)</i>	<i>(Audited)</i>
Balance at beginning of year	₱2,355,000,000	₱2,800,000,000
Drawdowns	-	2,355,000,000
Payment	(47,100,000)	(2,800,000,000)
Balance at end of year	₱2,307,900,000	₱2,355,000,000

The movements in unamortized debt discount follow:

	September 30, 2020	December 31, 2019
	<i>(Unaudited)</i>	<i>(Audited)</i>
Unamortized debt discount at beginning of year	₱17,362,110	₱13,490,413
Additions	-	17,662,500
Amortization	(1,277,977)	(5,561,533)
Modification*	(949,043)	(8,229,270)
Unamortized debt discount at end of year	₱15,135,090	₱17,362,110

*Recorded as "Interest expense and other financing charges" in the consolidated statements of comprehensive income.

Future repayment of the principal as follows:

	September 30, 2020	December 31, 2019
	<i>(Unaudited)</i>	<i>(Audited)</i>
Within one year	₱94,200,000	₱188,400,000
After one year but not more than five years	2,213,700,000	2,166,600,000
	₱2,307,900,000	₱2,355,000,000

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.

On November 22, 2019, the Parent Company entered into 7-year loan agreement amounting to ₱2.4 billion with another local bank. This loan has an interest rate of 7-year Philippine Bloomberg Valuation Service (BVAL) Reference Rates plus 125 basis points at drawdown date, plus gross receipts tax (the "New Loan"). Interest on the outstanding principal amount shall be paid on each quarterly interest payment date. The proceeds from the loan was availed solely to refinance the outstanding

balance of its ₱3.5 billion loan, funding the Parent Company's debt service accounts and financing related expenses for general corporate purposes.

On November 27, 2019, the Parent Company drew the full amount under the New Loan, receiving proceeds of ₱2.3 billion, net of related debt issue cost of ₱17.7 million. As a result, the Parent Company derecognized the Original Loan together with the unamortized debt issue cost and recognized prepayment penalty aggregating ₱34.8 million as "Interest expense and other financing charges" in the consolidated statement of comprehensive income.

Under the loan agreement, the Parent Company is required to maintain a debt service accounts to fund the quarterly principal and interest payments of the loan in accordance with the loan agreement. As of September 30, 2020, cash amounting to ₱112.6 million are presented under "Prepayments and other current assets" as "Restricted cash".

The related interest recognized amounted to ₱114.5 million and ₱116.5 million in 2020 and 2019, respectively. Total interest paid amounted to ₱115.4 million and ₱119.5 million in 2020 and 2019, respectively.

The loan is secured by the Parent Company's land and building, classified as property and equipment and investment properties in the consolidated statement of financial position, with an aggregate carrying value of ₱4.3 billion and ₱4.5 billion as of September 30, 2020 and December 31, 2019, respectively (see Notes 11 and 12).

Loan covenants

The Original Loan facility imposes certain restrictions with respect to corporate reorganization, current ratio, 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 solely in share capital stock) and payments of loans or advances from its shareholders, affiliates, subsidiaries or related entities when the Parent Company is in default. The New Loan facility imposes the same restrictions.

In June 2020, the New Loan facility approved the deferral of quarterly principal payment until May 2021. In addition, quarterly interest payment was amended to monthly interest payment starting June 2020 to February 2021 and will revert to quarterly payment starting May 2021. Restriction with respect to quarterly calculation of debt-equity ratio and debt service coverage ratio is waived and will resume on September 2021 based on June 30, 2021 financial statements.

16. 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 token-less 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 ₱155.2 million in 2020 and ₱411 million in 2019, 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 2020 amounting to ₱17.1 million. Accordingly, revenue share in gaming operations for the nine months ended September 30, 2020 and 2019, presented in the consolidated statements of comprehensive income, amounted to ₱138.1 million and ₱366.7 million, respectively.

The details of the revenue share in gaming operations for the nine months ended September 30, 2020 and 2019 are as follows:

	September 30, 2020	September 30, 2019
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue share from gaming operations related to:		
Gaming facility	₱ 126,040,519	₱330,948,530
Gaming equipment	12,011,540	35,721,054
	₱ 138,052,059	₱366,669,584

The details of the revenue share in gaming operations for the three months ended September 30, 2020 and 2019 are as follows:

	September 30, 2020	September 30, 2019
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue share from gaming operations related to:		
Gaming facility	₱ 19,048,979	₱ 124,564,455
Gaming equipment	-0-	12,542,340
	₱ 19,048,979	₱ 137,106,795

The future minimum collection related to the gaming equipment follows:

	September 30, 2020
Within one year	₱ 116,547,687
After one year but not more than five years	394,341,200
More than five years	72,338,715
	583,227,602

Less: unamortized portion of discount	(137,095,198)
	446,132,404
Less: current portion (Note 7)	(73,158,072)
Noncurrent portion (Note 13)	₱372,974,332

17. Deposit for Future Stock Subscription

The Group presented the deposit amounting to ₱2.4 billion and ₱2.4 billion as “Deposit for future stock subscription” under noncurrent liabilities in the consolidated statements of financial position as of September 30, 2020 and December 31, 2019, respectively, in accordance with FRB No. 6 as issued by the SEC.

As of September 30, 2020, the Parent Company is currently in the process of application with SEC (see Note 19).

18. 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	2020		2019		Terms	Condition
			Amount	Receivable (Payable)	Amount	Receivable (Payable)		
Manila Jockey Club, Inc. (MJCI)	Stockholder	Deposit for future stock subscription (Note 17)	-	₱(321,233,646)	₱84,000,000	(₱321,333,646)	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 7)	34,222	493,958	105,701	459,736	Noninterest-bearing; due and demandable	Unsecured, unimpaired
Various Shareholders	Stockholder	Deposit for future stock subscription (Note 17)	-	(2,105,268,102)	200,300,651	(2,105,268,102)	Noninterest-bearing	Unsecured, unguaranteed
		Advances from stockholders ^(c)	102,507,102	(447,711,725)	345,204,623	(345,204,623)	Interest-bearing	Unsecured, unguaranteed
Manila Cockers Club, Inc. (MCI)	Affiliate	Commission from the off-track betting ^{(d), (e)} (Note 7)	-	54,187	2,899,564	54,187	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 ₱21.5 million, ₱25.1 million, for the nine months ended September 30, 2020 and 2019, respectively. The compensations are short-term employee benefits.

The Group has no standard arrangement with regard to the remuneration of its directors. In 2020 and 2019, the BOD received directors' fees aggregating ₱0.5 million and ₱0.4 million, respectively (Note 21).

The Group's advances to its employees amounted to ₱2.56 million and ₱1.94 million as of September 30, 2020 and December 31, 2019, respectively (see Note 7).

19. 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 433 for the years 2019 and 2018, and 446 equity holders for the year 2017.

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.

20. Basic/Diluted Loss Per Share

	September 30, 2020	September 30, 2019
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Net loss for the year	₱432,446,133	₱421,308,029
Divided by weighted average number of outstanding common shares	3,174,405,821	3,174,405,821
Basic/diluted losses per share	₱0.136	₱0.133

The Group has no potential dilutive common shares as of September 30, 2020 and September 30, 2019. Therefore, the basic and diluted loss per share are the same as of those dates.

21. Operating Costs and Expenses

This account consists of:

	For the Three months ended September 30		For the Nine months ended September 30	
	2020 (Unaudited)	2019 (Unaudited)	2020 (Unaudited)	2019 (Unaudited)
Depreciation and amortization (Notes 11 and 12)	₱70,163,903	₱110,223,256	₱212,729,609	₱337,984,514
Salaries and wages	11,513,035	20,980,287	47,552,463	65,121,848
Utilities	11,243,299	24,697,102	43,127,477	70,828,326
Taxes and licenses	10,380,126	8,202,330	30,781,143	24,517,768
Repairs and maintenance	8,066,193	11,735,672	29,920,417	33,122,268
Service fee	9,380,357	9,380,357	28,141,071	28,141,071
Contracted services	2,139,886	22,648,180	24,623,351	67,632,329
Advertising and marketing	5,110,869	8,867,458	15,808,590	25,223,025
Security services	425,086	11,451,031	14,828,758	30,926,261
Food, beverage, and tobacco	1,426,370	13,440,463	10,304,721	31,931,231
Hotel room and supplies	1,626,885	6,866,027	8,833,173	18,912,927
Gaming fees (Note 2)	93,808	9,975,320	6,654,510	44,419,795
Insurance	3,001,305	1,603,793	6,208,892	4,811,380
Professional fees	1,504,353	3,208,728	6,272,903	8,241,983
Communication	1,805,495	1,864,669	5,535,748	5,534,985
Banquet expenses	257,763	3,799,203	4,221,764	12,507,771
Transportation and travel	579,953	1,943,186	4,171,689	5,930,083
Entertainment	11,340	3,064,791	2,693,856	10,608,578
Rent	(117,052)	959,624	1,294,985	2,085,901
Supplies	317,356	796,859	1,043,049	2,602,377
Meetings and conferences	330,000	390,234	990,000	1,087,837
Retirement	209,889	209,889	629,667	629,667
Director's fee	218,000	-	462,000	449,000
Commission	44,646	747,046	444,422	1,724,831
Others	1,560,028	8,329,814	7,908,134	13,330,073
	₱141,292,893	₱285,385,319	₱515,182,392	₱848,305,829

22. Operating Segment Information

The Group has two operating segments in 2020, 2019, and 2018. 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 and nine months ended September 30, 2020 and 2019 are as follows:

For the Three months ended September 30						
	2020			2019		
	Gaming	Non-gaming	Total	Gaming	Non-gaming	Total
Revenue	₱19,048,979	₱7,663,683	₱26,712,662	₱154,133,898	₱42,913,012	₱197,046,910
Operating costs and expenses	(50,304,580)	(90,988,314)	(141,292,894)	(90,639,462)	(194,745,857)	(285,385,319)
Other income (expenses) – net	(28,100,917)	(9,953,135)	(38,054,052)	(26,506,129)	(9,623,346)	(36,129,475)
Provision from income tax	(217)	(4,420)	(4,637)	(544)	(3,800)	(4,344)
Net income (loss)	(₱59,356,735)	(₱93,282,186)	(₱152,638,920)	₱36,987,763	(₱161,459,991)	(₱124,472,228)

For the Nine months ended September 30						
	2020			2019		
	Gaming	Non-gaming	Total	Gaming	Non-gaming	Total
Revenue	₱146,997,111	₱50,435,802	₱197,432,913	₱407,947,246	₱134,480,337	₱542,427,583
Operating costs and expenses	(183,201,005)	(331,981,387)	(515,182,392)	(284,805,266)	(563,500,563)	(848,305,829)
Other income (expenses) – net	(84,852,629)	(29,819,838)	(114,672,467)	(84,766,516)	(30,607,671)	(115,374,187)
Provision from income tax	(1,172)	(23,015)	(24,187)	(5,833)	(49,763)	(55,596)
Net income (loss)	(₱121,057,695)	(₱311,388,438)	(₱432,446,133)	₱38,369,631	(₱459,677,660)	(₱421,308,029)

Segment Assets and Liabilities and Other Information

The segment assets, liabilities, capital expenditures and other information as of September 30, 2020 and December 31, 2019 are as follows:

	2020		
	Gaming	Non-gaming	Total
Assets	₱2,070,780,714	₱3,724,676,636	₱5,795,457,350
Liabilities	3,632,039,091	2,196,794,669	5,828,833,760
Capital expenditures	3,256,448	10,414,618	13,671,066
Interest income	5,860	116,046	121,907
Depreciation and amortization	66,534,717	146,194,892	212,729,609

	2019		
	Gaming	Non-gaming	Total
Assets	₱1,746,126,963	₱4,350,727,757	₱6,096,854,720
Liabilities	267,223,743	5,431,252,967	5,698,476,710
Capital expenditures	32,242,481	21,820,047	54,062,528
Interest income	23,348	293,031	316,379
Depreciation and amortization	101,556,932	329,499,608	431,056,540

23. 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:

	September 30, 2020 (Unaudited)		December 31, 2019 (Audited)	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Receivable arising from PTO				
related to gaming equipment	₱ 446,132,404	₱ 546,199,552	₱ 462,911,847	₱ 594,195,697
Long-term deposits	6,267,386	6,267,386	6,964,000	6,964,000
	₱ 452,399,790	₱ 552,466,938	₱ 469,875,847	₱ 601,159,697
Financial Liabilities				
Advances from Stockholders	₱ 447,711,725	₱ 447,711,725	₱ 345,204,623	₱ 345,204,623
Loans payable	2,292,764,910	2,292,764,910	2,337,637,890	2,337,637,890
	₱ 2,740,476,635	₱ 2,740,476,635	₱ 2,682,842,513	₱ 2,682,842,513

As of September 30, 2020 and December 31, 2019, 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 September 30, 2020 and December 31, 2019.

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 September 30, 2020 and 2019.

Discussion on Results of Operations

The following table shows a summary of results of the operations for the nine months ended September 30, 2020 and 2019:

	<u>For the Nine months Ended</u>		Amount Change	% Change
	September 30, 2020	September 30, 2019		
	<i>Amount in Millions of Philippine peso except EPS</i>			
Revenue				
Revenue share in gaming operation	138.1	366.7	(228.6)	(62.3%)
Hotel	21.2	42.8	(21.6)	(50.5%)
Food and Beverage	15.8	62.5	(46.7)	(74.7%)
Bingo Operations	8.9	39.8	(30.9)	(77.6%)
Rental	9.8	17.6	(7.8)	(44.3%)
Other revenue	3.6	13.0	(9.4)	(72.3%)
	197.4	542.4	(345.0)	(63.6%)
Operating cost and expenses	(515.2)	(848.3)	333.1	(39.3%)
Operating loss	(317.8)	(305.9)	(11.9)	3.9%
Other income (expenses)				
Interest expense and other financing charges	(115.4)	(116.5)	1.1	(0.9%)
Interest income	0.1	0.3	(0.2)	(66.7%)
Miscellaneous income (expenses)	0.7	0.9	(0.2)	(22.2%)
	(114.6)	(115.3)	0.7	(0.6%)
Loss before income Tax	(432.4)	(421.2)	(11.2)	2.7%
Provision for income tax	-	(0.1)	0.1	(100.0%)
Net loss	(432.4)	(421.3)	(11.1)	2.6%
Other comprehensive income				
Actuarial Gains on retirement Liability	0.7	0.7	-	0.0%
Total comprehensive loss	(431.7)	(420.6)	(11.1)	2.6%
Basic/diluted loss per share	(0.136)	(0.133)	(0.003)	2.6%

Comparison of Operating Results for the Nine Months Ended September 30, 2020 and 2019

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 nine months ended September 30, 2020 and 2019 amounted to ₱ 197.4 million and ₱ 542.4 million, respectively.

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

- Revenue share in gaming operations decreased by ₱228.6 million or 62.3% from ₱366.7 million in 2019 to ₱138.1 million in 2020. The decrease is due to the temporary suspension of casino operation (from second-half of March 2020 to June 2020) due to community lockdown.

Nine Months Ended			
Figures in (PHP' million)	September 30, 2020	September 30, 2019	%
VOLUME			
Table Drops	917.9	3,011.1	-69.5%
Slots Turnover	5,255.4	13,198.4	-60.2%
Total Volume	6,173.3	16,209.5	-61.9%

Nine Months Ended			
Average Capacity	September 30, 2020	September 30, 2019	%
Table	27	29	-6.9%
Slots	368	461	-20.2%

Nine Months Ended			
Average Win	September 30, 2020	September 30, 2019	%
Win/Table/Day	48,307	70,665	-31.6%
Win/Machine/Day	6,255	5,826	+7.4%

Overall gaming volume for the nine months of 2020 decreased by 61.9% from ₱16.2 billion last year to ₱6.2 billion this year. In line with the community lockdown, gaming operation was temporarily suspended since March 2020. However, last June 16, 2020 until July 03, 2020 the casino conducted dry run operations to ensure that systems that were shut down during the Enhanced Community Quarantine operate properly, as well as to test and address the system capabilities after the reconfiguration of the casino floors. On August 21, 2020, the casino resumed operations up to date operating at 30% capacity.

As of September 30, 2020, total number of gaming tables and slots machines were 30 and 545. But the company is allowed only to operate on limited capacity thus average number of operational gaming tables and slot machines were 27 and 368, as compared to 29 and 461 respectively for last year. Average win per table per day decreased by 31.6% from ₱70.7 thousand in 2019 to ₱48.3 thousand in 2020. Average win per slot machine per day increased by 7.4% from ₱5.8 thousand in 2019 to ₱6.3 thousand in 2020.

- Revenue from hotel rooms decreased by ₱21.6 million or 50.5% from ₱42.8 million in 2019 to ₱21.2 million in 2020. The decrease is due to the temporary suspension of hotel operation and limited guest allowed to stay during the pandemic.

Occupancy rate during the year declined by 30% from 83% in 2019 to 53% in 2020. Of the 128 rooms available each day, average occupied room per day is 68 rooms in 2020, which is lower than the 105 rooms in 2019.

As to date, the hotel is operating on limited capacity, caters foreign guests who are staying temporarily in the Philippines, long staying guests, overseas Filipino workers, government employees and health care workers.

- Revenue from food and beverage decreased by ₱46.7 million or 74.7% from ₱62.5 million in 2019 to ₱15.8 million in 2020. The decrease is attributable to the cancelled corporate and other banquet events due to the pandemic.
- Revenue from bingo operations decreased by ₱30.9 million or 77.6% from ₱39.8 million in 2019 to ₱8.9 million in 2020. The decrease is attributable to the temporary suspension of bingo operations last March 13, 2020 up to date.
- Rental and other revenues decreased by ₱17.2 million or 56.2% from ₱30.6 million in 2019 to ₱13.4 million in 2020. The decrease is due to lower percentage rental because of temporary suspension of lessee's operation. The Group also grant rental holidays to lessees during the community lockdown.

Operating Costs and Expenses

Total operating costs and expenses for the nine months ended September 30, 2020 and 2019 amounted to ₱515.2 million and ₱848.3 million, respectively. The significant decrease in the total operating costs and expenses is due to fully depreciated assets this year, lower costs of food, beverages and tobacco, contract services, advertising and marketing expenses, salaries and wages, repairs and maintenance, reduced by higher taxes and other expenses.

The significant accounts that contributed to the decrease are:

- Depreciation and amortization decreased by a margin of ₱125.3 million or 37.1% from prior year's ₱338.0 million to ₱212.7 million this year. The decrease is mainly attributable to the fully depreciated computer equipment, software, kitchen utensils and art and decorations as of this quarter.
- Contracted services amounting to ₱24.6 million is lower by ₱43.0 million or 63.6% as compared to prior period's ₱67.6 million. The decrease is due to lower number of outsourced manpower because of temporary suspension of its gaming, hotel and other operations last second quarter; and limited allowable capacity to operate this third quarter.
- Gaming fees amounting to ₱6.7 million is lower by ₱37.7 million or 84.9% as compared to prior period's ₱44.4 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. The decrease is attributable to the temporary suspension of bingo operations last March 13, 2020 up to date.
- Utilities decreased by a margin of ₱27.7 million or 39.1% from prior year's ₱70.8 million to ₱43.1 million this year. The decrease is due to lower consumption caused by the temporary suspension of its gaming, hotel and other operations last second quarter; and limited allowable capacity to operate this third quarter.
- Cost of food, beverage and tobacco decreased by a margin of ₱21.6 million or 67.7% from prior year's ₱31.9 million to ₱10.3 million in total this year. The decrease is due to the lower number of guests in hotel, casino, concert, banquet and bingo events throughout the quarter. This is also directly attributable to the decrease in revenue from food and beverage for the quarter due to

temporary suspension of its gaming, hotel and other operations last second quarter; and limited allowable capacity to operate this third quarter.

- Hotel room supplies and banquet expenses decreased by a margin of ₱18.4 million or 58.6% from prior year's ₱31.4 million to ₱13.0 million in total this year. The decrease is due to the lower number of guests in hotel, casino, concert, banquet and bingo events throughout the period caused by the of temporary suspension of its gaming, hotel and other operations last second quarter; and limited allowable capacity to operate this third quarter.
- Salaries and wages decreased by a margin of ₱17.5 million or 26.9% from prior period's ₱65.1 million to ₱47.6 million this year. The decrease is due to reduced work days because of temporary suspension of its gaming, hotel and other operations last second quarter; and limited allowable capacity to operate this third quarter.
- Security services decreased by ₱16.1 million or 52.1% from ₱30.9 million in 2019 to ₱14.8 million in 2020. The decrease is due to lower work days of security services because of temporary suspension of its gaming, hotel and other operations last second quarter; and limited allowable capacity to operate this third quarter.
- Advertising and marketing expenses decreased by a margin of ₱9.4 million or 37.3% from prior year's ₱25.2 million to 15.8 million this year. The decrease is due to lower marketing promotions because of temporary suspension of its gaming, hotel and other operations last second quarter; and limited allowable capacity to operate this third quarter.
- Entertainment expenses decreased by a margin of ₱7.9 million or 74.5% from prior year's ₱10.6 million to ₱2.7 million in total this year. The decrease is due to the lower number of guests in hotel, casino, concert, banquet and bingo events throughout the period caused by the temporary suspension of its gaming, hotel and other operations last second quarter; and limited allowable capacity to operate this third quarter.
- Repairs and maintenance decreased by ₱3.2 million or 9.7% from ₱33.1 million in 2019 to ₱29.9 million in 2020. The decrease is attributable to lower aircon maintenance charges granted by service provider due to the community lockdown.
- Taxes and licenses increased by ₱6.3 million or 25.7% from ₱24.5 million in 2019 to ₱30.8 million in 2020. The increase corresponds with the higher property taxes for the year.

Interest Expense and Other Financing Charges

Total interest expense amounting to ₱114.5 million is lower by ₱2.0 million or 1.7% as compared to prior period's ₱116.5 million. Interest expense decreased because the principal value of the loans payable diminished upon payments made during the period. Financing charges amounting to ₱0.9 million was recognized as the lender approved the extension of instalment payment of principal for some period.

Discussion on Results of Operations

The following table shows a summary of results of the operations for the three months ended September 30, 2020 and 2019:

	For the Three months Ended		Amount Change	% Change
	September 30, 2020	September 30, 2019		
<i>Amount in Millions of Philippine peso except EPS</i>				
Revenue				
Revenue share in gaming operation	19.0	137.1	(118.1)	(86.1%)
Hotel	5.9	12.5	(6.6)	(52.8%)
Food and Beverage	0.3	22.1	(21.8)	(98.6%)
Bingo Operations	-	15.7	(15.7)	(100.0%)
Rental	1.0	5.3	(4.3)	(81.1%)
Other revenue	0.5	4.4	(3.9)	(88.6%)
	26.7	197.1	(170.4)	(86.5%)
Operating cost and expenses	(141.3)	(285.4)	144.1	(50.5%)
Operating loss	(114.6)	(88.3)	(26.3)	29.8%
Other income (expenses)				
Interest expense	(38.2)	(36.3)	(1.9)	5.2%
Interest income	-	-	-	0.0%
Miscellaneous income (expenses)	0.2	0.2	-	0.0%
	(38.0)	(36.1)	1.9	5.3%
Loss before income Tax	(152.6)	(124.4)	(28.2)	22.7%
Provision for income tax	-	-	-	0.0%
Net loss	(152.6)	(124.4)	(28.2)	22.7%
Other comprehensive income				
Actuarial Gains on retirement Liability	0.2	0.2	-	0.0%
Total comprehensive loss	(152.4)	(124.2)	(28.2)	22.7%
Basic/diluted loss per share	(0.048)	(0.039)	0.009	22.7%

Comparison of Operating Results for the Three Months Ended September 30, 2020 and 2019

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 September 30, 2020 and 2019 amounted to ₱ 26.7 million and ₱ 197.1 million, respectively.

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

- Revenue share in gaming operations decreased by ₱118.1 million or 86.1% from ₱137.1 million in 2019 to ₱19.0 million in 2020. The decrease is due to the limited capacity of casino operations due to community lockdown.

Third Quarter			
Figures in (PHP' million)	2020	2019	%
VOLUME			
Table Drops	105.2	1,149.1	-90.8%
Slots Turnover	584.6	4,917.4	-88.1%
Total Volume	689.8	6,066.5	-88.6%

Third Quarter			
Average Capacity	2020	2019	%
Table	22	32	-31.3%
Slots	170	492	-65.4%

Third Quarter			
Average Win	2020	2019	%
Win/Table/Day	15,796	67,964	-76.8%
Win/Machine/Day	4,709	6,081	-22.6%

Overall gaming volume for the third quarter of 2020 is lower by 98.5% from ₱6.1 billion last year compared to ₱689.8 million this year. In line with the community lockdown, gaming operation was temporarily suspended since March 2020. However, last June 16, 2020 until July 03, 2020 the casino conducted dry run operations to ensure that systems that were shut down during the Enhanced Community Quarantine operate properly, as well as to test and address the system capabilities after the reconfiguration of the casino floors. On August 21, 2020, the casino resumed operations up to date operating at 30% capacity.

As of September 30, 2020, total number of gaming tables and slots machines were 30 and 545. But the company is allowed only to operate on limited capacity thus average number of operational gaming tables and slot machines were 22 and 170, as compared to 32 and 492 respectively for last year. Average win per table per day decreased by 76.8% from ₱68.0 thousand in 2019 to ₱15.8 thousand in 2020. Average win per slot machine per day decreased by 22.6% from ₱6.1 thousand in 2019 to ₱4.7 thousand in 2020.

- Revenue from hotel rooms decreased by ₱6.6 million or 52.8% from ₱12.5 million in 2019 to ₱5.9 million in 2020. The decrease is due to the temporary suspension of hotel operation and limited guest allowed to stay during the pandemic.

Occupancy rate during the year declined by 50% from 80% in 2019 to 30% in 2020. Of the 128 rooms available each day, average occupied room per day is 38 rooms in 2020, which is lower than the 109 rooms in 2019.

As to date, the hotel is operating on limited capacity, caters only foreign guests who are staying temporarily in the Philippines, long staying guests, overseas Filipino workers, government employees and health care workers.

- Revenue from food and beverage decreased by ₱21.8 million or 98.6% from ₱22.1 million in 2019 to ₱0.3 million in 2020. The decrease is due to the cancelled corporate and other banquet events due to community lockdown.
- No revenue from bingo operations were generated this quarter due to the temporary suspension of bingo operations last March 13, 2020 up to date.

- Rental and other revenues decreased by ₱8.2 million or 84.5% from ₱9.7 million in 2019 to ₱1.5 million in 2020. The decrease is due to lower percentage rental because of temporary suspension of lessee's operation. The Group also grant rental holidays to lessees during the community lockdown.

Operating Costs and Expenses

Total operating costs and expenses for the three months ended September 30, 2020 and 2019 amounted to ₱141.3 million and ₱285.4 million, respectively. The significant decrease in the total operating costs and expenses is due to fully depreciated assets this year, lower costs of food, beverages and tobacco, contract services, advertising and marketing expenses, salaries and wages, repairs and maintenance, reduced by higher taxes and other expenses.

The significant accounts that contributed to the decrease are:

- Depreciation and amortization decreased by a margin of ₱40.0 million or 36.3% from prior year's ₱110.2 million to ₱70.2 million this year. The decrease is mainly attributable to the fully depreciated computer equipment, software, kitchen utensils and art and decorations as of this quarter.
- Contracted services amounting to ₱2.1 million is lower by ₱20.5 million or 90.7% as compared to prior period's ₱22.6 million. The decrease is due to lower number of outsourced manpower because limited allowable capacity to operate this third quarter.
- Utilities decreased by a margin of ₱13.5 million or 54.7% from prior year's ₱24.7 million to ₱11.2 million this year. The decrease is due to lower consumption caused by the limited allowable capacity to operate this third quarter.
- Cost of food, beverage and tobacco decreased by a margin of ₱12.0 million or 89.6% from prior year's ₱13.4 million to ₱1.4 million in total this period. The decrease is due to the lower number of guests in hotel, casino, concert, banquet and bingo events throughout the period caused by the community lockdown or limited allowable capacity to operate this third quarter.
- Security services decreased by ₱11.1 million or 96.5% from ₱11.5 million in 2019 to ₱0.4 million in 2020. The decrease is due to lower work days of security services caused by the limited capacity of its gaming, hotel and other operations during the pandemic.
- Gaming fees amounting to ₱0.1 million is lower by ₱9.9 million or 99.0% as compared to prior period's ₱10.0 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. The decrease is attributable to the temporary suspension of bingo operations last March 13, 2020 up to date.
- Salaries and wages decreased by a margin of ₱9.5 million or 45.2% from prior period's ₱21.0 million to ₱11.5 million this year. The decrease is due to reduced work days caused by the limited capacity of its hotel and other operations during the community lockdown.
- Hotel room supplies and banquet expenses decreased by a margin of ₱8.8 million or 82.2% from prior year's ₱10.7 million to ₱1.9 million in total this year. The decrease is due to the lower number of guests in hotel, casino, concert, banquet and bingo events throughout the period caused by the community lockdown or limited allowable capacity to operate this third quarter.

- Advertising and marketing expenses decreased by a margin of ₱3.8 million or 42.7% from prior year's ₱8.9 million to ₱5.1 million this year. The decrease is due to lower marketing promotions caused by the community lockdown or limited allowable capacity to operate this third quarter.
- Repairs and maintenance decreased by ₱3.6 million or 30.8% from ₱11.7 million in 2019 to ₱8.1 million in 2020. The decrease is attributable to lower aircon maintenance charges granted by service provider due to the community lockdown or limited allowable capacity to operate this third quarter.
- No entertainment expenses were incurred this quarter due to the cancellation of concert and other events caused by the community lockdown. Entertainment expenses incurred from prior year of the same period amounted to ₱3.1 million.
- Taxes and licenses increased by ₱2.2 million or 26.8% from ₱8.2 million in 2019 to ₱10.4 million in 2020. The increase corresponds with the higher property taxes for the year.

Interest Expense

Total interest expense amounting to ₱38.2 million is higher by ₱1.9 million or 5.2% as compared to prior period's ₱36.4 million. Interest expense increased because the repayment of principal value of the loans payable were delayed through debt restructuring.

Analysis of Statements of Financial Position

	For the Period Ended		Amount Change	% Change
	September 30, 2020 <i>(Unaudited)</i>	December 31, 2019 <i>(Audited)</i>		
<i>Amount in Millions of Philippine peso</i>				
Assets				
Cash and cash equivalents	30.1	41.8	(11.7)	(28.0%)
Receivables	195.6	238.2	(42.6)	(17.9%)
Inventories	23.9	25.2	(1.3)	(5.2%)
Current portion of input value added tax (VA	30.4	16.8	13.6	81.0%
Prepayments and other current assets	129.4	175.5	(46.1)	(26.3%)
Property and equipment	3,825.9	4,002.1	(176.2)	(4.4%)
Investment Property	752.0	774.4	(22.4)	(2.9%)
Input VAT- net of current portion	421.9	418.6	3.3	0.8%
Other noncurrent asset	386.2	404.3	(18.1)	(4.5%)
Total Assets	5,795.4	6,096.9	(301.5)	(4.9%)
Liabilities				
Accounts payable and other current				
Liabilities	578.8	502.9	75.9	15.1%
Retention payable	7.9	8.8	(0.9)	(10.2%)
Interest payable	10.8	13.6	(2.8)	(20.6%)
Contract Liabilities	16.6	15.9	0.7	4.4%
Advances from Stockholders	447.7	345.2	102.5	29.7%
Loans payable	2,292.8	2,337.7	(44.9)	(1.9%)
Deposit for future subscription	2,426.5	2,426.5	-	0.0%
Other noncurrent liabilities	47.7	47.9	(0.2)	(0.4%)
Total Liabilities	5,828.8	5,698.5	130.3	2.3%
Equity				
Capital stock	3,174.4	3,174.4	-	0.0%
Deficit	(3,208.8)	(2,776.3)	(432.5)	15.6%
Actual gains on retirement liability	1.0	0.3	0.7	233.3%
Total Equity	(33.4)	398.4	(431.8)	(108.4%)
Total Liabilities and Equity	5,795.4	6,096.9	(301.5)	(4.9%)

Discussion on some Significant Change in Financial Condition as of September 30, 2020 and December 31, 2019

Total assets amounted to ₱5,795.4 million as of September 30, 2020, which decreased by ₱301.5 million or 4.9% from ₱6,096.9 million as of December 31, 2019.

1. For the period ended September 30, 2020, cash and cash equivalents amounting to ₱30.1 million, decreased by ₱11.7 million or 28% from ₱41.8 million in 2019 due to the following:
 - a) In 2020, net cash flows from operating activities amounting to ₱44.0 million, which resulted from the difference in revenue generated during the period amounting to ₱197.4 million, cash operating expenses amounting to ₱301.2 million, and changes in the working capital amounting to ₱147.8 million.

Cash operating expense in 2020 mainly pertains to salaries and wages (₱47.6 million), utilities expenses (₱43.1 million), repairs and maintenance (₱29.9 million), contracted services (₱24.6 million), security services (₱14.8 million), advertising expenses (₱15.8 million), hotel and room supplies (₱8.8 million), gaming fees (₱6.7 million), among others.
 - b) Net cash flows from investing activities amounting to ₱4.1 million comprise mainly of amortization of non-current portion of receivable arising from its permit to operate (PTO) related to gaming equipment amounting to ₱18.9 million and amortization of long-term deposit amounting to ₱0.7 million reduced by acquisition of property, plant and equipment amounting to ₱15.5 million.
 - c) Net cash flows used in financing activities amounting to ₱59.8 million comprise mainly of the payment of principal and interest of its loan payable amounting to ₱162.5 million reduced by the receipt of advances from stockholders amounting to ₱102.7 million.
2. Receivable decreased by ₱42.6 million or 17.9% from ₱238.2 million in 2019 to ₱195.6 million in 2020. The decrease is primarily due to the decrease in receivable from PAGCOR amounting to ₱37.1 million reduced by the increase in receivable arising from PTO related to gaming equipment amounting to ₱1.9 million. There is also a decrease in trade receivables from non related parties amounting to ₱8.1 million.
3. Inventories decreased by ₱1.3 million or 5.2% from ₱25.2 million in 2019 to ₱23.9 million in 2020. The decrease is mainly attributable to the consumption of operating supplies amounting to ₱22.7 million reduced by the additional purchases made amounting to ₱21.4 million to sustain daily operations of hotel and casino.
4. Prepayments and other current assets decreased by ₱46.1 million or 26.3% from ₱175.5 million in 2019 to ₱129.5 million in 2020. The decrease is mainly due to the payment of loan interest from the debt service reserve account amounting to ₱50.7 million reduced by the payment of insurance renewal amounting to ₱2.6 million during the period.
5. The decrease in property and equipment of ₱176.2 million or 4.4% from ₱4.0 billion in 2019 to ₱3.8 billion in 2020 is mainly due to the recorded depreciation expense amounting to ₱189.8 million. In addition, the Group acquired additional property and equipment amounting to ₱13.6 million in 2020.
6. Investment property of ₱752.0 million decreased by ₱22.4 million or 2.9% from ₱774.4 million in 2019 due to the recorded depreciation expense for the year.

7. Other noncurrent assets decreased by ₱18.1 million or 4.5% from ₱404.3 million in 2019 to ₱386.2 million in 2020. The decrease is mainly due to the decrease in the non-current portion of receivable arising from PTO related to gaming equipment amounting to ₱18.7 million and depreciation of operating equipment amounting to ₱0.5 million. These was reduced by the additional acquisition of operating equipment amounting to ₱1.8 million.
8. Accounts payable and other current liabilities increased by ₱75.9 million or 15.1% from ₱502.9 million in 2019 to ₱578.8 million in 2020. The increase is mainly due to the unpaid billings and accrued expenses from various contractors and suppliers in 2020.
9. Retention payable decreased by 10.2% due to completion of the Group's projects during the year and payment of the Group amounting to ₱0.9 million.
10. Loans payable decreased by ₱44.9 million or 1.9% from ₱2,337.7 million in 2019 to ₱2,292.8 million in 2020. The decrease is due to the partial payment of the principal amount amounting to ₱47.1 million and the accretion of interest amounting to ₱2.2 million.
11. Advances from stockholders increased by ₱102.5 million or 29.7% from ₱345.2 million in 2019 to ₱447.7 million in 2020 due to the receipt of additional advances during the period.

Key Performance Indicators

The following are the comparative key performance indicators of the Corporation and the manner of its computation for the three months and nine months ended September 30, 2020 and 2019:

Indicators	Manner of Computation	For the three months ended September 30		For the nine months ended September 30	
		2020	2019	2020	2019
Current ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	0.58:1	0.28:1	0.58:1	0.28:1
Debt-to-Equity Ratio	$\frac{\text{Total Liabilities}}{\text{Total Equities}}$	1.42:1	1.01:1	1.42:1	1.01:1
Asset Liability Ratio	$\frac{\text{Total Assets}}{\text{Total Liabilities}}$	0.99:1	1.11:1	0.99:1	1.11:1
Return on Assets	$\frac{\text{Net Income (Loss)}}{\text{Total Assets}}$	(3%)	(2%)	(7%)	(7%)
Basic Earnings (losses per share)	$\frac{\text{Net Income (Loss)}}{\text{Outstanding Common Shares}}$	(₱0.05)	(₱0.04)	(₱0.14)	(₱0.13)

Current ratio is regarded as a measure of the Group's liquidity or its ability to meet maturing obligations. For the nine months ended September 30, 2020, the current ratio is 0.58:1 compared to 0.28:1 of the prior year. The outstanding liabilities in 2020 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 ₱0.58 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 nine months ended September 30, 2020, the debt to equity ratio has increased by 0.41 from 1.01 of 2019 to 1.42 of 2020.

The asset-liability ratio, exhibits the relationship of the total assets of the Group with its total liabilities. For the nine months ended September 30, 2020, the asset-liability ratio is 0.99:1 from 1.11:1 as of that of September 30, 2019. The ratio indicates that the Group has ₱0.99 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 nine months ended September 30, 2020 and 2019, the return on assets is both negative 7%. For the three months ended September 30, 2020 and 2019, the return on assets is negative 3% and 2%, respectively.

For the nine months ended September 30, 2020 and 2019, the Group's loss per share amounts to (₱0.14) and (₱0.13), respectively. For the three months ended September 30, 2020, the Group's loss per share amounts to (₱0.05) which increased from (₱0.04) 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

MJC Investment Corporation is a publicly-listed company whose primary business is in the 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 substantial experience in financial and tourism-related projects, with the Manila Jockey Club, Inc., also a listed company, as the biggest single stockholder.

MJC owns and operates Winford Manila Resort and Casino (WMRC) which was launched in 2017. WMRC is a luxury hotel 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, fine dining restaurants, a pillar-less 900+ capacity ballroom, and over 9,000 square meters of internationally-designed indoor entertainment space that regularly hosts well-known Filipino artists.

Currently, WMRC's three-floor gaming area operates 30 gaming tables and 545 electronic table games. Casino plans to increase table games from 30 to 40 by year-end, and slots from 527 to 557. Ground floor casino will be renovated within the last quarter to expand gaming area to accommodate additional slot machines and electronic table games. Renovation of four WMRC parking floors for conversion to business process outsourcing (BPO) space is currently ongoing for third party leasing by second half next year.

For Q4 2020, WMRC's Sales efforts will focus on food & beverage (F&B), with the Winford on Wheels (WOW) delivery service that was launched in August to now cater to virtual conferences as well. Copa de Manila, a WMRC restaurant tenant located on the ground floor, will also begin expanding its services by accepting small corporate groups and providing them with a venue to hold their meetings. New F&B offerings such as Chinese rice toppings and 'Merienda of the Month' will also be launched to provide guests with more food options in the casino.

Q4 Marketing and public relations (PR) highlights include WOW, as well as gaming promotions such as Earn & Redeem and a brand new car raffle slated for Q4. Among those scheduled for 2021 are a quarterly car raffle, a monthly appliance and cash raffle, slot machine tournaments, and more Earn & Redeem promotions.

To help generate Hotel revenue, WMRC applied for the Department of Tourism (DOT) Certificate of Authority for Staycation in preparation for the reopening of hotels for leisure bookings. WMRC participated by offering discounted rates through a room voucher selling promotion held in October. All vouchers purchased during said promo may be used as payment for future WMRC bookings, pending approval from health authorities and the Department of Tourism (DOT) to reopen the Hotel amid the COVID-19 pandemic.