COVER SHEET

10020
S.E.C. Registration Number

MJC INVESTMENTS CORPORATION DOING BUSINESS UNDER THE NAME AND STYLE OF WINFORD LEISURE AND ENTERTAINMENT COMPLEX AND WINFORD HOTEL AND CASINO
(Company's Full Name)

WINFORD HOTEL AND CASINO, MJC DRIVE, STA. CRUZ, MANILA
(Business Address : No. Street City / Town / Province)

ATTY. LEMUEL M. SANTOS
Contact Person

8632-7373
Company's Telephone Number

12 31
Month *Day*
Fiscal Year

ANNUAL REPORT
17-A
FORM TYPE

06 29
Month *Day*
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT
PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SECTION 141 OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended **31 December 2019**

2. SEC Identification Number **10020** 3. BIR Tax Identification No. **000-596-509**

4. Exact name of issuer as specified in its charter **MJC INVESTMENTS CORPORATION DOING BUSINESS UNDER THE NAME AND STYLE OF WINFORD LEISURE AND ENTERTAINMENT COMPLEX AND WINFORD MANILA RESORT AND CASINO**

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

6. ______________________
Industry Classification Code

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

1014
Postal Code

8. **(02) 632-7373**
Issuer's telephone number, including area code

9. **MJC INVESTMENTS CORPORATION**
Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to the SRC

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

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

Yes [X] No [ ]

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

PHILIPPINE STOCK EXCHANGE **Common Stock**

12. Required Reports

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports) Yes [X] No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days. Yes [X] No [ ]

13. Aggregate market value of the voting stock held by non-affiliates as of 31 December 2019.

Php 631,677,898.68 [Based on the last closing price of PhP 1.48 as of 30 June 2020 and 426,809,391 common shares held by the public as of 31 December 2019].

PART I - BUSINESS AND GENERAL INFORMATION

ITEM 1. BUSINESS

Description of Business

1) Business Development

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

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

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

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

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

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

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

1. Equity infusion by way of subscription to 450,000,000 primary shares of the Corporation by the group of investors headed by Mr.

Teik Seng Cheah (Please note that this refers to the subscription made by the Strategic investors on 17 January 2013);

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

On 11 July 2013, the Board of Directors of the Corporation accepted the offer of the same group of Strategic Investors headed by Mr. Teik Seng Cheah, through their Philippine corporations, to subscribe to additional 875,000,000 shares of the Corporation's common shares with a lock-up period of two (2) years. The total consideration for the subscription to 875,000,000 common shares of the Corporation is P875,000,000.00.

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

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

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

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

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

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

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

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

c) No material reclassifications, merger, consolidation, or purchase or sale of significant amount of assets not in the ordinary course of business occurred during the calendar year ending December 31, 2019.

2) Business of Issuer

As provided for in its Amended Articles of Incorporation, the Corporation is formed primarily "to acquire by purchase, lease, or otherwise, lands or interest in lands and realty, and to own, hold, improve, develop said land or lands or real estate so acquired, and to build or cause to be built on any lands owned, held, occupied, or acquired, buildings, facilities, and other structures with their appurtenances, for residential, commercial, mixed-use, leisure, gaming, amusement, and entertainment purposes, and to rebuild, enlarge, alter, improve, or remodel any building or other structures now or hereafter erected on any lands or real estate so owned, held, or occupied, and to manage and operate, or otherwise dispose of any lands or real estate or interests in lands or real estates and in buildings and other structures at anytime owned or held by the corporation."

ITEM 2. PROPERTIES

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

ITEM 3. LEGAL PROCEEDINGS

There are no legal proceedings involving the Corporation.

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

Except for matters taken up during the Annual Meeting of Stockholders, there were no other matters submitted to a vote of security holders, through solicitation of proxies or otherwise, during the calendar year covered by this report.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

ITEM 5. MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

(1) Market Information

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

Quarter Period	CY 2020		CY 2019		CY 2018	
	High	Low	High	Low	High	Low
1st Quarter	2.56	2.56	3.39	2.57	3.69	3.25
2nd Quarter	2.10	1.48	3.39	2.72	3.69	3.36
3rd Quarter	-	-	2.89	2.61	3.73	3.32
4th Quarter	-	-	2.60	2.60	3.50	2.56

Source: Philippine Stock Exchange, Inc.

As of June 23, 2020, the closing price of the Company's common shares in the PSE is at PhP1.48 per share.

(2) Holders

As of December 31, 2019, there are approximately 433 holders of common shares of the Company.

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

Top Twenty Stockholders
As of 31 December 2019

	Name	No. of Shares	% of Shareholdings
1.	PCD NOMINEE CORPORATION (Filipino)	2,284,141,396	71.95%
2.	ONE WISTERIA LOOP HOLDINGS, INC.	63,892,500	2.01%
3.	MULBERRY ORCHID HOLDINGS INC.	61,285,000	1.93%
4.	EAST BONHAM HOLDINGS, INC.	61,285,000	1.93%
5.	BRANFORD BRIDGE HOLDINGS, INC.	61,285,000	1.93%
6.	FLYING HERON HOLDINGS, INC.	61,285,000	1.93%
7.	CHERRYGROVE HOLDINGS, INC..	61,285,000	1.93%
8.	ORCHARDSTAR HOLDINGS, INC..	61,285,000	1.93%
9.	BELLTOWER LAKES HOLDINGS, INC.	61,285,000	1.93%
10.	PURPLE CASSADY HOLDINGS INC..	61,285,000	1.93%
11.	EVERDEEN SANDS HOLDINGS INC.	53,471,250	1.68%
12.	BELGRAVE SQUARE HOLDINGS INC..	53,471,250	1.68%
13.	SAVILE ROW HOLDINGS INC.	53,471,250	1.68%
14.	FAIRBROOKS HOLDINGS INC.	53,471,250	1.68%
15.	MONTBRECIA PLACE HOLDINGS INC.	53,471,250	1.68%
16.	PEPPERBERRY VISTA HOLDINGS INC.	53,471,250	1.68%
17.	ALFONSO R. REYNO, JR.	11,737,704	0.37%
18.	PCD NOMINEE CORPORATION (Non-Filipino)	1,069,172	0.03%
19.	PALOS VERDES REALTY CORP.	446,300	0.01%
20.	ALFONSO R. REYNO, JR.	400,000	0.01%

(3) ***Dividends***

No cash dividends were declared for the three (3) most recent fiscal years. The lack of sufficient retained earnings limits the ability of the Corporation to declare and pay dividends.

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

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

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis relate to the consolidated financial position and results of operations of MJC Investments Corporation [Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino] and Subsidiary and should be read in conjunction with the accompanying audited consolidated financial statements and related notes as of December 31, 2019, 2018 and 2017 and for each of the three years in the period ended December 31, 2019.

6.1 Discussion on Results of Operations

The following table shows a summary of results of the operations for the years ended December 31, 2019, 2018 and 2017:

	For the Year Ended December 31				
	2019	2018	2017	% Change	% Change
	Amount in Millions of Philippine peso except EPS			2019 vs. 2018	2018 vs. 2017
Revenue					
Revenue share in gaming operations	₱494.5	₱365.9	₱283.2	35.1%	29.2%
Food and beverage	86.0	78.6	49.9	9.4%	57.5%
Hotel	67.4	90.1	76.8	(25.2%)	17.3%
Bingo operations	51.5	45.8	25.9	12.4%	76.8%
Rental	25.1	27.4	22.3	(8.4%)	22.9%
Other revenue	18.6	15.2	11.3	22.4%	34.5%
	743.1	623.0	469.4	19.3%	32.7%
Operating costs and expenses	(1,199.5)	(1,179.6)	(1,050.1)	1.7%	12.3%
Operating loss	(456.4)	(556.6)	(580.7)	(18.0%)	(4.2%)
Other income (expenses)					
Interest expense	(201.2)	(189.5)	(209.3)	6.2%	(9.5%)
Gain on sale of kitchen and bar equipment	13.4			100.0%	0.0%
Interest income	0.3	0.5		(40.0%)	66.7%
Miscellaneous income (expenses) - net	1.9	(0.4)	(0.5)	(575.0%)	(20.0%)
	(185.6)	(189.4)	(209.5)	(2.0%)	(9.6%)
Loss before income tax	(642.0)	(746.0)	(790.2)	(13.9%)	(5.6%)
Provision for income tax	(0.1)	(0.1)	(0.1)	0.0%	0.0%
Net loss	(642.1)	(746.1)	(790.2)	(13.9%)	(5.6%)
Other comprehensive income (loss)	(2.0)	1.6		(225.0%)	128.6%
Total comprehensive loss	(₱644.1)	(₱744.4)	(₱789.5)	(13.5%)	(5.7%)
Basic/diluted loss per share	₱0.202	₱0.235	₱0.249	(14.0%)	(5.6%)

Comparison of Operating Results for the Years Ended December 31, 2019 and 2018

Revenue and Operating Costs and Expenses

Revenue includes 40% share in gaming operations, revenue from operations of hotel, food and beverages, bingo operations, rental and other revenue. Total revenue for years ended December 31, 2019 and 2018 amounted to ₱743.1 million and ₱623.0 million, respectively.
The significant accounts that contributed to the increase are as follows:

- Revenue share in gaming operations increased by ₱128.6 million or 35% from ₱365.9 million in 2018 to ₱494.5 million in 2019. The increase is the result of additional gaming tables and electronic gaming machine (slot machines). Gaming tables increased from 28 in 2018 to 32 in 2019 and slot machines increased from 416 in 2018 to in 521 in 2019. In addition, foot traffic in the property increased from 1.6 million in 2018 to 2.0 million in 2019.

- Revenue from food and beverage increased by ₱7.4 million or 9% from ₱78.6 million in 2018 to₱86.0 million in 2019. The increase is attributable to the increase in foot traffic due to the increase in hotel guests and casino players in 2019.

- Revenue from hotel rooms decreased by ₱22.7 million or 25% from ₱90.1 million in 2018 to ₱ 67.4 million in 2019. The decrease is attributable to the decrease in occupancy rate during the year from 72% in 2018 to 32% in 2019. Of the 123 rooms available each day, average occupied paying rooms per day is 42 rooms in 2019, which is lower than 91 rooms in 2018. This is related to the marketing strategy implemented by the Group to allot more complimentary rooms for casino players.

- Revenue from bingo operations increased by ₱5.7 million or 12% from ₱45.8 million in 2018 to ₱51.5 million in 2019. The increase is attributable to the introduction of Personal Handheld Device (PHD) with 24 total handsets that allows players to purchase additional bingo cards carried in the handsets aside from manual cards. Furthermore, holding monthly and quarterly events which offers attractive prizes and rewards increased its playerbase for the current year.

- Revenue from rental decreased by ₱2.3 million or 8% from ₱27.4 million in 2018 to ₱25.1 million in 2019. The decrease is due to lessees amending their contracts during the year which lowered its monthly basic/fixed rental fee.

Total operating costs and expenses for the years ended December 31, 2019 and 2018 amounted to ₱ 1,199.5 million and ₱1,179.6 million, respectively. The significant increase in the total operating costs and expenses is due to higher contracted services, salaries and wages, repairs and maintenance, cost of food, beverage and tobacco, taxes and licenses, security services, service fee, cost of hotel rooms and supplies, and other expenses which is partially offset by the decrease in depreciation and amortization and gaming fees.

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

- Depreciation and amortization decreased by ₱83.9 million or 16% from ₱515.0 million in 2018 to ₱431.1 million in 2019. This is due to several equipment becoming fully depreciated during the year.

- Contracted services increased by ₱15.8 million or 21% from ₱73.6 million in 2018 to ₱89.4 million in 2019. The increase is due to increase in number of required manpower for its hotel and food and beverage operations.
- Salaries and wages expense increased by ₱21.9 million or 34% from ₱63.9 million in 2018 to ₱ 85.8 million in 2019. This is attributable to additional 27 employees hired during the year to support the steadily increase of its operations. In addition, in 2019, the operation of its

subsidiary, Trafalgar Square Leisure Corporation (TSLC), resumed but subsequently stopped in July 2019 upon expiration of its license. The Group incurred additional costs for the salary of TSLC employees.

- Gaming fees decreased by ₱11.8 million or 18% from ₱65.8 million in 2018 to ₱54.0 million in 2019. This is attributable to lesser fees paid to PAGCOR as compared to prior year due to expiration of TSLC's license in July 2019.

- Repairs and maintenance expense increased by ₱4.3 million or 11% from ₱40.4 million in 2018 to ₱44.7 million in 2019. This is attributed to the increase in cost for the maintenance of aircon/ventilation as the Group engaged itself to additional service providers for the maintenance of motor controller and pump equipment and inspection of air quality systems.

- Food, beverage and tobacco increased by ₱13.4 million or 43% from ₱31.0 million in 2018 to ₱44.4 million in 2019. This is due to the increase in number of guests in hotel, casino, concert, banquet and bingo events throughout the year. The cost for food and beverage increased by ₱ 10.9 million and ₱2.4 million, respectively. This movement is also directly attributable to the increase in revenue from food and beverage for the year.

- Taxes and licenses significantly by ₱9.0 million or 26% from ₱35.2 million in 2018 to ₱44.1 million in 2019. This is due to higher real property tax amounting to ₱36.0 million which is ₱7 million higher than last year.

- Security services expense increased by ₱5.5 million or 15% from ₱36.5 million in 2018 to ₱ 42.0 million in 2019. The Group changed its security service provider with higher personnel cost. In addition, the Group increased its security personnel due to increasing number of foot traffic in gaming and hotel operations.

- Service fee increased by ₱3.2 million or 10% from ₱31.6 million in 2018 to ₱34.8 million in 2019.This is mainly due to the increase in management fee charged by a service provider, engaged in providing consultancy, advisory, and technical services in relation to the operation, management and development of the casino amounting to ₱2.2 million. In addition, there is an increase in management fee from a service provider for the strategy and planning development conceptualization, production of advertising materials and marketing of the Group's banquet and hotel rooms amounting to ₱1.2 million.

- Hotel room and supplies increased by ₱6.9 million or 45% from ₱15.3 million in 2018 to ₱22.2 million in 2019. The increase is attributed to additional expenses incurred for laundry cost and hotel room supplies due to higher number of guests.

- Entertainment expense increased by ₱2.3 million or 20% from ₱11.7 million in 2018 to ₱14.0 million in 2019. This is attributable to higher number of locally well-known performers whose rates per performance are higher among others.

- Other expenses increased by ₱35.2 million in 2019. This is due to losses from refinancing options, fines and penalties and other insignificant purchases.

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

Revenue

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- The cost of food, beverage and tobacco increased by ₱10.0 million or 48% from ₱21.0 million in 2017 to ₱31.0 million in 2018. The increase is due to the increase in the number of guests in hotel, casino, concert, banquet and bingo events throughout the year. The cost rise by ₱5.5 million and ₱4.1 million for food and beverage, respectively. This is also directly attributable to the increase in revenue from food and beverage for the year.
- Banquet expenses increased by ₱6.4 million or 40% from ₱16.2 million in 2017 to ₱22.6 million in 2018. The increase is due to the significant increase in the number of banquet events from 149 events in 2017 to 192 events in 2018.

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

Interest Expense

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

6.2 Analysis of Statements of Financial Position

	For the Year Ended December 31				
	2019	2018	2017	% Change	% Change
	Amount in Millions of Philippine peso except EPS			2019 vs. 2018	2018 vs. 2017
ASSETS					
Current Assets					
Cash	₱41.8	₱472.4	₱558.9	(91.2%)	(15.5%)
Receivables	238.2	212.4	181.0	12.1%	17.3%
Inventories	25.2	20.6	28.3	22.3%	(27.2%)
Current portion of input value added tax (VAT)	16.8	33.3	24.8	(49.5%)	34.3%
Prepayments and other current assets	175.5	19.7	42.2	790.9%	(53.3%)
Total Current Assets	497.5	758.4	835.2	(34.4%)	(9.2%)
Noncurrent Assets					
Property and equipment	4,002.1	5,132.8	5,630.3	(22.0%)	(8.8%)
Investment property	774.4	–	–	100.0%	0.0%
Input VAT- net of current portion	418.6	367.1	337.8	14.0%	8.7%
Other noncurrent assets	404.3	442.3	145.7	(8.6%)	203.6%
Total Noncurrent Assets	5,599.4	5,942.2	6,113.8	(5.8%)	(2.8%)
	₱6,096.9	₱6,700.6	₱6,949.0	(9.0%)	(3.6%)
LIABILITIES AND EQUITY					
Accounts payable and other current liabilities	₱502.9	₱554.2	₱310.9	(9.3%)	78.3%
Retention payable	8.8	138.5	279.1	(93.6%)	(50.4%)
Interest payable	13.6	15.9	19.1	(14.5%)	(16.8%)
Current portion of loans payable	185.3	694.4	692.9	(73.3%)	0.2%
Contract liabilities	15.9	12.5	–	27.2%	100.0%
Total Current Liabilities	726.5	1415.5	1,302.0	(48.7%)	8.7%
Noncurrent Liabilities					
Advances from stockholders	345.2	–	–	100.0%	0.0%
Loans payable - net of current portion	2,152.4	2,092.2	2786.5	2.9%	(24.9%)
Deposit for future stock subscription	2,426.5	2,142.2	1,086.1	13.3%	97.2%
Other noncurrent liabilities	47.9	8.2	5.6	484.1%	46.4%
Total Noncurrent Liabilities	4,972.0	4,242.6	3,878.2	17.2%	9.4%
Total Liabilities	5,698.5	5,658.1	5,180.2	0.7%	9.2%
Equity					
Capital stock	3,174.4	3,174.4	3,174.4	0.0%	0.0%
Deficit	(2,776.3)	(2,134.2)	(1,406.3)	30.1%	51.8%
Actuarial gains on retirement liability	0.3	2.3	0.7	(87.0%)	228.6%
Total Equity	398.4	1,042.5	1,768.8	(61.8%)	(41.1%)
	₱6,096.9	₱6,700.6	₱6,949.0	(9.0%)	(3.6%)

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

Total assets amounting to ₱6,096.9 million, decreased by ₱603.7 million or 9% from ₱6,700.6 million in 2018.

1. Cash decreased by ₱430.6 million or 91%, from ₱472.4 million in 2018 to ₱41.8 million in 2019 due to the following:

    a) The negative cash flows from operating activities amounting to ₱205.8 million resulted from the difference in operating income generated amounting to ₱34.9 million and changes in the working capital amounting to ₱240.7 million of which mainly due from payment of retention payable during the year . Although the Group's revenue increased this year as compared to prior year, the cash outflows for payment of operating expenses is still higher.

    b) Net cash flows used in investing activities amounting to ₱38.9 million is significantly affected by the acquisition of building improvements, machineries and non-gaming equipment amounting to ₱54.1 million during the year and the decreased in other noncurrent asset amounting to ₱15.2 million.

    c) Negative net cash flows from financing activities amounted to ₱185.9 million for the current year. The Group made payments amounting to ₱2.8 billion and ₱187.8 million for loan principal payment and interest and other financing charges, respectively. On the other hand, the Group received proceeds from advances to stockholders amounting to ₱343.6 million, deposit for future stocks subscription amounting to ₱284.3 million, availment of loans amounting to ₱2.3 billion.

2. The ₱25.8 million or 12% increase in receivables is primarily due to:
    a. Increase in trade receivables from non-related parties amounting to ₱55.2 million. It includes the reclass of long deposit pertaining to cash bond for junket operation of TSLC amounting to ₱20.9 million.
    b. Increase in receivable arising from its PTO related to gaming equipment and gaming facilities amounting to ₱14.1 million and ₱12.6 million, respectively.

    This is partially offset by:
    a. Recognition of allowance for doubtful account with its nontrade receivables amounting to ₱55.2 million.

3. The increase in inventories of ₱4.6 million or 22% from ₱20.6 million in 2018 to ₱25.2 million in 2019 is mainly due to the growing demand in food and beverage, and hotel services of the Group. In addition, the Group increased its inventory purchase to address the increasing number of foot traffic during the year.

4. The increase in input VAT amounting to ₱35.0 million is the result of the current services rendered to the Group and acquisition of property and equipment.

5. Prepayments and other current assets increased by ₱155.8 million or 791% from ₱19.7 million in 2018 to ₱175.5 million in 2019. The significant increase is mainly due to setting up the debt service account as required by loan facility amounting to ₱163.3 million.

6. The decrease in property and equipment of ₱1.1 billion or 22% from ₱5.1 billion in 2018 to ₱4.0 billion in 2019 is mainly due to reclassification of portion of its building as investment property costing ₱781.8 million and recorded depreciation expense amounted to ₱400.8 million. In addition, the Group acquired additional property and equipment amounted to ₱54.1 million in 2019.

7. Investment property increased by ₱774.4 million or 100% due to the Group reclassifying a portion of its building as investment property in 2019.

8. Other noncurrent assets decreased by ₱38.0 million or 9% from ₱442.3 million in 2018 to ₱404.3 million in 2019 due to reclassification of long-term deposits of TSLC to receivables and amortization of operating equipment amounting ₱20.9 million and ₱22.8 million, respectively.

9. The accounts payable and other current liabilities decreased by ₱51.3 million or 9% from ₱554.2 million in 2018 to ₱502.9 million in 2019. This is because the Group has paid off its liabilities from creditors providing non-recurring transactions such as, structural and architectural services, cabling services purchase of alarms, air compressors, door accessories, decorations, and their Micro Workstation software.

10. Retention payable decreased by ₱129.7 million or 94% from ₱138.5 million in 2018 to ₱8.8 million in 2019. The decrease in retention payable is due to completion and settlement of the Group's projects.

11. Contract liabilities increased by ₱3.4 million or 27% from ₱12.5 million in 2018 to ₱15.9 million in 2019. The increase in contract liabilities is due to new contract agreements with third parties.

12. Loans payable decreased by ₱448.9 million or 16% from ₱2,786.6 million in 2018 to ₱2,337.7 million in 2019. The Parent Company entered into 7-year loan agreement amounting ₱2.4 billion with BDO Unibank. The proceeds from the loan was availed solely to refinance the outstanding balance of its ₱3.5 billion loan with Unionbank. This new loan agreement provides lower principal payments amounting to ₱47.1 million as compared to original loan of ₱175.0 million. In addition, the Parent Company paid principal payments during the year resulting to the decrease of total loans payable.

13. Advances from stockholders increased due to Parent Company entering into a loan agreement with its stockholders amounting to ₱345.2 million in 2019. The proceeds of these loans were used to pay the maturing loan obligation and to support its working capital requirements.

14. Deposit for future stock subscription increased by ₱284.3 million or 13% from ₱2.1 billion in 2018 to ₱2.4 billion in 2019. Additional deposits were provided by shareholders in anticipation of the planned stock rights offering.

15. Other noncurrent liability increased by ₱39.7 million or 484% from ₱8.2 million in 2018 to ₱47.9 million in 2019. The increase is due to security deposit received from its new lessee amounting to ₱35.4 million.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Key Performance Indicators

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

Indicators	Manner of Computation	2019	2018
Current ratio	Current Assets / Current Liabilities	0.68:1	0.54:1
Debt-to-Equity Ratio	Total Liabilities / Total Equity	1.16:1	1.10:1
Asset-Liability Ratio	Total Assets / Total Liabilities	1.07:1	1.18:1
Return on Assets	Net Income (Loss) / Total Assets	(11%)	(11%)
Basic Earnings (Loss per share)	Net Income (Loss) / Outstanding Common Shares	(₱0.202)	(₱0.235)

Current ratio is regarded as a measure of the Group's liquidity or its ability to meet maturing obligations. For the year ended December 31, 2019, the current ratio is 0.68:1 compared to 0.54:1 of the prior year. The outstanding liabilities in 2019 mostly consist of balances of payables to contractors and suppliers for the services and/or goods provided for the Group's day-to-day operations; accruals pertaining to payroll, employee benefits, utilities, travel and transportation, meeting and conferences, security service fees, professional fees and others wherein billings/settlements thereof are expected to be provided/resolved in the next financial year; and the current portion of loans arrangement with local banks. The Group has ₱0.68 current assets to support every ₱1.00 of their current liabilities, which means that the Group's current assets are insufficient to meet its current liabilities.

The debt to equity ratio measures the riskiness of the Group's capital structure in terms of relationship between funds supplied to creditors (debt) and investors (equity). For the year ended December 31, 2019, the debt to equity ratio has increased by 0.16 from 1.10 in 2018 to 1.16 in 2019. This indicates a higher risk on the Group's perspective, as debt holders may have higher claims than investors on the Group's assets in case of liquidation.

The asset-liability ratio, exhibits the relationship of the total assets of the Group with its total liabilities. For the year ended December 31, 2019, the asset-liability ratio is 1.07:1 from 1.18:1 as of that of December 31, 2018. The ratio indicates that the Group has ₱1.07 of assets to satisfy every ₱1.00 of liability to creditors/suppliers through asset facilitation. Moreover, the effect of high assets to liabilities ratio indicates that the Group can still take additional financing through credit arrangements with banks and financial institutions.

Return on assets allowed the Group to see how much income (loss) generates per peso asset. For the year ended December 31, 2019 and 2018, the return on asset is negative 11%. This means that the Group is neither effective nor efficient in utilizing its economic resources.

For the year ended December 31, 2018, the Group's loss per share amounts to ₱0.202 which decreased from ₱0.235 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.

Plan 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.

As of Q1 2020, WMRC's three-floor gaming area operates 32 gaming tables and 527 electronic table games. Casino plans to increase table games from 32 to 40 by year-end, and slots from 527 to 600. 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 Q4.

For Q2 to Q4 2020, WMRC's marketing strategies cover promotions, tournaments and events, membership drives, and VIP player offers. Themed property and casino decor is set-up in observance of various local and international celebrations, promotions, and holidays. Themes include Mother's Day, Father's Day, Chinese New Year, and the Holiday Season. Gaming tournaments are either free, by invitation, by qualification, or by entry fee for new and existing members of WMRC; or are hosted by WMRC for a partner or third-party organizer. Entertainment includes live performances by top local bands, solo artists, exhibits, fashion shows, and other showcases for the general public, members only, or both, wherein admission is granted free of charge or at a discount through payment or points.

Both new and existing members continue to enjoy rewards, discounts, and freebies. Membership acquisition strategies include on-site and off-site events such as exhibitions, malls, and trade shows. Rewards include accrual of loyalty points, discounts, freebies, and other deals from game play and patronage of WMRC's and partners' products and services. VIP guests are given gifts, discounts, prize items, and invitations to events, primarily based on attendance and accrual of points. Other perks include complimentary/discounts rewards such as complimentary hotel room accommodation, food and beverage, and other special offers.

Additional sales and marketing strategies slated for 2H 2020 include partnerships with airline companies, digital marketing campaigns, virtual events, website optimization, medical tourism, presence in online booking campaigns of online travel agents, seasonal & bundled packages, and tie-ups with companies with established membership databases.

Following the COVID-19 pandemic, and in preparation for the "new normal", WMRC implemented and strictly enforces new health standards and safety protocols in partnership with ECOLAB, the global leader in hygiene technologies. The Casino introduced safety measures on all gaming floors, which include the expansion of the gaming area and utilization of the 3/F in order to position slot machines one meter apart; placement of acrylic barriers for table games and electronic table games; and restrictions such as a maximum of three patrons per gaming table and a no bystander rule for slots.

Other safety measures introduced throughout the property are the mandatory wearing of face masks by all guests and employees; express check-in and cashless payment options; foot disinfecting mats at all entry points; thermal scanning of all incoming guests and employees; hourly disinfection of all public areas; rapid testing of all employees including concessionaires; and thorough cleaning and disinfection of hotel rooms of every departing guest using high grade disinfectants, fogging machines, and UV lighting to ensure the health and safety of all WMRC guests and employees.

ITEM 7. FINANCIAL STATEMENTS

The consolidated financial statements and supplementary schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules are filed as part of this annual report under Item 13.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

In 2019, the Group engaged the accounting firm of Sycip Gorres Velayo and Company (SGV& Co.) as the Company's principal external auditors in pursuant to the General Requirements of SRC Rule 68, Par. 3 (Qualifications and Reports of Independent Auditors). Adeline D. Lumbres has been the Partner In-charge effective audit year 2019.

External Audit Fees and Services

The Group paid its external auditors the following fees in the past two years.

	Audit and Audit-related Fees *(with VAT)*
2019	₱1,232,000.00
2018	₱1,120,000.00

The audit committee approved the policies and procedures for the services. No other fees were paid to said auditors for other services.

There were no disagreements with the SGV & Co. on any matter of accounting and financial disclosures.

External Audit Fees and Audit Related Fees

The Corporation expects to pay its external auditor, SGV & Co., an aggregate amount of P1,232,000.00 as professional fees for the audit of its annual financial statements for the year ended 31 December 2019. There was an increase in the audit fee due to increased volume of transactions as the Corporation is in the final stage of the developing a hotel-entertainment casino. Also, SGV is tasked to review the operational procedures for gaming operations, which the Audit Committee approved. No other fees were paid to said team of auditors for other services.

The engagement of an external auditor as well as the type of services to be rendered to the Corporation is being evaluated by the Audit Committee and recommended to the Board. Likewise, the payment of audit fees is being evaluated by the same committee prior to remittance.

PART III - CONTROL AND COMPENSATION INFORMATION

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

(1) Directors and Executive Officers

As of December 31, 2019, the following are the Directors and Executive Officers of the Company:

Position	Name	Citizenship	Age	Period Served
Chairman & CEO	Alfonso R. Reyno, Jr.	Filipino	76	2009-2019
Vice Chairman	Chai Seo Meng	Singaporean	57	2016-2019
Director	Jeffrey Rodrigo L. Evora	Filipino	50	2018-2019
Director	Jose Alvaro D. Rubio	Filipino	67	2014-2019
Director	Alfonso Victorio G. Reyno III	Filipino	49	2009-2019
Director	Gabriel A. Dee	Filipino	55	2013-2019
Director	John Anthony B. Espiritu	Filipino	56	2012-2019
Director	Dennis Ryan C. Uy	Filipino	41	2014-2019
Director	Walter L. Mactal	Filipino	38	2016-2019
Independent Director	Victor P. Lazatin	Filipino	73	2009-2019
Independent Director	Bernadette V. Quiroz	Filipino	38	2019

Set forth below are the business experience of the Directors and Executive Officers during the last five (5) years:

ALFONSO R. REYNO, JR., Filipino, born on 8 July 1944. He graduated from the University of the Philippines in 1965 with a degree of Bachelor of Arts, Political Science and finished his Bachelor of Laws degree in the same school in 1969. He formerly occupied the following government positions: Deputy Minister of Defense (1984-1986), Member of the Batasang Pambansa (1984-1986), Vice Governor of Cagayan (1980-1984), Member of the Board of Trustees of the Cagayan State University (1979-1986). He is affiliated with and occupies the following positions in various institutions, during the last five (5) years, viz: Chairman and CEO, Manila Jockey Club, Inc. (March 1, 1997 to present), Chairman and President, Arco Management & Development Corporation, Arco Equities, Inc., Arco Ventures, Inc. (1995 to present), Bonaventure Development Corporation (1983 to present); Managing Partner, Reyno Tiu Domingo & Santos Law Offices (1976 to present). He resides at No. 4 Pili Road, South Forbes Park, Makati City.

CHAI SEO MENG, Singaporean, 57 years of age. He received a Bachelor of Business Administration degree from the National University of Singapore in 1987. From June 1992 to October 2004, he worked at the United Overseas Bank Limited as a Senior Trader for Foreign Exchange by providing assistance to the head of foreign exchange advisory on the management sectors of the Advisory desk. Mr. Chai also became the Head of Foreign Exchange at Nomura Singapore Limited from October 2004 until February 2009. Presently, he practices Private Consultation and provides various wealth management and financial advisories to various businesses.

JEFFREY RODRIGO L. EVORA, Filipino, born on 19 May 1969. After graduating from the Philippine Science High School, Mr. Evora continued his tertiary education with a degree of Associate in Science, Hotel Operations at the University of Hawaii Maui College and finished his Bachelor of Science major in Business Administration degree from the University of Phoenix. He started his professional career in the hospitality industry at a restaurant in Wailuku, HI, United States of America, before working as a Night Auditor at Maui Kai Condominiums. He also worked as an Auditor of Hyatt Regency Maui before moving to Las Vegas in 1993 where he started his career in the casino industry at the Flamingo Hilton Las Vegas. He held key positions in various casinos in the United States of America such as Lady Luck Gaming Corporation, Boyd Gaming Corporation, Ameristar Gaming Corporation, Harrah's Entertainment Corporation, and ultimately for Seneca Niagara Casino & Hotel, before accepting a position in a private corporation in Manila as Vice President of Marketing in 2009. In 2017, Mr. Evora assumed the role of Chief Operating Officer of Winford Manila Resort & Casino.

JOSE ALVARO D. RUBIO, Filipino, born on 19 February 1953. Mr. Rubio was the Senior Vice President at Philippine National Bank ("PNB") and has over thirty five (35) years of banking industry experience, including various positions in international banking, remittance, budgeting, corporate planning, controllership, systems design/improvement, branch banking, audit and lending operations including the head of the corporate banking group at PNB, overseeing the financing activities for major corporate accounts in areas including real estate, construction, telecommunications, power and energy, manufacturing, hotels, tourism and services. He was a former member and Director of the Bank Administration Institute of the Philippines, an association of local and foreign banks. Mr. Rubio graduated from University of the East with a degree of Bachelor of Science in Business Administration Major in Accounting (Cum Laude) and is a Certified Public Accountant.

ALFONSO VICTORIO G. REYNO III, Filipino, born on 9 March 1970 and a lawyer by profession. He is affiliated with and occupies the following positions in various institutions in the last five (5) years, viz: President and COO, Manila Jockey Club, Inc., President, Arco Ventures, Inc. (1995 to Present), Director, Arco Management & Development Corporation, Bonaventure Development Corporation, Arco Equities, Inc., Junior Associate, ACCRA Law Offices (1997-1999), Junior Partner, Reyno Tiu Domingo & Santos Law Offices (1999 to present). He is currently a Director of the Philippine Bar Association.

GABRIEL A. DEE, Filipino, born on 5 July 1964. He graduated from the University of the Philippines in 1984 with a degree of Bachelor of Arts major in History and finished his Bachelor of Laws in the same school in 1988. He finished his MBA Units in Ateneo De Manila Graduate School of Business in 1992. He is affiliated with and occupies the following positions in various institutions in the last five (5) years, viz: Senior Partner, Picazo Buyco Tan Fider & Santos Law Offices (2006 to present), Junior Partner, Picazo Buyco Tan Fider & Santos Law Offices (1994 to 2006), Senior Associate, Bautista Picazo Buyco Tan & Fider Law Offices (1992 to 1994), Junior Associate, Bautista Picazo Buyco Tan & Fider Law Offices (1988 to 1992) and Research Assistant, University of the Philippines, College of Law (1998).

JOHN ANTHONY B. ESPIRITU, Filipino, born on 12 July 1963. He graduated from University of Michigan, Ann Arbon, Michigan, United States with a degree of Bachelor of Business Administration in May 1985. He also obtained from said university his master's degree in Business Administration in May 1990. He occupied and is currently holding the following positions in the last five (5) year: President/Director of EBE Land, Inc. (January 1997 to present); Chairman /Publisher of the Philippine News, San Francisco, California (November 2004 to present); Director of Asia-Pacific Medical Corp of Saipan, Northern Marianas Islands (June 1998 to present). He resides at Penthouse B, Ritz Towers, Ayala Avenue, Makati City.

DENNIS RYAN C. UY, Filipino, born on 19 May 1978. Mr. Uy is an experienced industrial engineer who obtained his bachelor's degree from the Mapua Institute of Technology in 1999. The last fourteen (14) years of his career was spent in the areas of systems improvement and automation, investment planning, asset management, and cost engineering across various multinational firms. He holds a Master of Business Administration degree from the Ateneo de Manila University.

WALTER L. MACTAL, Filipino, 36 years of age. He received an A.B. Economics degree from the Ateneo De Manila University in 2004. He obtained his Juris Doctor from the Ateneo de Manila University - School of Law in 2008. He was admitted to the Philippine Bar in 2009 and he continued working in a private law firm in Makati City until March 2012. Presently, Mr. Mactal works as a Director for Legal and Corporate Affairs in a private company in the Philippines. He has a broad legal experience in litigation, labor relations, contract drafting and negotiation, intellectual property, and various corporate compliance services

VICTOR P. LAZATIN, Filipino, born on 16 August 1947. He graduated from University of the Philippines with a degree of AB Economics in 1967 and finished his Bachelor of Laws degree in the samê school in 1971 (Cum Laude). He obtained a Masters of Law from University of Michigan in 1974. He resides at 237 West Batangas St., Ayala Alabang, Muntinlupa City. In the last five (5) years or more, he is affiliated with and occupied the following positions in various institutions, viz: Director, ACCRA Investment Corporation (1980-2008), Corporate Secretary/Director, Wide Wide World Express (1995-2008), Corporate Secretary, Oribanex Holdings (1996-2008), Chairman, Timog Silangan Development Corp. (1976-2008), President, Devinelle Provident lands, Inc. (1995-2008), President, Banana d' Or (2001-2008), President, Brodlas Realty Inc. (2000-2008), Senior Partner, Angara Abello Concepcion Regala & Cruz Law Offices (2002 to present). He was elected as Independent Director of MJIC on 6 February 2009.

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

(2) The Executive Officers

As of December 31, 2019, the following are the Executive Officers of the Company:

Position	Name	Citizenship	Age
Chairman & Chief Executive Officer	Alfonso R. Reyno, Jr.	Filipino	76
Vice Chairman	Chai Seo Meng	Singaporean	57
President & Chief Operating Officer	Jeffrey Rodrigo L. Evora	Filipino	50
Vice President	Alfonso Victorio G. Reyno III	Filipino	49
Treasurer & Chief Finance Officer	Jose Alvaro D. Rubio	Filipino	67
Corporate Secretary & General Counsel	Ferdinand A. Domingo	Filipino	67
Assistant Corporate Secretary	Gabriel A. Dee	Filipino	55
Corporate Information Officer & Compliance Officer	Lemuel M. Santos	Filipino	68

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

FERDINAND A. DOMINGO, Filipino, born on 22 June 1952. He graduated from the University of the Philippines in 1972 with a degree of Bachelor of Arts and Political Science and finished his Bachelor of Laws degree in the same school in 1977. In the last five (5) years or more he is affiliated with and occupies the following positions in various institutions, viz: Senior Partner, Reyno Tiu Domingo & Santos Law Offices (1 September 1991 to present); Corporate Secretary and General Counsel, Manila Jockey Club, Inc. (up to present); Corporate Secretary, MJC Investments Corporation (up to present); President, Aries Prime Resources, Inc., (10 July 2003 to 2009); Director, United Overseas Bank (May 2001 to July 2002); Corporate Secretary, Westmont Bank (17 May 2000 to 16 January 2004); Director, PNB Holdings Ltd. and PNB Hongkong Branch (1998 to February 2000); Bank Attorney, Philippine National Bank (1978-1984); Corporate Secretary, Philippine Racing Club, Inc. (1994-1997); Legal Counsel and Corporate Secretary, National Steel Corporation (3 May 1995 to March 1997). He resides at No. 14 Lopez Jaena Street, Ayala Heights, Quezon City.

LEMUEL M. SANTOS, Filipino, born on 3 April 1951. He graduated from the University of the Philippines in 1973 with a degree of Bachelor of Arts in Political Science and finished his Bachelor of Laws degree in the same school in 1977. In the last five (5) years or more, he is affiliated with and occupies the following positions in various institutions, viz: Partner, Reyno, Tiu, Domingo & Santos

Law Offices (1991 up to present); Assistant Corporate Secretary, Manila Jockey Club, Inc. (up to present); Corporate Information and Compliance Officer, MJC Investments Corporation (up to present). He resides at 84 D. Tuason Street, B.F. Homes, Parañaque, 1718 Metro Manila.

(2) Significant Employees

There are no employees not included in the list of executive officers who are expected to provide significant contribution to the business.

(3) Family Relationships

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

(4) Involvement in Certain Legal Proceedings

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

ITEM 10. EXECUTIVE COMPENSATION

Information as to the aggregate compensation paid or accrued during the last two (2) years and estimated to be paid in the ensuing year to the Company's Chief Executive Officer (CEO), Vice President and Chief Finance Officer is presented below. Also included in the tabular presentation is the compensation paid to or accrued for other officers. The stated annual salary includes the mandatory thirteenth (13th) month pay.

SUMMARY COMPENSATION TABLE (In thousand Php)

Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation
The CEO and four most highly compensated	2020	10,865	-	-
Executive Officers: . CEO- Alfonso R. Reyno, Jr.	2019	10,865	-	-
.Vice President - Alfonso Victorio G. Reyno III . Corporate Secretary- Ferdinand A. Domingo . Corporate Information and Compliance Officer - Lemuel M. Santos	2018	10,865	-	-
All other Executive Officers and Directors as a group unnamed	2020	24,233	-	-
	2019	24,233	-	-
	2018	22,592	-	-

All directors are entitled to per diem of ₱10,000.00 to ₱15,000.00 for their attendance at each meeting of the Board. Likewise, they are entitled to reimbursements of transportation, communication, and representation expenses in the amount of ₱3,000.00 for their attendance at every Board Meeting. The director's fees amounted to ₱680,000.00, ₱776,000.00, and ₱553,000.00 in 2018, 2017 and 2016 respectively.

The Company has no standard arrangement with regard to the remuneration of its existing directors and officers aside from the compensation received as herein disclosed and stated.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(1) Security Ownership of Certain Record and Beneficial Owners

As of December 31, 2019, the following are the persons or groups known to the Corporation to be directly or indirectly the record and/or beneficial owner of more than 5% of the Corporation's voting securities:

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Shares Held	Percent
Common	PCD Nominee Corporation 37F Tower 1, The Enterprise Center, 6766 Ayala Ave. Cor. Paseo de Roxas, Makati City Stockholder	PCD Participants*	Filipino	2,284,141,396	71.95%

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

(2) Security Ownership of Management

The table below shows the securities beneficially owned by all directors and executive officers of the Company as of December 31, 2019.

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

Directors and executive officers as a group hold a total of 26,671,439 common shares, equivalent to approximately 0.39% of the Company's issued and outstanding capital stock.

(3) Voting Trust Holders of 5% or more

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

(4) Changes in Control

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

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Parties are considered to be related if one party has the ability, directly, or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

In the normal course of business, the Group has transactions and account balances with related parties as follows:

			2019		2018			
Entity	Relationship	Nature	Amount	Receivable (Payable)	Amount	Receivable (Payable)	Terms	Condition
Manila Jockey Club, Inc. (MJCI)	Stockholder	Deposit for future stock subscription (Note 18)	₱84,000,000	(₱ 321,233,646)	₱84,979,217	(₱ 237,233,646)	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)	105,701	459,736	167,932	371,013	Noninterest-bearing; due and demandable	Unsecured, unimpaired
Various Shareholders	Stockholder	Deposit for future stock subscription (Note 18)	200,300,651	(2,105,268,102)	971,089,239	(1,904,967,451)	Noninterest-bearing	Unsecured, unguaranteed
		Advances from stockholders [(c)]	345,204,623	(345,204,623)	–	–	Interest-bearing	Unsecured, unguaranteed
Manilacockers Club, Inc. (MCI)	Affiliate	Commission from the off-track betting [(d), (e)] (Note 7)	2,899,564	54,187	4,367,699	1,572,263	Noninterest-bearing; due and demandable	Unsecured, unimpaired

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

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

[(c)] The Parent Company obtains interest bearing advances from stockholders for additional funding on its capital expenditures.

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

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

PART IV – EXHIBITS AND SCHEDULES

ITEM 13. EXHIBITS AND REPORTS ON SEC Form 17-C

13.1 Parent Company Financial Statements

The Audited Parent Company Financial statements for the years ended December 31, 2019 and 2018 are attached as **Annex" A"**:

- Statement of Management's Responsibility to the Financial Statements
- Independent Auditors' Report
- Parent Company Financial Position as of December 31, 2019 and 2018
- Parent Company Statements of Comprehensive Income (Loss) for the years ended December 31, 2019, 2018 and 2017
- Parent Company Statements of Changes in Equity for the years ended December 31, 2019, 2018 and 2017
- Parent Company Statements of Cash Flows for the years ended December 31, 2019, 2018 and 2017
- Notes to Parent Company Financial Statements

13.2 Consolidated Financial Statements

The Audited Consolidated Financial statements for the years ended December 31, 2019 and 2018 are attached as **Annex "B"**:

- Statement of Management's Responsibility to the Financial Statements
- Independent Auditors' Report
- Consolidated Financial Position as of December 31, 2018 and 2018
- Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2019, 2018 and 2017
- Consolidated Statements of Changes in Equity for the years ended December 31, 2019, 2018 and 2017
- Consolidated Statements of Cash Flows for the years ended December 31, 2019, 2018 and 2017
- Notes to Consolidated Financial Statements

13.3 Supplementary Schedules

The supplementary schedules of the Consolidated Financial Statements for the year ended December 31, 2019 are attached as **Annex "C"**:

- Schedule A : Financial Assets as of December 31, 2019
- Schedule B : Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates) as of December 31, 2019
- Schedule C : Amounts Receivable from Related Parties which are eliminated during the Consolidation of Financial Statements as of December 31, 2019
- Schedule D: Long-term Debt as of December 31, 2019
- Schedule E: Indebtness to Related Parties (Long-term Loans from Related Companies) as of December 31, 2019
- Schedule F: Guarantees of Securities of Other Issuers as of December 31, 2019
- Schedule G: Capital Stock as of December 31, 2019
- Schedule H: Amounts Payable to Related Parties which are Eliminated during the Consolidated of Financial Statemenst as of December 31, 2019

- Schedule I: Parent Company Retained Earnings Available for Dividend Declaration as of December 31, 2019
- Schedule J: Map of Subsidiaries, Joint Ventures and Associates as of December 31, 2019
- Schedule K: Financial Soundness Indicators as of December 31, 2019

13.4 Reports on SEC Form 17-C

Reports on SEC Form 17-C filed during the year ended December 31, 2019 are as follows:

Date of Disclosure	Description
March 21, 2019	• Resignation of Laurito E. Serrano as (i) Independent Director, (ii) member of the Executive Committee and Compensation and Remuneration Committee, and (iii) Chairman of the Audit Committee • Appointment of Bernadette V. Quiroz as Independent Director and as member of the Executive, Audit, and Compensation and Remuneration Committees
March 28, 2019	• Board approval of date, time, venue and agenda of Annual Stockholders' Meeting (ASM) and Record Date for determining the shareholders entitled to notice of, and vote at, the ASM
June 28, 2019	• Results of the Annual Stockholders' Meeting and Organizational Meeting

SIGNATURES

Pursuant to the requirements of the Securities Regulation code, the registrant has duly caused this statement to be signed on its behalf by the undersigned thereunto duly authorized.

Registrant : **MJC INVESTMENTS CORPORATION**
Date : 15 JUL 2020

By:

ALFONSO R. REYNO, JR.
Chairman of the Board & Chief Executive Officer

JEFFREY RODRIGO L. EVORA
President & Chief Operating Officer

JOSE ALVARO D. RUBIO
Chief Finance Officer

Ferdinand A. Domingo
FERDINAND A. DOMINGO
Corporate Secretary

SUBSCRIBED AND SWORN TO before me this 15 JUL 2020 2020 at Pasig City, affiants exhibiting to me their ID Nos., as follows:

	ID Nos.	Date/Place Issued
Alfonso R. Reyno, Jr.	TIN: 114-555-166	Manila, Philippines
Jeffrey Rodrigo L. Evora	TIN: 280-548-606	Manila, Philippines
Jose Alvaro D. Rubio	TIN: 109-945-552	Manila, Philippines
Ferdinand A. Domingo	TIN: 145-006-236	Manila, Philippines

Doc. No. 232;
Page No. 48;
Book No. VII;
Series of 2020.

CHINO PAOLO Z. ROXAS
NOTARY PUBLIC
APPOINTMENT NO. 88 (2020-2021)
DECEMBER 31, 2021
PTR NO. 6440484/1-7-2020/PASIG
IBP NO. 105410/1-7-2020/MAKATI
CITIES OF PASIG SAN JUAN AND PATEROS
ROLL OF ATTORNEY NO. 57018

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Cc: Amie Bordallo <Amie.Bordallo@winfordmanila.com>

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COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

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

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

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

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
–	8528-2300	–

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
433	6/27	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Joemar Onnagan	joemar.onnagan @winfordmanila.com	8528-2300 (loc. 1132)	0917-595-5222

CONTACT PERSON's ADDRESS

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

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

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

MJC INVESTMENTSCORP.

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of **MJC INVESTMENTS CORPORATION** Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino and Subsidiary ("the Group") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2019, 2018 and 2017, in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

Jose Alvaro D. Rubio
Treasurer and Chief Financial Officer

JUL 14 2020

SUBSCRIBED AND SWORN to before me ____ day of __________ at MANDALUYONG CITY affiant exhibiting to me their Taxpayer Identification Numbers as follows

	TIN Nos.	Date/Place Issued
Alfonso R. Reyno, Jr.	114-555-166	Manila, Philippines
Jose Alvaro D. Rubio	109-945-552	Manila, Philippines

ATTY. JAMES K. ABUGAN
NOTARY PUBLIC
Appt. No. 0442-19
Until Dec 31, 2020
IBP No. 101013 01/03/2020 Rizal Chapter
Roll No. 26[illegible] Lifetime
MCLE No. VI-[illegible] Until 4/14/2022
TIN No. [illegible]-9-956
PTR No. 4333[illegible]65 /01-03-2020
Tel. No. 631-40-90
Mandaluyong City

Doc.No. 178 ;
Page No. 37 ;
Book No. 83 ;
Series of 2020.

SGV
Building a better working world

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the parent company financial statements of MJC INVESTMENTS CORPORATION [Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino] (the Company), which comprise the parent company statements of financial position as at December 31, 2019 and 2018, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 1 to the parent company financial statements, which indicated that for the years ended December 31, 2019 and 2018, the Company has reported net losses of ₱752.3 million and ₱709.5 million, respectively, and as at December 31, 2019 and 2018, the Parent Company's current liabilities exceeded its current assets by ₱251.2 million and ₱568.1 million, respectively. On March 16, 2020, in a move to contain the COVID 19 outbreak, the Philippine government issued a directive to impose stringent social distancing measures in the whole of Luzon. In line with this, Philippine Amusement and Gaming Corporation (PAGCOR) issued a memorandum circular to suspend all gaming operations in Metro Manila until the end of the community quarantine. As of June 7, 2020, the hotel resumed its operations after receiving the approval from the Department of Tourism. As of the date of this report, the Parent Company has not yet resumed its full operation of the casino. These measures disrupted the Company's business during lockdown period. Our opinion is not modified in respect of this matter.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 29 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the financial statements. Such information is the responsibility of the management of MJC INVESTMENTS CORPORATION [Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino]. The information has been subjected to the auditing procedures applied in our audit of the financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

SYCIP GORRES VELAYO & CO.

Adeline D. Lumbres

Adeline D. Lumbres
Partner
CPA Certificate No. 0107241
SEC Accreditation No. 1799-A (Group A),
December 10, 2019, valid until December 9, 2022
Tax Identification No. 224-024-746
BIR Accreditation No. 08-001998-118-2019,
January 28, 2019, valid until January 27, 2022
PTR No. 8125251, January 7, 2020, Makati City

July 3, 2020

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

PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2019	2018
ASSETS		
Current Assets		
Cash (Note 6)	₱41,071,743	₱471,361,165
Receivables (Note 7)	217,300,536	302,550,322
Inventories (Note 8)	25,161,248	20,595,969
Input value-added tax (VAT) - current (Note 9)	16,777,994	33,300,077
Prepayments and other current assets (Note 10)	175,395,726	19,460,176
Total Current Assets	475,707,247	847,267,709
Noncurrent Assets		
Investment in a subsidiary (Note 1)	–	20,000,000
Property and equipment (Note 11)	4,002,086,816	5,132,740,363
Investment properties (Note 12)	774,356,482	–
Input VAT - net of current portion (Note 9)	418,620,752	367,079,972
Other noncurrent assets (Note 13)	404,128,905	421,271,995
Total Noncurrent Assets	5,599,192,955	5,941,092,330
	₱6,074,900,202	₱6,788,360,039
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 14)	₱503,290,343	₱554,165,933
Retention payable	8,795,678	138,453,425
Interest payable (Note 15)	13,593,170	15,925,877
Current portion of loans payable (Note 15)	185,287,516	694,286,996
Contract liabilities (Note 5)	15,936,652	12,541,411
Total Current Liabilities	726,903,359	1,415,373,642
Noncurrent Liabilities		
Advances from stockholders (Note 21)	345,204,623	–
Loans payable - net of current portion (Note 15)	2,152,350,374	2,092,222,591
Deposit for future stock subscription (Notes 18 and 21)	2,426,501,748	2,142,201,097
Other noncurrent liabilities (Notes 16 and 17)	47,900,657	8,222,898
Total Noncurrent Liabilities	4,971,957,402	4,242,646,586
Total Liabilities	5,698,860,761	5,658,020,228
Equity		
Capital stock (Note 22)	3,174,405,821	3,174,405,821
Deficit	(2,798,653,584)	(2,046,400,521)
Actuarial gains on retirement liability (Note 16)	287,204	2,334,511
Total Equity	376,039,441	1,130,339,811
	₱6,074,900,202	₱6,788,360,039

See accompanying Notes to Parent Company Financial Statements.

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

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2019	2018
REVENUE		
Revenue share in gaming operations (Note 17)	₱494,548,180	₱365,872,325
Food and beverage	86,018,597	78,603,365
Hotel	67,402,013	90,124,116
Bingo operations	51,497,934	45,805,234
Rental (Note 17)	25,057,408	27,369,552
Other revenue	17,914,892	15,260,167
	742,439,024	623,034,759
OPERATING COSTS AND EXPENSES (Note 24)	(1,308,985,191)	(1,143,057,250)
OPERATING LOSS	(566,546,167)	(520,022,491)
OTHER INCOME (EXPENSES)		
Interest expense and other financing charges (Notes 15, 17 and 21)	(201,271,813)	(189,478,166)
Gain on sale of kitchen and bar equipment (Note 11)	13,428,161	–
Interest income (Note 6)	293,031	527,633
Miscellaneous income (expenses) - net	1,902,282	(411,607)
	(185,648,339)	(189,362,140)
LOSS BEFORE INCOME TAX	(752,194,506)	(709,384,631)
PROVISION FOR INCOME TAX (Note 19)	(58,557)	(94,395)
NET LOSS	(752,253,063)	(709,479,026)
OTHER COMPREHENSIVE INCOME		
Item that will not be reclassified to profit or loss in subsequent periods:		
Re-measurement gain on defined benefit obligation (Note 16)	(2,047,307)	1,645,945
TOTAL COMPREHENSIVE LOSS	(₱754,300,370)	(₱707,833,081)
Basic/Diluted Loss Per Share (Note 23)	₱0.237	₱0.223

See accompanying Notes to Parent Company Financial Statements.

MJC INVESTMENTS CORPORATION
Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino
PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	Capital Stock (Note 22)	Deficit	Actuarial gains on retirement liability (Note 16)	Total
BALANCES AT DECEMBER 31, 2018	**₱3,174,405,821**	**(₱2,046,400,521)**	**₱2,334,511**	**₱1,130,339,811**
Total comprehensive loss for the year	–	(752,253,063)	(2,047,307)	(754,300,370)
BALANCES AT DECEMBER 31, 2019	**₱3,174,405,821**	**(₱2,798,653,584)**	**₱287,204**	**₱376,039,441**
BALANCES AT DECEMBER 31, 2017	₱3,174,405,821	(₱1,355,050,854)	₱688,566	₱1,820,043,533
Effect of changes in accounting policies	–	18,129,359	–	18,129,359
Total comprehensive loss (income) for the year	–	(709,479,026)	1,645,945	(707,833,081)
BALANCES AT DECEMBER 31, 2018	₱3,174,405,821	(₱2,046,400,521)	₱2,334,511	₱1,130,339,811

See accompanying Notes to Parent Company Financial Statements.

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

PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(₱752,194,506)	(₱709,384,631)
Adjustments for:		
Depreciation and amortization (Notes 11, 12, 13 and 24)	430,921,727	514,823,788
Interest expense (Notes 15, 17 and 21)	201,271,813	189,478,166
Bad debts expense (Notes 7 and 24)	173,947,717	55,177,100
Impairment loss on investment in subsidiary (Notes 1 and 24)	20,000,000	–
Retirement benefit expense (Notes 16 and 24)	3,094,974	4,287,775
Unrealized foreign exchange (gain) loss	18,021	(669,312)
Gain on sale of disposal of kitchen and bar equipment (Note 11)	(13,428,161)	–
Interest income (Note 6)	(293,031)	(527,633)
Operating income before working capital changes	63,338,554	53,185,253
Decrease (increase) in:		
Receivables	(71,232,658)	(89,021,622)
Inventories	(4,565,279)	7,672,727
Input VAT	(36,889,977)	(37,811,775)
Prepayment and other current assets	7,336,079	24,945,283
Increase (decrease) in:		
Accounts payable and other current liabilities	(50,875,590)	249,001,633
Retention payable	(129,657,747)	(140,720,768)
Contract liabilities	3,395,241	2,937,635
Other noncurrent liabilities	34,164,241	–
Net cash from (used in) operations	(184,987,136)	70,188,366
Income taxes paid	(58,557)	(94,395)
Interest received (Note 6)	293,031	527,633
Net cash flows from (used in) operating activities	(184,752,662)	70,621,604
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment (Note 11)	(54,062,528)	(239,286,846)
Increase in other noncurrent assets (Note 13)	(5,584,876)	(89,038,071)
Proceeds from disposal of non-gaming equipment (Note 11)	–	17,985
Net cash flows used in investing activities	(59,647,404)	(328,306,932)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of loan:		
Principal (Note 15)	(2,800,000,000)	(700,000,000)
Interest and other financing charges	(187,818,869)	(185,505,520)
Increase in:		
Advances from stockholders	343,581,012	–
Restricted cash	(163,271,629)	–
Proceeds from loans payable	2,337,337,500	–
Proceeds from deposit for future stock subscription	284,300,651	1,056,068,456
Net cash flows from (used in) financing activities	(185,871,335)	170,562,936
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(18,021)	669,312
NET DECREASE IN CASH	(430,289,422)	(86,453,080)
CASH AT BEGINNING OF YEAR	471,361,165	557,814,245
CASH AT END OF YEAR (Note 6)	₱41,071,743	₱471,361,165

See accompanying Notes to Parent Company Financial Statements.

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information

MJC INVESTMENTS CORPORATION [Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino] (the Parent Company) is incorporated in the Philippines. The Parent Company was incorporated on July 15, 1955 as Palawan Consolidated Mining Company, Inc. and was listed in the Philippine Stock Exchange (PSE) on November 11, 1955. In 2005, the SEC approved the extension of the Parent Company's corporate life for another fifty (50) years starting July 2005.

The Parent Company's primary purpose is to acquire by purchase, lease or otherwise, lands or interest in lands and realty, and to own, hold, improve or develop said land or real estate so acquired, and to build or cause to be built on any lands owned, held, occupied or acquired, buildings, facilities, and other structures with their appurtenances, for residential, commercial, mixed-use, leisure, gaming, amusement and entertainment purposes.

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

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

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

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

On April 21, 2016, the Parent Company incorporated its wholly owned subsidiary, Trafalgar Square Leisure Corporation (TSLC), in the Philippines and registered with the Philippine 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).

On August 1, 2019, the junket agreement between TSLC and PAGCOR expired. The junket agreement was no longer renewed. For the year ended December 31, 2019, the Parent Company recognized full allowance for impairment of its investment in a subsidiary and related receivables (see Note 7) amounting to ₱20.0 million and ₱118.7 million, respectively.

Status of Operations

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. PAGCOR issued a memorandum dated March 15, 2020 to suspend all gaming operations in Metro Manila until the end of the community quarantine (see Note 28). On June 7, 2020, the hotel resumed its operations after receiving the approval from the Department of Tourism. The hotel caters to foreign guests who are staying temporarily in the Philippines, long staying guests, overseas Filipino workers, government employees and health care workers. As of the date of the auditor's report, the Company has not yet resumed its full operation of the casino as a result of the PAGCOR memorandum.

For the years ended December 31, 2019 and 2018, the Parent Company has reported net losses of ₱752.3 million and ₱709.5 million, respectively, and as at December 31, 2019 and 2018, the Parent Company's current liabilities exceeded its current assets by ₱251.2 million and ₱568.1 million, respectively.

The Parent Company'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 Parent Company implemented certain cost-saving measures to reduce its fixed and variable costs. The Parent Company also continuously boost 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. The Parent Company also managed to defer the principal payments of its loans payable, while continuously in discussion with the non-bank creditors for extension of credit terms.

The parent company financial statements have been prepared assuming that the Parent Company will continue as going concern.

Authorization for the Issuance of the Parent Company Financial Statements

The parent company financial statements were approved and authorized for issuance by the Board of Directors (BOD) on July 3, 2020.

2. Agreements with PAGCOR

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

a. *PTO granted to the Parent Company*

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

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

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

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

For income tax purposes, the Parent Company's revenue share in gaming operations is exempt from income tax in accordance with Section 13 of P.D. 1869, as amended, otherwise known as the "PAGCOR Charter". Under P.D. 1869, earnings derived from the operation of casinos shall be imposed a 5% franchise tax, in lieu of all kinds of taxes, levies, fees or assessments of any kind, nature or description, levied, established or collected by any municipal, provincial, or national government authority.

b. *Traditional Bingo Operation of the Parent Company*

On January 19, 2016, the Parent Company was granted by PAGCOR the right to operate a traditional bingo operation at Winford Hotel and Casino. The terms of the bingo operation shall be coterminous with the term of the PTO. Under the agreement, the Parent Company shall remit, on a monthly basis, to PAGCOR 15% of the total gross receipt from sale of bingo tickets and cards, including electronically stored bingo cards played through an electronic device, instant game tickets and bingo game variant cards (presented as "Gaming fees" under "Operating costs and expenses") (see Note 24).

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

3. Basis of Preparation and Statement of Compliance

Basis of Preparation
The parent company financial statements are prepared using the historical cost basis. The parent company financial statements are presented in Philippine Peso (Peso or ₱), which is the Parent Company's functional and presentation currency. All amounts are rounded off to the nearest Peso, except when otherwise indicated (see Note 1).

Statement of Compliance
The parent company financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs include both standard titles PFRS and Philippine Accounting Standards (PAS), and Philippine Interpretations based on equivalent interpretations from International Financial Reporting Interpretations Committee (IFRIC) as issued by the Philippine Financial Reporting Standards Council (FRSC).

4. Summary of Changes in Accounting Policies and Disclosures

Changes in Accounting Policies
The accounting policies adopted are consistent with those of the previous financial year, except that the Parent Company has adopted the following new accounting pronouncements starting January 1, 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 Parent Company is the lessor on its lease arrangements, therefore the adoption had no impact to the parent company financial statements.

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

  The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*. 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.

The Parent Company determined, based on its tax compliance review/assessment, in consultation with its tax counsel, that it is probable that its income tax treatments will be accepted by the taxation authorities. Accordingly, the adoption of this Interpretation has no significant impact on the parent company 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 (OCI), 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 did not have any significant impact on the parent company financial statements.

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

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

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

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

  The amendments did not have any significant impact on the parent company financial statements 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 did not have any significant impact on the parent company financial statements as the Parent Company 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 parent company financial statements 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 parent company financial statements because dividends declared by the Parent Company do not give rise to tax obligations under the current tax laws.

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

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

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

  These amendments did not have any significant impact on the parent company financial statements.

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

Effective beginning on or after January 1, 2020

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

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

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

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

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

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

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

Effective beginning 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 financial statements of the Parent Company.

Deferred effectivity

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

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

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

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

Current versus Noncurrent Classification

The Parent Company presents assets and liabilities in the parent company statements of financial position based on current or noncurrent classification.

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

All other assets are classified as noncurrent.

A liability is current when:

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

The Parent Company classifies all other liabilities as noncurrent.

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

Fair Value Measurement

The Parent Company measures financial instruments at each reporting date. Additional fair value related disclosures including fair values of financial instruments measured at amortized cost (AC) are disclosed in Note 26.

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

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

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

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

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

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

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

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

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

Financial Instruments - Classification and Measurement

Classification of financial assets

Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Parent Company's business model for managing the financial assets. The Parent Company classifies its financial assets into the following measurement categories:

- financial assets measured at AC
- financial assets measured at fair value through profit or loss (FVTPL)
- financial assets measured at fair value through OCI (FVOCI), where cumulative gains or losses previously recognized are reclassified to profit or loss
- financial assets measured at FVOCI, where cumulative gains or losses previously recognized are not reclassified to profit or loss

Contractual Cash Flows Characteristics

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

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

Business Model

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

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

Financial Assets at AC

A financial asset is measured at amortized cost if (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding. Financial assets at AC are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

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

Financial Assets at FVTPL

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

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

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

As of December 31, 2019 and 2018, the Parent Company does not have financial assets at FVTPL.

Financial Assets at FVOCI

Debt Instruments

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

As of December 31, 2019 and 2018, the Parent Company does not have debt instruments at FVOCI.

Equity instruments

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

As of December 31, 2019 and 2018, the Parent Company does not have equity instruments at FVOCI.

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

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

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

Reclassifications of Financial Instruments
The Parent Company reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Parent Company and any previously recognized gains, losses or interest shall not be restated. The Parent Company does not reclassify its financial liabilities.

Impairment of Financial Assets
PFRS 9 introduces a single, forward-looking "expected loss" impairment model, replacing the "incurred loss" impairment model under PAS 39.

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

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

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

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

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

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

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

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

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

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

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

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

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

Advances to Contractors and Suppliers
Advances to contractors and suppliers are noninterest-bearing down payments which are applied against final billings by the contractors and suppliers. Advances to contractors and suppliers are presented under "Other noncurrent assets" in the parent company statements of financial position.

Creditable Withholding Taxes (CWT)
CWT represents the amount of tax withheld by counterparties from the Parent Company. These are recognized upon collection and are utilized as tax credits against income tax due as allowed by the Philippine taxation laws and regulations. CWT is presented under "Prepayment and other current assets" in the parent company statements of financial position. CWT is stated at its estimated NRV.

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

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

Building	30 years
Machinery	10 years
Gaming equipment	8 years
Non-gaming equipment	5 years
Kitchen and bar equipment, computer software and hardware	3 years

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

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the parent company statements of comprehensive income when the asset is derecognized.

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

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

Contract Liabilities

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

Contract liabilities include payments received by the Parent Company 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 December 31, 2019 and 2018 amounted to ₱15.9 million and ₱12.5 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 Parent Company's own equity instruments, and presented in the noncurrent liabilities section of the parent company statements of financial position. These are measured at cost and are reclassified to capital stock upon issuance of shares.

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

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

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

Capital Stock
Capital stock is measured at par value for all shares issued. When the Parent Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Incremental costs incurred that are directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

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

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

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

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.

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

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

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

Loyalty Program Points
The Parent Company operates loyalty program to encourage repeat business mainly from loyal slot machine customers and table game patrons. Members earn points primarily based on gaming activities and such points can be redeemed for goods and services. The loyalty points give rise to a separate performance obligation as they provide a material right to the customer. The Parent Company's customer is able to use the points as a currency (i.e., currency value has been fixed and can no longer be changed by the Parent Company). A portion of the transaction price is allocated to the loyalty points awarded to customers based on relative stand-alone selling price and recognized as a financial liability until the points are redeemed.

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

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

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 Parent Company operates and generates taxable income.

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

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

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

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

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

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

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

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

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

<u>Retirement Benefits Cost</u>

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

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit actuarial valuation method. Projected unit credit method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

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

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

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

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

<u>Leases *(applicable for both periods presented)*</u>
Parent Company as a Lessor - Operating lease
Lease in which the Parent Company does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. 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.

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

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

<u>Leases *(applicable starting January 1, 2019 upon the adoption of PFRS 16)*</u>
The Parent Company 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.

Parent Company as a Lessee
The Parent Company has not entered into any lease arrangement other than short-term leases of which the Parent Company 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.

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

VAT

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

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

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

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

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

Earnings (Loss) Per Share
Earnings (loss) per share is computed by dividing net income (loss) for the year by the weighted average number of shares outstanding during the year adjusted to give retroactive effect to any stock dividends declared during the year.

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

Diluted earnings (loss) per share is computed by dividing net income (loss) for the year by the weighted average number of shares taking into account the effects of all potential dilutive common shares.

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

An operating segment is a component of an entity:

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

Significant Accounting Judgments, Estimates and Assumptions

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

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

Judgments

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

Assumption on Going Concern

The use of the going concern assumption involves management making judgments, at a particular point in time, about the future outcome of events or conditions that are inherently uncertain. The Parent Company has no plans to liquidate. Management believes that it will be able to generate positive cash flow and obtain potential sources of financing. Accordingly, the financial statements are prepared on a going concern basis since management has future plans with regards to the Parent Company as disclosed in Note 1.

Evaluating Lease Commitments (see Note 17)

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

Parent Company as the Lessor - Operating Lease Commitments

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

Parent Company as the Lessor - Finance Lease Commitments

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

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

- *Identifying of contracts with customers under PFRS 15*
  The Parent Company applied PFRS 15 guidance to a portfolio of contracts with similar characteristics as the Parent Company reasonably expects that the effects on the parent company financial statements of applying this guidance to the portfolio would not differ materially from applying this guidance to the individual contracts within that portfolio.
- *Identifying performance obligations*
  The Parent Company provides hotel services, food and beverage sales, bingo services and other sales and services to its customers. The Parent Company has determined that each of the services are capable of being distinct.

Recognition of Deferred Tax Assets
The Parent Company makes an estimate and judgment of its future taxable income and reviews the carrying amount of the deferred tax assets at each reporting date.

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

From its hotel operations as of December 31, 2019 and 2018, no deferred tax assets were recognized as management believes that the Parent Company may not have sufficient future taxable income against which the deferred tax asset may be applied (see Note 19).

<u>Estimates and Assumptions</u>
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 Parent Company defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

- *Quantitative Criteria*
  The borrower is more than 90 days past due on its contractual payments, which is consistent with the Parent Company's definition of default.

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

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

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

Grouping of Instruments for Losses Measured on Collective Basis
For ECL provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

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

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

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

Provision for expected credit losses recognized in 2019 and 2018 amounted to ₱229.1 million and ₱55.2 million, respectively. The carrying amounts of receivables amounted to ₱217.3 million and ₱302.6 million as at December 31, 2019 and 2018, respectively (see Note 7).

Estimation of the Useful Lives of Property and Equipment and Investment Properties
The useful lives of each of the Parent Company'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 2019 and 2018. The carrying value of property and equipment and investment properties as of December 31, 2019 and 2018 are disclosed in Notes 11 and 12 to the parent company financial statements, respectively.

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

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

On August 1, 2019, the junket agreement between TSLC and PAGCOR expired. The junket agreement was no longer renewed. For the year ended December 31, 2019, the Parent Company recognized full allowance for impairment of its investment in a subsidiary amounting to ₱20.0 million.

The net book values of the Parent Company'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 parent company financial statements, respectively.

6. Cash

This account consists of:

	2019	2018
Cash on hand	₱7,242,499	₱6,501,858
Cash in banks	33,829,244	464,859,307
	₱41,071,743	₱471,361,165

Cash in banks generally earns interest at the respective bank deposit rates. Total interest income earned from cash in banks amounted to ₱0.3 million and ₱0.5 million in 2019 and 2018, respectively.

7. Receivables

This account consists of:

	2019	2018
Trade:		
Non-related parties	₱88,266,630	₱53,962,725
Related parties (Note 21)	513,923	1,943,276
Nontrade	110,381,917	110,381,917
Advances to related parties (Note 21)	118,742,900	90,119,753
Receivable arising from PTO related to:		
Gaming equipment (Note 17)	71,241,648	57,122,087
Gaming facility (Note 17)	55,343,119	42,774,147
Advances to employees (Note 21)	1,935,216	1,423,517
	446,425,353	357,727,422
Less: allowance for expected credit losses	229,124,817	55,177,100
	₱217,300,536	₱302,550,322

Trade receivables consist mainly of claims against the lessees of the building spaces for commercial operations and claims against the travel agencies for the hotel accommodations. These receivables are usually collected within 30 to 60 days.

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

Receivable arising from PTO pertains to the outstanding balance of the Parent Company's revenue share in gaming operations related to gaming facility and gaming equipment after deducting the players' winnings and prizes, the taxes that may be imposed on these winnings/prizes, franchise tax, and applicable subsidies and rebates, which shall be remitted to the Parent Company within 15 days of the following month in accordance with the PTO.

Allowance for expected credit losses

The following table shows the rollforward of the allowance for expected credit losses as of December 31, 2019 and 2018:

	2019	2018
Balance at beginning of year	₱55,177,100	₱–
Provision during the year (Note 24)	173,947,717	55,177,100
	₱229,124,817	₱55,177,100

The allowance for expected credit losses pertain to nontrade receivables and advances to related parties.

8. Inventories

This account consists of:

	2019	2018
At cost:		
Operating supplies	₱20,310,583	₱17,121,808
Food, beverage, and tobacco	4,850,665	3,474,161
	₱25,161,248	₱20,595,969

Operating supplies include cards, seals and dice.

No allowance for inventory obsolescence was recognized in 2019 and 2018.

9. Input VAT

	2019	2018
Input VAT - current	₱16,777,994	₱33,300,077
Noncurrent:		
Input VAT - noncurrent	404,985,744	351,131,565
Deferred input VAT	13,635,008	15,948,407
	418,620,752	367,079,972
	₱435,398,746	₱400,380,049

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

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

10. Prepayments and Other Current Assets

This account consists of:

	2019	2018
Restricted cash (Note 15)	₱163,271,629	₱–
Prepayments	4,891,055	2,989,201
CWT	3,804,547	2,279,223
Deposits	3,408,320	14,191,752
Others	20,175	–
	₱175,395,726	₱19,460,176

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 Parent Company.

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:

2019	Land	Building	Machinery	Gaming equipment	Non-gaming equipment	Kitchen and bar equipment, computer software and hardware	Total
Cost							
Balance at beginning of year	₱600,800,000	₱4,346,182,947	₱218,902,742	₱–	₱453,787,351	₱636,061,435	₱6,255,734,475
Additions	–	24,311,569	2,796,664	–	10,967,315	15,986,980	54,062,528
Disposal	–	–	–	–	–	(15,593,993)	(15,593,993)
Reclassification (Note 12)	–	(880,651,427)	–	–	–	–	(880,651,427)
Balance at end of year	600,800,000	3,489,843,089	221,699,406	–	464,754,666	636,454,422	5,413,551,583
Accumulated depreciation							
Balance at beginning of year	–	375,123,051	51,801,794	–	207,872,872	488,196,395	1,122,994,112
Depreciation (Note 24)	–	141,185,334	24,541,039	–	94,843,297	140,178,355	400,748,025
Disposal	–	–	–	–	–	(13,428,161)	(13,428,161)
Reclassification (Note 12)	–	(98,849,209)	–	–	–	–	(98,849,209)
Balance at end of year	–	417,459,176	76,342,833	–	302,716,169	614,946,589	1,411,464,767
Net book value	₱600,800,000	₱3,072,383,913	₱145,356,573	₱–	₱162,038,497	₱21,507,833	₱4,002,086,816

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

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

As of December 31, 2019 and 2018, land and building, including the amount reclassified to investment property (see Note 12), with an aggregate carrying values of ₱4.5 billion and ₱4.6 billion were pledged as collateral for the loan facility, respectively (see Note 15).

Gain on sale of kitchen and bar equipment amounted to ₱13.4 million in 2019.

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 of Winford Hotel and Casino, with a total area of 15,718 sqm, into an office space for lease (see Note 17). Upon execution of the lease agreement, the Parent Company reclassified the portion of the property and equipment held for lease into "Investment properties" amounting to ₱781.8 million.

Details of the carrying amount of investment property is shown below:

	2019
Cost	₱781,802,218
Accumulated depreciation (Note 24)	7,445,736
Net book value	₱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 2019 as the operation has not yet started as of December 31, 2019 (see Note 17). There were no restrictions on realizability of investment properties and no significant repairs and maintenance were made to maintain the Parent Company's investment properties in 2019.

Operating expenses related to the investment property amounted to ₱5.6 million in 2019, which pertains mainly to real property taxes.

13. Other Noncurrent Assets

This account consists of:

	2019	2018
Receivable arising from PTO related to gaming equipment - net of current portion (Note 17)	₱391,670,199	₱382,234,308
Long-term deposits	6,964,000	6,161,000
Advances to contractors and suppliers	4,779,331	9,851,791
Operating equipment	715,375	23,024,896
	₱404,128,905	₱421,271,995

Long-term deposits pertain to guarantee payment for utility bills and deposits by TSLC to PAGCOR under Junket Agreement (see Note 2).

Movement in operating equipment are as follows:

	2019			
	Utensils	**Linens**	**Uniforms**	**Total**
Cost				
Balance at beginning of year	₱23,562,076	₱70,917,497	₱4,397,918	₱98,877,491
Additions	–	–	418,445	418,445
Balance at end of year	23,562,076	70,917,497	4,816,363	99,295,936
Accumulated amortization				
Balance at beginning of year	20,591,738	52,383,953	2,876,904	75,852,595
Amortization (Note 24)	2,970,338	18,432,347	1,325,281	22,727,966
Balance at end of year	23,562,076	70,816,300	4,202,185	98,580,561
Net book value	₱–	₱101,197	₱614,178	₱715,375

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

14. Accounts Payable and Other Current Liabilities

This account consists of:

	2019	2018
Accounts payable	₱331,217,937	₱429,415,044
Accrued expenses	103,758,402	61,693,012
Gaming liabilities	33,872,011	27,600,511
Taxes payable	5,661,596	6,395,327
Advances from related parties (Note 21)	4,970,819	4,970,819
Others	23,809,578	24,091,220
	₱503,290,343	₱554,165,933

Accounts payable are noninterest-bearing and are normally settled within 30 to 60 days after the billing was received.

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

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

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

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:

	2019	2018
Principal	₱2,355,000,000	₱2,800,000,000
Less unamortized debt discount	(17,362,110)	(13,490,413)
	2,337,637,890	2,786,509,587
Less current portion of long-term debt	(185,287,516)	(694,286,996)
	₱2,152,350,374	₱2,092,222,591

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

	2019	2018
Balance at beginning of year	₱2,800,000,000	₱3,500,000,000
Drawdowns	2,355,000,000	–
Payment	(2,800,000,000)	(700,000,000)
Balance at end of year	₱2,355,000,000	₱2,800,000,000

The movements in the unamortized debt discount are as follows:

	2019	2018
Unamortized debt discount at beginning of year	₱13,490,413	₱20,593,018
Additions	17,662,500	–
Amortization	(5,561,533)	(7,102,605)
Derecognition*	(8,229,270)	–
Unamortized debt discount at end of year	₱17,362,110	₱13,490,413

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

Future repayment of the principal as follows:

	2019	2018
Within one year	₱188,400,000	₱700,000,000
After one year but not more than five years	2,166,600,000	2,100,000,000
	₱2,355,000,000	₱2,800,000,000

In 2015, the Parent Company signed a 7-year loan agreement with a local bank for a ₱3.5 billion loan facility with an interest rate of 7-year Philippine Dealing System Treasury Reference Rates 2 (PDST-R2) plus 125 basis points at drawdown date, plus gross receipts tax (the "Original Loan"). 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 parent company statements of comprehensive income.

As of December 31, 2019, carrying value of loans payable (current and noncurrent portion) amounted to ₱2.3 billion, net of related debt issue cost.

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 December 31 ,2019, cash amounting to ₱163.3 million are presented under "Prepayments and other current assets" as "Restricted cash".

The related interest recognized from the loans amounted to ₱153.4 million and ₱189.5 million in 2019 and 2018, respectively. Total interest paid amounted to ₱150.2 million and ₱185.5 million in 2019 and 2018, respectively.

The loan is secured by the Parent Company's land and building, classified as property and equipment and investment properties in the parent company statements of financial position, with an aggregate carrying value of ₱4.5 billion and ₱4.6 billion as of December 31, 2019 and 2018, 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.

As of December 31, 2019, and 2018, the Parent Company has complied with the loan covenants.

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. Retirement Benefits

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

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

	2019	2018
Current service cost	**₱2,760,093**	₱4,185,692
Net interest cost	**334,881**	102,083
	₱3,094,974	₱4,287,775

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

	2019	2018
Balance at beginning of year	₱2,334,511	₱688,566
Actuarial gain (loss) recognized in other comprehensive income	(2,047,307)	1,645,945
	₱287,204	₱2,334,511

The movements in the retirement liability are as follows:

	2019	2018
Balance at beginning of year	₱4,401,879	₱1,760,049
Total retirement expense for the year	3,094,974	4,287,775
Defined benefit loss (income) recognized in OCI	2,047,307	(1,645,945)
Balance at end of year	₱9,544,160	₱4,401,879

Movement in defined benefit obligation are as follows:

	2019	2018
Balance at beginning of year	₱4,401,879	₱1,760,049
Current service cost	2,760,093	4,185,692
Interest cost	334,881	102,083
Actuarial loss (gain) on:		
Changes in financial assumptions	2,990,709	(1,645,945)
Experience adjustments	(943,402)	–
Balance at end of year	₱9,544,160	₱4,401,879

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

	2019	2018
Discount rate	5.21%	7.61%
Salary increase rate	5.00%	5.00%

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

Shown below are the maturity profile of the undiscounted benefit payments as of December 31, 2019 and 2018 are as follows:

	2019	2018
Less than one year	₱–	₱–
One to less than five years	345,712	568,824
Five to less than 10 years	1,375,089	845,504
10 to less than 15 years	3,450,176	2,386,405
15 to less than 20 years	5,297,375	4,243,737
20 years and above	17,721,076	13,140,844
	₱28,189,428	₱21,185,314

The average duration of the expected benefit payments as of December 31, 2019 and 2018 is 26.07 years and 25.85 years, respectively.

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

		Effect on retirement liability
Discount rate		
	6.21% (Actual + 1.00%)	(₱1,579,057)
	4.21% (Actual - 1.00%)	1,986,551
Salary increase rate		
	6.00% (Actual + 1.00%)	₱1,970,056
	4.00% (Actual - 1.00%)	(1,595,789)

17. Significant Commitments

PTO

As discussed in Notes 1 and 2, the Parent Company was granted a PTO by PAGCOR for the establishment, maintenance and operation of PAGCOR San Lazaro on March 18, 2010. The PTO shall be for a period of fifteen (15) years commencing on January 6, 2016, the date of actual operation.

Under this arrangement, the Parent Company shall acquire, install, maintain and upgrade to keep abreast with the worldwide industry of casino gaming the following to be used for the operation of PAGCOR San Lazaro as approved and deemed necessary by PAGCOR:
(1) Certain number of gaming tables, table layout, chairs and other equipment and paraphernalia.
(2) A minimum number of new slot machines and an online 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 ₱556.9 million in 2019 and ₱413.4 million in 2018, respectively. Portion of the share from gross gaming revenue of PAGCOR San Lazaro related to gaming equipment was applied as payment for receivable arising from PTO amounting to ₱62.4 million and ₱47.5 million in 2019 and 2018, respectively. Accordingly, revenue share in gaming operations for the year ended December 31, 2019 and 2018, presented in the parent company statements of comprehensive income, amounted to ₱494.5 million and ₱365.9 million, respectively. The details of the revenue share in gaming operations for the years ended December 31, 2019 and 2018 are as follows:

	2019	2018
Revenue share from gaming operations related to:		
Gaming facility	₱444,672,706	₱322,178,581
Gaming equipment	49,875,474	43,693,744
	₱494,548,180	₱365,872,325

The future minimum collection related to the gaming equipment follows:

	2019	2018
Within one year	₱116,483,591	₱100,557,388
After one year but not more than five years	408,454,727	402,229,553
More than five years	86,913,440	93,932,612
	611,851,758	596,719,553
Less: unamortized portion of discount	(148,939,911)	(157,363,158)
	462,911,847	439,356,395
Less: current portion (Note 7)	(71,241,648)	(57,122,087)
Noncurrent portion (Note 13)	₱391,670,199	₱382,234,308

Operating Lease Commitment - the Parent Company as Lessor

a. The Parent Company entered into a lease contract with China Trust Philippines Commercial Banking Corp. (CTBC) to lease a space in Winford Hotel, ground floor with an area of 3 sqm. The lease term is for a period of one year commencing on February 2018 and has a basic rental fee of ₱30,000 with escalation clause of 10% per annum. In April 2018, the same lease contract was amended to a basic rent of ₱15,000 without escalation, exclusive of VAT.

b. The Parent Company also entered into an agreement of lease with IFoods Group Inc. to lease a 315.5 sqm. area of Winford Hotel and Casino for a lease term of five years from the commencement of operations of the lessee, unless sooner terminated in accordance with the termination clause. Rental rates shall be ₱600 per sqm. per month exclusive of VAT plus 10% of gross sales for the period commencing from the execution of the lease agreement until completion of all hotel rooms and ₱600 per sqm. per month exclusive of VAT plus 7% of gross sales upon completion of all the hotel rooms. Also, the lessee will pay an additional ₱13.78 per sqm for common use service area. The contract also states that base rent shall escalate at a rate to be agreed by both parties.

c. The Parent Company entered into a lease contract with Golden Arches Development Corporation to lease a space in Winford Hotel and Casino with an area of 406.14 sqm. The lease term is upon execution of the lease agreement until 10 years after the rental commencement date, unless sooner terminated in accordance with termination clause. Base rental rate is ₱750 per sqm. per month, exclusive of VAT, but subject to 5% withholding tax, or a percentage rental rate at the rate of 5% of gross sales, exclusive of VAT but subject to 5% withholding tax, whichever is higher. The lessee will pay an additional ₱13.78 for the common use service area. The contract also states that base rent shall escalate at a rate to be agreed by both parties.

d. The Parent Company entered into a lease contract with Philippine Seven Corporation for five years commencing July 7, 2016 to lease an area of 45.09 sqm. for a basic rent of ₱1,300 per sqm. plus, a percentage of gross sales (1.5% of gross sales) or minimum guaranteed rent (₱1,500 per sqm. per month), whichever is higher. Rent escalation shall separately apply to both basic rent and minimum guaranteed rent. The lessee will pay an additional ₱160 per sqm for the common service area fee. In July 2019, the Parent Company agreed to amend the contract rates from basic rent per sqm of ₱1,300 to ₱1,000 and removal of minimum guaranteed rent and percentage of gross sales.

e. The Parent Company also entered into an agreement of lease with SM Kenko Sauna Corporation to lease a 390 sqm. area of Winford Hotel and Casino to be used for spa and salon services. Rental rates shall be ₱650 per sqm. per month exclusive of VAT plus a percentage rental which is 10% of gross revenue from the operations. Rent shall escalate by 7.5% per annum commencing upon lapse of the first two years of lease. In 2018, the Parent Company agreed to amend the rental rates from ₱650 per sqm. to ₱200 per sqm. per month exclusive of VAT, and without rental escalation. The lessee will also pay for an additional ₱13.78 per sqm for the common use service area.

f. The Parent Company entered into a lease contract with Banco de Oro (BDO) Unibank Inc. to lease a space in Winford Hotel, second floor with an area of 3 sqm. The lease term is for a period of two years commencing on February 1, 2016 and expiring on January 31, 2018. The lease contract was renewed in 2019. The monthly payment amounts to ₱20,000, inclusive of electrical consumption but exclusive of VAT.

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

h. The Parent Company entered into a lease contract with Maybank Philippines Inc. to lease a space in Winford Hotel and Casino, second floor with an area of 3 sqm. The lease term is for a period of one year commencing on February 2018 and was subsequently renewed. The monthly payment amounts to ₱30,000, inclusive of electrical consumption but exclusive of VAT, for the first quarter of 2018 and ₱15,000 thereafter.

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

j. The Parent Company also entered into an agreement of lease with Orient Capital Venture for two years starting March 31, 2017 to lease a 10 sqm. area of Winford Hotel and Casino to be used for online sports betting. Stated in the contract that the rental revenue basis would be 20% profit sharing or ₱100,000 minimum guaranteed fee per month, whichever is higher.

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

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

m. The Parent Company also entered into an agreement of lease with AIO FX Trade, Inc. for five years commencing on December 18, 2017 to lease a 5.06 sqm. area of Winford Hotel and Casino. AIO FX Trade, Inc is a money changer. The lease is payable at a monthly rate of ₱30,000, inclusive of VAT for the first year, ₱37,000, inclusive of VAT for the second year and 10% escalation fee on the third year thereafter applied on the second-year monthly rate. Aside from this, the lessee will pay for additional ₱50 per sqm for the common use service area.

n. The Parent Company also entered into an agreement of lease with Andresons Global, Inc. for three years commencing on April 8, 2018 to lease a 14.09 sqm. area of Winford Hotel and Casino to sell high end liquors. The lease is payable at a monthly rate of ₱20,000 exclusive of VAT and no escalation during the lease term, and will have to pay for an additional ₱50 per sqm. for common use service area fee.

o. As discussed in Note 12, the Parent Company entered into lease agreement with Mistwood Properties, Inc. (MPI) for the conversion and lease of the parking area and roof-deck of Winford Hotel and Casino to office space of MPI. The lease is for a 9-year period commencing upon completion of the construction plans by which it has not yet started as of December 31, 2019. The lease has a base monthly rental rate of ₱750.0 per sqm which is equivalent to ₱11.8 million, exclusive of VAT with annual escalation of 5%. In addition to the base monthly rental, the lease has common area dues of ₱60.0 per sqm which is equivalent to ₱0.9 million, inclusive of VAT with annual escalation of 5%. During 2019, the Parent Company received ₱35.4 million security deposit from MPI.

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

	2019	2018
Within one year	₱115,624,030	₱29,894,591
After one year but not more than five years	674,994,950	51,730,920
Five years onwards	789,166,369	17,384,971
	₱1,579,785,349	₱99,010,482

Rent income amounted to ₱25.1 million and ₱27.4 million in 2019 and 2018. Interest expense on the security deposit amounted to ₱0.3 million in 2019.

Service Agreements

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

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

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

Total service fees recognized in 2019 and 2018 under these agreements amounted to ₱34.8 million and ₱31.6 million, respectively (see Note 24).

18. Deposit for Future Stock Subscription

The Parent Company presented the deposit amounting to ₱2.4 billion and ₱2.1 billion as "Deposit for future stock subscription" under noncurrent liabilities in the parent company statements of financial position as of December 31, 2019 and 2018, respectively, in accordance with FRB No. 6 as issued by the SEC.

As of December 31, 2019, the Parent Company is currently in the process of application with SEC (see Note 22).

19. Income Taxes

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

The provision for income tax consists of final tax amounting to ₱58,557 and ₱94,395 in 2019 and 2018, respectively.

As of December 31, 2019, and 2018, no deferred tax assets were recognized as management believes that the Parent Company may not have sufficient future taxable income from its hotel operations against which the deferred tax assets may be applied.

No deferred tax assets will be recognized as it relates to the casino operations since the Parent Company's income from casino operations is exempt from income tax in accordance with Section 13 of P.D. 1869, as amended (see Note 2). As of December 31, 2019, and 2018, net unrecognized deferred tax assets from its operations other than gaming are composed of the following:

	2019	2018
Deferred tax assets:		
Net operating loss carry over (NOLCO)	₱654,878,841	₱560,907,136
Bad debts	68,737,445	16,553,130
Allowance for impairment on investment in subsidiary	6,000,000	–
Unearned income	4,149,324	1,566,124
Retirement liability	1,948,749	1,355,546
Customer deposits	1,339,244	1,220,886
Unrealized foreign exchange loss	33,600	4,088
	737,087,203	581,606,910

(Forward)

	2019	2018
Deferred tax liabilities:		
Deferred rent income	₱888,515	₱754,268
Unrealized foreign exchange gain	228,988	204,882
	1,117,503	959,150
Deferred tax assets – net	₱735,969,700	₱580,647,760

As of December 31, 2019, the details of NOLCO and MCIT are as follows:

NOLCO

Year Incurred	Beginning Balance	Incurred	Expired	Ending Balance	Available Until
2016	₱405,982,377	₱–	(₱405,982,377)	₱–	2019
2017	762,029,320	–	–	762,029,320	2020
2018	701,678,755	–	–	701,678,755	2021
2019	–	719,221,396	–	719,221,396	2022
	₱1,869,690,452	₱719,221,396	(₱405,982,377)	₱2,182,929,471	

MCIT

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

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

	2019	2018
Benefit from income tax based on accounting income before income tax	(₱225,658,352)	(₱212,815,389)
Additions to (reductions in) income tax resulting from tax effects of:		
Movement in unrecognized deferred tax assets	155,321,940	208,863,490
Expired NOLCO and MCIT	121,794,713	17,263,101
Income from gaming operations exempt from income tax	(60,199,044)	(15,401,943)
Nondeductible expenses and others	8,828,652	2,232,402
Interest income subjected to final tax	(29,352)	(47,266)
Provision for income tax	₱58,557	₱94,395

20. PEZA Registration

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

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

21. Related Party Transactions

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

Transactions with Related Parties

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

			2019		2018			
Entity	Relationship	Nature	Amount	Receivable (Payable)	Amount	Receivable (Payable)	Terms	Condition
TSLC	Subsidiary	Advances[a] (Note 7)	₱28,623,147	₱118,742,900	₱36,455,006	₱90,119,753	Noninterest-bearing: payable upon call	Unsecured, unimpaired
Manila Jockey Club, Inc. (MJCI)	Stockholder	Deposit for future stock subscription (Note 18)	84,000,000	(321,233,646)	84,979,217	(237,233,646)	Noninterest-bearing	Unsecured, unguaranteed
		Advances[b] (Note 14)	–	(4,970,819)	–	(4,970,819)	Noninterest-bearing; due and demandable	Unsecured, unguaranteed
		Commission from the off-track betting[c] (Note 7)	105,701	459,736	167,932	371,013	Noninterest-bearing; due and demandable	Unsecured, unimpaired
Various Shareholders	Stockholder	Deposit for future stock subscription (Note 18)	200,300,651	(2,105,268,102)	971,089,239	(1,904,967,451)	Noninterest-bearing	Unsecured, unguaranteed
		Advances from stockholders[d]	345,204,623	(345,204,623)	–	–	Interest-bearing	Unsecured, unguaranteed
Manilacockers Club, Inc. (MCI)	Affiliate	Commission from the off-track betting[e][f] (Note 7)	2,899,564	54,187	4,367,699	1,572,263	Noninterest-bearing; due and demandable	Unsecured, unimpaired

[a] *Advances of the Parent Company to its subsidiary were provided to fund the payment of license fees to PAGCOR in consideration of the grant given by PAGCOR authorizing TSLC to bring in pre-registered foreign players to play in the designated junket gaming areas within PAGCOR San Lazaro.*
[b] *The Parent Company obtains advances for expenses such as office rental, utilities and other allowances of the Parent Company's employees.*
[c] *Share of the Parent Company on horse racing gross bets from off track betting station of MJCI located at Winford Hotel and Casino.*
[d] *The Parent Company obtains interest bearing advances from stockholders for additional funding on its capital expenditures.*
[e] *Share of the Parent Company on cockfighting gross bets from off track betting station of MCI located at Winford Hotel and Casino.*
[f] *MCI is an affiliate through a common stockholder, MJCI.*

Key Management Personnel

Total key management personnel compensation of the Parent Company amounted to ₱35.1 million and ₱33.5 million as of December 31, 2019 and 2018, respectively. The compensations are short-term employee benefits.

The Parent Company has no standard arrangement with regard to the remuneration of its directors. In 2019 and 2018, the BOD received directors' fees aggregating to ₱0.7 million (Note 24).

The Parent Company's advances to its employees amounted to ₱1.9 million and ₱1.4 million as of December 31, 2019 and 2018, respectively (see Note 7).

22. Equity

Capital Stock
The Parent Company has a total of 5,000,000,000 authorized shares, 3,174,405,821 issued and subscribed shares at ₱1.00 par value. The total issued, outstanding, and subscribed capital are held by 433 and 434 equity holders for the years 2019 and 2018, respectively.

On April 12, 2018, the BOD approved the conduct of a stock rights offering in order to raise additional capital. The total number of shares to be issued is 1,587,202,910 common shares and the stock offer price shall be at ₱1.00 per share. The entitlement ratio shall be one right 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 right per share, if paid in full upon submission on the application to subscribe, or ₱2.00 rights per share, if paid on installment basis. As of July 3, 2020, the stock rights offering is still pending approval of SEC.

23. Basic/Diluted Loss Per Share

	2019	2018
Net loss for the year	₱752,253,063	₱709,479,026
Divided by weighted average number of outstanding common shares	3,174,405,821	3,174,405,821
Basic/diluted losses per share	₱0.237	₱0.223

The Parent Company has no potential dilutive common shares as of December 31, 2019 and 2018. Therefore, the basic and diluted loss per share are the same as of those dates.

24. Operating Costs and Expenses

This account consists of:

	2019	2018
Depreciation and amortization (Notes 11, 12 and 13)	₱430,921,727	₱514,823,788
Bad debts (Note 7)	173,947,717	55,177,100
Utilities	93,983,063	93,705,878
Contracted services	88,993,175	73,607,692
Salaries and wages	79,016,128	63,922,922
Repairs and maintenance	44,639,054	40,390,206
Food, beverage, and tobacco	44,379,030	31,044,175
Taxes and licenses	44,106,631	35,125,265

(Forward)

	2019	2018
Security services	₱41,985,517	₱36,478,069
Service fee (Note 17)	34,780,715	31,631,071
Advertising and marketing	32,639,466	31,289,095
Gaming fees (Note 2)	33,497,186	29,428,659
Hotel room and supplies	22,146,015	15,262,456
Banquet expenses	21,171,297	22,607,167
Impairment loss on investment in subsidiary	20,000,000	–
Entertainment	13,949,007	11,694,686
Professional fees	12,380,511	13,868,503
Transportation and travel	7,688,775	6,573,515
Communication	7,385,551	7,270,000
Insurance	6,415,174	6,425,422
Supplies	3,787,909	3,518,538
Retirement (Note 16)	3,094,974	4,287,775
Rent	2,977,415	2,531,601
Commission	1,926,430	3,148,816
Meetings and conferences	1,533,809	1,402,898
Directors' fees (Note 21)	675,000	680,000
Representation	40,165	97,500
Others	40,923,750	7,064,453
	₱1,308,985,191	₱1,143,057,250

25. Operating Segment Information

The Parent Company has two operating segments in 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 parent company financial statements. The Parent Company's asset-producing revenues are located in the Philippines (i.e., one geographical location). Therefore, geographical segment information is no longer presented.

Segment Revenue and Expenses

The segment results for the years ended December 31, 2019 and 2018 are as follows:

	2019		
	Gaming	Non-gaming	Total
Revenue	₱546,144,104	₱196,294,920	₱742,439,024
Operating costs and expenses	(457,393,312)	(851,591,879)	(1,308,985,191)
Other expenses - net	–	(185,648,339)	(185,648,339)
Provision for income tax	–	(58,557)	(58,557)
Net income (loss)	₱88,750,792	(₱841,003,855)	(₱752,253,063)

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

Segment Assets and Liabilities and Other Information

The segment assets, liabilities, capital expenditures and other information as of and for the years ended December 31, 2019 and 2018 are as follows:

	2019		
	Gaming	**Non-gaming**	**Total**
Assets	**₱1,724,172,445**	**₱4,350,727,757**	**₱6,074,900,202**
Liabilities	**267,607,794**	**5,431,252,967**	**5,698,860,761**
Capital expenditures	**32,242,481**	**21,820,047**	**54,062,528**
Interest income	**–**	**293,031**	**293,031**
Depreciation and amortization	**101,422,119**	**329,499,608**	**430,921,727**

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

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

The Parent Company's financial instruments comprise of cash in banks, receivables (excluding "advances from employees"), deposits (presented as part of "Prepayments and other current assets" in the parent company financial statements), noncurrent portion of receivable arising from PTO and long-term deposits (presented as part of "Other noncurrent assets" in the parent company financial statements), accounts payable and other current liabilities (excluding "withholding taxes payable"), retention payable, interest payable and loans payable. The main purpose of these financial instruments is to finance the Parent Company's operations. The main risks arising from the use of these financial instruments include credit risk and liquidity risk. The Parent Company's BOD reviews and approves the policies for managing these risks and these are summarized below.

Credit Risk

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

The table below shows the maximum exposure to credit risk of the Parent Company as at December 31, 2019 and 2018 as follows:

	2019	2018
At amortized cost/loans and receivables:		
Cash in banks* (Note 6)	₱33,829,244	₱464,859,307
Receivables** (Note 7)	215,365,320	301,126,805
Deposits*** (Note 10)	3,408,320	7,404,740
Long-term deposits (Note 13)	6,964,000	6,161,000
Receivable arising from PTO related to gaming equipment - net of current portion (Note 13)	391,670,199	382,234,308
	₱651,237,083	₱1,161,786,160

**Excluding cash on hand amounting to ₱7,242,499 and ₱6,501,858 as of December 31, 2019 and, 2018, respectively.*
***Excluding advances to employees amounting to ₱1,935,216 and ₱1,423,517 as of December 31, 2019 and, 2018, respectively*
****Excluding security deposit to be applied at the end of the contract and advance payments for operating supplies and television advertisements.*

As of December 31, 2019, and 2018, the aging analysis of receivables is as follows:

			Past due but not impaired					
2019	**Total**	**Neither past due nor impaired**	**Less than 30 days past due**	**31 to 60 days past due**	**61 to 90 days past due**	**91 to 180 days past due**	**More than 180 days past due**	**Impaired**
Trade:								
Non-related parties	₱88,266,630	₱30,490,259	₱2,381,127	₱2,382,493	₱2,282,574	₱6,465,856	₱44,264,321	₱–
Related parties	513,923	513,923	–	–	–	–	–	–
Nontrade	110,381,917	–	–	–	–	–	–	110,381,917
Advances to related parties	118,742,900	–	–	–	–	–	–	118,742,900
Receivable arising from PTO	518,254,966	518,129,515	–	–	–	–	125,451	–
	₱836,160,336	₱549,133,697	₱2,381,127	₱2,382,493	₱2,282,574	₱6,465,856	₱44,389,772	₱229,124,817

			Past due but not impaired					
2018	Total	Neither past due nor impaired	Less than 30 days past due	31 to 60 days past due	61 to 90 days past due	91 to 180 days past due	More than 180 days past due	Impaired
Trade:								
Non-related parties	₱53,962,725	₱6,790,829	₱3,968,979	₱6,097,486	₱1,997,424	₱35,108,007	₱–	₱–
Related parties	1,943,276	513,235	366,506	362,044	281,800	419,691	–	–
Nontrade	110,381,917	55,435	–	–	–	–	55,149,382	55,177,100
Advances to related parties	90,119,753	6,389,672	3,252,292	3,189,493	3,178,738	74,109,558	–	–
Receivable arising from PTO	482,130,542	481,215,042	265,500	650,000	–	–	–	–
	₱738,538,213	₱494,964,213	₱7,853,277	₱10,299,023	₱5,457,962	₱109,637,256	₱55,149,382	₱55,177,100

The table below shows the credit quality of the Parent Company's neither past due nor impaired receivables as of December 31, 2019 and 2018, based on the Parent Company's experience with its debtor's ability to pay:

	2019			
	Grade A	**Grade B**	**Grade C**	**Total**
Trade:				
Non-related parties	₱26,106,014	₱580,964	₱3,803,281	₱30,490,259
Related parties	513,923	–	–	513,923
Receivable arising from PTO	518,129,515	–	–	518,129,515
	₱544,749,452	₱580,964	₱3,803,281	₱549,133,697

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

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

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

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

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

Liquidity Risk

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

The tables below summarize the maturity profile of the Parent Company's financial liabilities as at December 31, 2019 and 2018 based on contractual undiscounted payments.

	2019			
	Due and Demandable	**Less than 1 year**	**1 year or above**	**Total**
Loans payable*	**₱–**	**₱328,009,854**	**₱2,642,251,920**	**₱2,970,261,774**
Accounts payable and other current liabilities**	**4,970,819**	**496,087,237**	**–**	**501,058,056**
Retention payable	**8,795,678**	**–**	**–**	**8,795,678**
Interest payable	**–**	**13,593,170**	**–**	**13,593,170**
Advances from stockholders*	**–**	**–**	**345,204,623**	**345,204,623**
	₱13,766,497	**₱837,690,261**	**₱2,987,456,543**	**₱3,838,913,301**

**Including interest.*
***Excluding withholding taxes payable amounting to ₱2,232,287.*

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

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

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

	2019			
	Due and Demandable	**Less than 1 year**	**1 year or above**	**Total**
At amortized cost:				
Cash in banks	₱33,829,244	₱–	₱–	₱33,829,244
Receivables	57,901,821	549,133,698	–	607,035,519
Deposits	–	3,408,320	–	3,408,320
Long-term deposits	–	–	6,964,000	6,964,000
	₱91,731,065	₱552,542,018	₱6,964,000	₱651,237,083

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

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

Changes in liabilities arising from financing activities

	December 31, 2018	**Cash flows**	**Others***	**December 31, 2019**
Loans payable	₱2,786,509,587	(₱462,622,500)	₱13,790,803	₱2,337,677,890
Advances from stockholders	–	343,581,012	1,623,611	345,204,623
Restricted cash	–	(163,271,629)	–	(163,271,629)
Deposit for future stock subscription	2,142,201,097	284,300,651	–	2,426,501,748
Interest payable	15,925,877	(187,818,869)	158,299,822	(13,593,170)
Total liabilities from financing activities	₱4,944,636,561	(185,831,335)	₱173,714,236	₱4,932,519,462

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

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

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

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:

	2019		2018	
Financial Assets	**Carrying Value**	**Fair Value**	Carrying Value	Fair Value
Receivable arising from PTO related to gaming equipment	**₱462,911,847**	**₱594,195,697**	₱439,356,395	₱484,729,339
Long-term deposits	**6,964,000**	**6,964,000**	6,161,000	6,161,000
	₱469,875,847	**₱601,159,697**	₱445,517,395	₱490,890,339

	2019		2018	
Financial Liabilities	**Carrying Value**	**Fair Value**	Carrying Value	Fair Value
Advances from stockholders	**₱345,204,623**	**₱345,204,623**	₱–	₱–
Loans payable	**2,337,637,890**	**2,337,637,890**	₱2,786,509,587	₱2,739,441,141
	₱2,682,842,513	**₱2,682,842,513**	₱2,786,509,587	₱2,739,441,141

As of December 31, 2019 and 2018, the Parent Company's financial assets and liabilities are measured at fair value under the Level 2 hierarchy. There were no financial instruments carried at fair value as of December 31, 2019 and 2018.

As of December 31, 2019, the aggregate fair value of the Parent Company's properties and equipment, by which part of the properties are converted to investment property, amounted to ₱5.6 billion. Fair values of the properties and equipment as of August 5, 2019 have been determined based on valuation performed by independent professional appraisers using replacement cost approach method and market data approach method. Management has assessed that there are no material changes in fair value on these properties and equipment as of December 31, 2019 from the most recent revaluations performed by independent appraisers. These fair values properties and equipment was classified as Level 1 in 2019 as to the qualification of fair value hierarchy.

27. Working Capital and Capital Management

The primary objective of the Parent Company's working capital and capital management is to ensure that the Parent Company has sufficient funds in order to support its business, pay existing obligation and maximize stockholders' value. The Parent Company considers its total equity, including deposit for future stock subscription, amounting to ₱2.8 billion and ₱3.3 billion as its capital as of December 31, 2019 and 2018, respectively.

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

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

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

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

	2019	2018
Total current assets	₱475,707,247	₱847,267,709
Total current liabilities	726,903,359	1,415,373,642
Current ratio	0.65	0.60
Total liabilities, excluding deposit for future stock subscription	₱3,272,359,013	₱3,515,819,131
Total equity	2,802,541,189	3,272,540,908
Debt-to-equity ratio	1.17	1.07

The Parent Company's strategy is to maintain a sustainable current ratio and debt-to-equity ratio. The Parent Company managed to defer the principal payments of its loans payable, while continuously in discussion with the non-bank creditors for extension of credit terms.

28. Subsequent Events

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 an enhanced community quarantine (ECQ) throughout the island of Luzon until April 12, 2020, which was subsequently extended to May 15, 2020. On May 12, 2020, the Office of the President declared modified ECQ in National Capital Region starting May 16, 2020 until May 31, 2020. Subsequently, general community quarantine was declared beginning June 1, 2020 until June 30, 2020. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve.

Following the Memorandum directive issued by the Office of the President of the Philippines, PAGCOR issued a Memorandum dated March 15, 2020 to suspend all gaming operations in Metro Manila until the end of enhanced community quarantine. The suspension applies to land-based casinos, electronic games, traditional and electronic bingo games, sports betting, poker and slot machine clubs and other activities regulated by PAGCOR. As of the date of the auditor's report, the Company has not yet resumed its full operation of the casino as a result of the PAGCOR memorandum.

The Parent Company considers the events surrounding the outbreak as non-adjusting subsequent events, which do not impact its financial position and comprehensive income as of and for the year ended December 31, 2019. However, the outbreak could have a material impact on its 2020 financial results and even periods thereafter. Considering the evolving nature of this outbreak, the Parent Company cannot determine at this time the impact to its financial position, comprehensive income and cash flows. The Parent Company will continue to monitor the situation.

29. Supplementary Information Required Under Revenue Regulations (RR) No. 15-2010

On November 25, 2010, the Bureau of Internal Revenue issued RR No. 15-2010 to amend certain provisions of RR 21-2002 prescribing the matter of compliance with any documentary and/or procedural requirements in connection with the preparation and submission of financial statements accompanying the tax returns. It requires the disclosure of taxes, duties and licenses paid or accrued during the year.

The Parent Company also reported and/or paid the following types of taxes for the year ended December 31, 2019.

a. The Parent Company has VAT output tax declaration of ₱19.7 million in 2019 based on the amount reflected in the revenue from hotel and food and beverage and other revenue arising from sale of tobacco amounting to ₱164.4 million.

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

   The following table shows the sources of input VAT claimed:

Balance at beginning of the year	₱384,481,762
Purchases of:	
Goods other than for resale	9,159,737
Services lodged under other accounts	38,885,116
Claims for tax credit/refund and other adjustments	(19,732,490)
Balance at end of the year	₱412,794,125

b. Other taxes and licenses

   Details consist of the following:

National	
Documentary stamp taxes	₱4,310,248
Filing and listing fees	812,648
Public performance license	128,007
Custom duties and taxes	23,135
BIR registration	500
Trademark fees	350
	5,274,888
Local	
Real property tax	36,771,871
Business permit	958,952
Inspection fee	122,316
Barangay clearance certificate	18,075
Advertising billboard permit	14,704
PEZA permit	6,259
Notarial services	4,550
Hotel permit	1,000
Others	934,016
	38,831,743
Total	₱44,106,631

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

The Parent Company did not have any importations or purchases of any products subject to excise tax. Details of the Parent Company's withholding taxes in 2019 are as follows:

Expanded withholding taxes	₱17,898,998
Withholding taxes on compensation	8,707,825
Final withholding tax	15,453,233
Total	₱42,060,056

Tax Assessments or Tax Cases

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

SGV
Building a better working world

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

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

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

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
MJC INVESTMENTS CORPORATION
Doing business under the name and style of Winford Leisure
And Entertainment Complex and Winford Hotel and Casino

We have audited the accompanying parent company financial statements of MJC INVESTMENTS CORPORATION [Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino] (the Company), as at December 31, 2019 and for the year then ended, on which we have rendered the attached report dated July 3, 2020.

In compliance with Revised Securities Regulation Code Rule 68, we are stating that the above Company has 174 stockholders owning one hundred (100) or more shares each.

SYCIP GORRES VELAYO & CO.

Adeline Q. Lumbres

Adeline D. Lumbres
Partner
CPA Certificate No. 0107241
SEC Accreditation No. 1799-A (Group A),
December 10, 2019, valid until December 9, 2022
Tax Identification No. 224-024-746
BIR Accreditation No. 08-001998-118-2019,
January 28, 2019, valid until January 27, 2022
PTR No. 8125251, January 7, 2020, Makati City

July 3, 2020

COVER SHEET

for

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

SEC Registration Number

0 0 0 0 0 1 0 0 2 0

COMPANY NAME

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

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

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

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
–	8528-2300	–

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
433	6/27	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Joemar Onnagan	joemar.onnagan @winfordmanila.com	8528-2300 (loc. 1132)	0917-595-5222

CONTACT PERSON's ADDRESS

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

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

2: *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

MJC INVESTMENTS CORP.

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of **MJC INVESTMENTS CORPORATION** Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino and Subsidiary ("the Group") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2019, 2018 and 2017, in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

Jose Alvaro D. Rubio
Treasurer and Chief Financial Officer

JUL 14 2020

SUBSCRIBED AND SWORN to before me ____ day of __________ at MANDALUYONG CITY
affiant exhibiting to me their Taxpayer Identification Numbers as follows

	TIN Nos.	Date/Place Issued
Alfonso R. Reyno, Jr.	114-555-166	Manila, Philippines
Jose Alvaro D. Rubio	109-945-552	Manila, Philippines

Doc.No. 178 ;
Page No. 37 ;
Book No. 83 ;
Series of 2020.

ATTY. JAMES K. ABUGAN
NOTARY PUBLIC
Appt. No. 0442-19
Until Dec. 31, 2020
IBP No. 101913 01/03/2020 Rizal Chapter
Roll No. Lifetime
MCLE No. VI Until 4/14/2022
TIN No. -956
PTR No. /01-03-2020
Tel. No. 631-40-90
Mandaluyong City

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of MJC INVESTMENTS CORPORATION [Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino] and its subsidiary (the Group), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2019 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Assessment of Going Concern Basis

The Group is engaged in the gaming industry related business and operates the Winford Hotel and Casino. For the years ended December 31, 2019, 2018 and 2017, the Group has reported net losses of ₱642.1 million, ₱746.1 million, and ₱790.2 million, respectively, and as at December 31, 2019 and 2018, the Group's current liabilities exceeded its current assets by ₱229.0 million and ₱657.0 million, respectively. On March 16, 2020, in a move to contain the COVID 19 outbreak, the Philippine government issued a directive to impose stringent social distancing measures in the whole of Luzon, which resulted to temporary suspension of the hotel and casino operations. In addition, Philippine Amusement and Gaming Corporation (PAGCOR) issued a memorandum circular to suspend all gaming operations in Metro Manila until the end of the community quarantine. The availability of sufficient funding to enable the Group to meet its currently maturing obligations is important for the going concern assumption and, as such, is significant to our audit.

The Group's disclosures related to this matter are included in Note 1 to the consolidated financial statements.

Audit Response

We obtained management's assessment of the Group's ability to continue as a going concern. We reviewed the cash flow projection prepared by management and evaluated the key assumptions and inputs against historical performance and the Group's operating and strategic plans, including cost saving measures. We also reviewed the cost saving measures implemented by the Group. We obtained copies of the correspondences of the Group with the lenders to defer principal payments of loans payable and with non-bank creditors to arrange for longer credit terms. We also obtained and reviewed the terms of debt facilities and assessed compliance with relevant covenants. We also assessed the adequacy of the related disclosures in the notes to the consolidated financial statements.

Assessment of Impairment of Property and Equipment

Under PFRS, the Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any such indication exists, the Group estimates the assets' recoverable amount, which is the value higher between the cash generating unit's fair value less cost to sell or value in use. The Group is continuously experiencing net loss from its operations in the past years. This impairment test is significant to our audit because the property and equipment is material to the consolidated financial statements. In addition, the valuation made by the independent appraiser depend on certain assumptions, such as sales and listing of comparable properties registered within the vicinity and adjustments to sales prices based on internal and external factors.

The Group's policy on impairment assessment are disclosed in Note 5 to the consolidated financial statements while the carrying values of property and equipment are included in Note 11 to the consolidated financial statements.

Audit Response

We evaluated the assumptions and methodologies used by the Group's appraisers in its appraisal report in determining the recoverable amount of the property and equipment. We evaluated the competence, capabilities and qualifications of the external appraiser by considering their qualifications, experience and reporting responsibilities. We assessed the methodology adopted by referencing common valuation models and reviewed the relevant information supporting the sales and listing of comparable properties. We also inquired from the external appraiser the basis of adjustments made to the sales price.

Other Information

Management is responsible for the other information. The other information comprises the SEC Form 17-A and Annual Report for the year ended December 31, 2019 but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the SEC Form 20-IS (Definitive Information Statement) for the year ended December 31, 2019, which is expected to be made available to us after that date.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

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

SYCIP GORRES VELAYO & CO.

Adeline D. Lumbres
Partner
CPA Certificate No. 0107241
SEC Accreditation No. 1799-A (Group A),
December 10, 2019, valid until December 9, 2022
Tax Identification No. 224-024-746
BIR Accreditation No. 08-001998-118-2019,
January 28, 2019, valid until January 27, 2022
PTR No. 8125251, January 7, 2020, Makati City

July 3, 2020

MJC INVESTMENTS CORPORATION

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2019	2018
ASSETS		
Current Assets		
Cash (Note 6)	₱41,787,422	₱472,403,840
Receivables (Note 7)	238,243,536	212,430,569
Inventories (Note 8)	25,161,248	20,595,969
Input value-added tax (VAT) - current (Note 9)	16,781,594	33,303,677
Prepayments and other current assets (Note 10)	175,518,066	19,702,314
Total Current Assets	497,491,866	758,436,369
Noncurrent Assets		
Property and equipment (Note 11)	4,002,086,816	5,132,755,047
Investment properties (Note 12)	774,356,482	–
Input VAT - net of current portion (Note 9)	418,620,752	367,079,972
Other noncurrent assets (Note 13)	404,298,804	442,303,457
Total Noncurrent Assets	5,599,362,854	5,942,138,476
	₱6,096,854,720	₱6,700,574,845
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 14)	₱502,906,292	₱554,202,301
Retention payable	8,795,678	138,453,425
Interest payable (Note 15)	13,593,170	15,925,877
Current portion of loans payable (Note 15)	185,287,516	694,286,996
Contract liabilities (Note 5)	15,936,652	12,541,411
Total Current Liabilities	726,519,308	1,415,410,010
Noncurrent Liabilities		
Advances from stockholders (Note 21)	345,204,623	–
Loans payable - net of current portion (Note 15)	2,152,350,374	2,092,222,591
Deposit for future stock subscription (Notes 18 and 21)	2,426,501,748	2,142,201,097
Other noncurrent liabilities (Notes 16 and 17)	47,900,657	8,222,898
Total Noncurrent Liabilities	4,971,957,402	4,242,646,586
Total Liabilities	5,698,476,710	5,658,056,596
Equity		
Capital stock (Note 22)	3,174,405,821	3,174,405,821
Deficit	(2,776,315,015)	(2,134,222,083)
Actuarial gains on retirement liability (Note 16)	287,204	2,334,511
Total Equity	398,378,010	1,042,518,249
	₱6,096,854,720	₱6,700,574,845

See accompanying Notes to Consolidated Financial Statements.

MJC INVESTMENTS CORPORATION

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2019	2018	2017
REVENUE			
Revenue share in gaming operations (Note 17)	**₱494,548,180**	₱365,872,325	₱283,196,090
Food and beverage	**86,018,597**	78,603,365	49,916,196
Hotel	**67,402,013**	90,124,116	76,763,068
Bingo operations	**51,497,934**	45,805,234	25,940,208
Rental (Note 17)	**25,057,408**	27,369,552	22,274,636
Other revenue	**18,637,766**	15,260,167	11,289,431
	743,161,898	623,034,759	469,379,629
OPERATING COSTS AND EXPENSES (Note 24)	**(1,199,566,612)**	(1,179,639,463)	(1,050,101,324)
OPERATING LOSS	**(456,404,714)**	(556,604,704)	(580,721,695)
OTHER INCOME (EXPENSES)			
Interest expense and other financing charges (Notes 15, 17 and 21)	**(201,271,813)**	(189,478,166)	(209,300,201)
Gain on sale of kitchen and bar equipment (Note 11)	**13,428,161**	–	–
Interest income (Note 6)	**316,379**	528,936	342,977
Miscellaneous income (expenses) – net	**1,902,282**	(411,657)	(498,320)
	(185,624,991)	(189,360,887)	(209,455,544)
LOSS BEFORE INCOME TAX	**(642,029,705)**	(745,965,591)	(790,177,239)
PROVISION FOR INCOME TAX (Note 19)	**(63,227)**	(94,656)	(57,936)
NET LOSS	**(642,092,932)**	(746,060,247)	(790,235,175)
OTHER COMPREHENSIVE INCOME			
Item that will not be reclassified to profit or loss in subsequent periods:			
Re-measurement gain (loss) on defined benefit obligation (Note 16)	**(2,047,307)**	1,645,945	688,566
TOTAL COMPREHENSIVE LOSS	**(₱644,140,239)**	(₱744,414,302)	(₱789,546,609)
Basic/Diluted Loss Per Share (Note 23)	**₱0.202**	₱0.235	₱0.249

See accompanying Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017

	Capital Stock (Note 22)	Deficit	Actuarial gains on retirement liability (Note 16)	Total
BALANCES AT DECEMBER 31, 2018	**₱3,174,405,821**	**(₱2,134,222,083)**	**₱2,334,511**	**₱1,042,518,249**
Total comprehensive loss for the year	–	**(642,092,932)**	**(2,047,307)**	**(644,140,239)**
BALANCES AT DECEMBER 31, 2019	**₱3,174,405,821**	**(₱2,776,315,015)**	**₱287,204**	**₱398,378,010**
BALANCES AT DECEMBER 31, 2017	₱3,174,405,821	(₱1,406,291,195)	₱688,566	₱1,768,803,192
Effect of changes in accounting policies	–	18,129,359	–	18,129,359
Total comprehensive loss for the year	–	(746,060,247)	1,645,945	(744,414,302)
BALANCES AT DECEMBER 31, 2018	₱3,174,405,821	(₱2,134,222,083)	₱2,334,511	₱1,042,518,249
BALANCES AT DECEMBER 31, 2016	₱3,174,405,821	(₱616,056,020)	₱–	₱2,558,349,801
Total comprehensive loss for the year	–	(790,235,175)	688,566	(789,546,609)
BALANCES AT DECEMBER 31, 2017	₱3,174,405,821	(₱1,406,291,195)	₱688,566	₱1,768,803,192

See accompanying Notes to Consolidated Financial Statements.

MJC INVESTMENTS CORPORATION

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax	(₱642,029,705)	(₱745,965,591)	(₱790,177,239)
Adjustments for:			
Depreciation and amortization (Notes 11,12,13 and 24)	431,056,540	514,951,145	517,522,706
Interest expense (Notes 15, 17 and 21)	201,271,813	189,478,166	209,300,201
Bad debts expense (Notes 7 and 24)	55,204,817	55,177,100	–
Retirement benefit expense (Notes 16 and 24)	3,094,974	4,287,775	1,635,897
Unrealized foreign exchange (gain) loss	18,021	(669,312)	406,081
Gain on sale of disposal of kitchen and bar equipment (Note 11)	(13,428,161)	–	–
Interest income (Note 6)	(316,379)	(528,936)	(342,977)
Operating income (loss) before working capital changes	34,871,920	16,730,347	(61,655,331)
Decrease (increase) in:			
Receivables	(63,552,511)	(52,566,616)	(43,160,696)
Inventories	(4,565,279)	7,672,727	(6,960,605)
Input VAT	(35,018,697)	(37,811,775)	51,107,153
Prepayment and other current assets	7,455,877	24,945,283	(41,803,918)
Increase (decrease) in:			
Accounts payable and other current liabilities	(53,167,289)	249,001,633	20,748,987
Retention payable	(129,657,747)	(140,720,768)	(70,199,052)
Contract liabilities	3,395,241	2,937,635	–
Other noncurrent liabilities	34,164,241	–	2,098,441
Net cash from (used in) operations	(206,074,244)	70,188,466	(149,825,021)
Income taxes paid	(63,227)	(94,656)	(57,936)
Interest received (Note 6)	316,379	528,936	342,977
Net cash flows from (used in) operating activities	(205,821,092)	70,622,746	(149,539,980)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment (Note 11)	(54,062,528)	(239,286,846)	(361,109,115)
Decrease (increase) in other noncurrent assets (Note 13)	15,156,558	(89,038,071)	60,661,384
Proceeds from disposal of non-gaming equipment (Note 11)	–	17,985	–
Net cash flows used in investing activities	(38,905,970)	(328,306,932)	(300,447,731)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of loan:			
Principal (Note 15)	(2,800,000,000)	(700,000,000)	–
Interest and other financing charges	(187,818,869)	(185,505,520)	(201,867,966)
Increase in:			
Advances from stockholders	343,581,012	–	–
Restricted cash (Notes 10 and 15)	(163,271,629)	–	–
Proceeds from loans payable	2,337,337,500	–	–
Proceeds from deposit for future stock subscription (Note 18)	284,300,651	1,056,068,456	1,086,132,641
Net cash flows from (used in) financing activities	(185,871,335)	170,562,936	884,264,675
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(18,021)	669,312	(406,081)
NET INCREASE (DECREASE) IN CASH	(430,616,418)	(86,451,938)	433,870,883
CASH AT BEGINNING OF YEAR	472,403,840	558,855,778	124,984,895
CASH AT END OF YEAR (Note 6)	₱41,787,422	₱472,403,840	₱558,855,778

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

MJC INVESTMENTS CORPORATION [Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino] (the Parent Company) and Trafalgar Square Leisure Corporation (TSLC) (collectively referred to as the "Group") are incorporated in the Philippines. The Parent Company was incorporated on July 15, 1955 as Palawan Consolidated Mining Company, Inc. and was listed in the Philippine Stock Exchange (PSE) on November 11, 1955. In 2005, the SEC approved the extension of the Parent Company's corporate life for another fifty (50) years starting July 2005.

The Parent Company's primary purpose is to acquire by purchase, lease or otherwise, lands or interest in lands and realty, and to own, hold, improve or develop said land or real estate so acquired, and to build or cause to be built on any lands owned, held, occupied or acquired, buildings, facilities, and other structures with their appurtenances, for residential, commercial, mixed-use, leisure, gaming, amusement and entertainment purposes.

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

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

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

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

On April 21, 2016, the Parent Company incorporated its wholly owned subsidiary, TSLC, in the Philippines and registered with the Philippine 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 Operations

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. PAGCOR issued a memorandum dated March 15, 2020 to suspend all gaming operations in Metro Manila until the end of the community quarantine (see Note 28). On June 7, 2020, the hotel resumed its operations after receiving the approval from the Department of Tourism. The hotel caters to foreign guests who are staying temporarily in the Philippines, long staying guests, overseas Filipino workers, government employees and health care workers. As of the date of the auditor's report, the Company has not yet resumed its full operation of the casino as a result of the PAGCOR memorandum. These measures disrupted the Parent Company's business during lockdown period.

For the years ended December 31, 2019, 2018 and 2017, the Group has reported net losses of ₱642.1 million, ₱746.1 million, and ₱790.2 million, respectively, and as at December 31, 2019 and 2018, the Group's current liabilities exceeded its current assets by ₱229.0 million and ₱657.0 million, respectively.

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 certain cost-saving measures to reduce its fixed and variable costs. The Group also continuously boost its marketing efforts to increase foot traffic within the property, while closely working with PAGCOR for the full resumption of its operations and exploring new business opportunities. The Parent Company also managed to defer the principal payments of its loans payable, while continuously having discussions with the non-bank creditors for extension of credit terms.

The consolidated financial statements have been prepared assuming that the Group will continue as going concern.

Authorization for the Issuance of the Consolidated financial statements

The consolidated financial statements were approved and authorized for issuance by the Board of Directors (BOD) on July 3, 2020.

2. Agreements with PAGCOR

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

a. PTO granted to the Parent Company

As discussed in Note 1 to the consolidated financial statements, the Parent Company was granted a PTO by PAGCOR for the establishment, maintenance and operation of PAGCOR San Lazaro on March 18, 2010. The PTO shall be for a period of fifteen (15) years commencing on

January 6, 2016, the date of actual operation of PAGCOR San Lazaro. Management has assessed that the Parent Company is the operator of PAGCOR San Lazaro, in accordance with the provisions of the PTO.

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

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

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

For income tax purposes, the Parent Company's revenue share in gaming operations is exempt from income tax in accordance with Section 13 of P.D. 1869, as amended, otherwise known as the "PAGCOR Charter". Under P.D. 1869, earnings derived from the operation of casinos shall be imposed a 5% franchise tax, in lieu of all kinds of taxes, levies, fees or assessments of any kind, nature or description, levied, established or collected by any municipal, provincial, or national government authority.

b. *Traditional Bingo Operation of the Parent Company*

On January 19, 2016, the Parent Company was granted by PAGCOR the right to operate a traditional bingo operation at Winford Hotel and Casino. The terms of the bingo operation shall be coterminous with the term of the PTO. Under the agreement, the Parent Company shall remit, on a monthly basis, to PAGCOR 15% of the total gross receipt from sale of bingo tickets and cards, including electronically stored bingo cards played through an electronic device, instant game tickets and bingo game variant cards (presented as "Gaming fees" under "Operating costs and expenses") (see Note 24).

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

c. *Junket Agreement granted to TSLC*

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

In consideration of the grant by PAGCOR, the TSLC shall pay PAGCOR higher of (a) monthly Minimum Guarantee Fee (MGF) of US$10,000 per table or (b) ten percent (10%) of the monthly gross winnings generated from the junket gaming operations. The MGF shall be subject to an annual escalation at the rate of ten percent (10%) commencing on the second year of operation.

The Group shall bear all salaries and other benefits in full of the junket monitoring personnel of PAGCOR who will be assigned to monitor the junket gaming operations. These expenses are presented as part of "Gaming fees" recorded under "Operating costs and expenses" (see Note 24). In addition to the monthly fee, TSLC shall remit five percent (5%) of the monthly gross winnings of the junket gaming operations to PAGCOR as franchise tax.

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

a) an amount equivalent to six (6) months of the minimum guaranteed fee for gaming tables for the junket gaming operations prior to the actual operation of the junket tables amounting to ₱17.0 million, which are recorded as part of "Long-term deposits" under "Other noncurrent assets" as of December 31, 2018 (see Note 13) and are subsequently reclassified to "Trade non-related parties" under "Receivables" in the consolidated statements of financial position as of December 31, 2019 (see Note 7).

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" as of December 31, 2018 (see Note 13) and are subsequently reclassified to "Trade non-related parties" under "Receivables" in the consolidated statements of financial position as of December 31, 2019 (see Note 7).

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" as of December 31, 2018 (see Note 13) and are subsequently reclassified to "Trade non-related parties" under "Receivables" in the consolidated statements of financial position as of December 31, 2019 (see Note 7).

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.

TSLC generated revenue of ₱0.8 million for the year ended December 31, 2019 and nil for the years ended December 31, 2018 and 2017, respectively (presented as part of "Other revenue").

3. Basis of Preparation and Statement of Compliance

Basis of Preparation

The consolidated financial statements are prepared using the historical cost basis. The consolidated financial statements are presented in Philippine Peso (Peso or ₱), which is the Group's functional and presentation currency. All amounts are rounded off to the nearest Peso, except when otherwise indicated (see Note 1).

Statement of Compliance

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

  The Group determined, based on its tax compliance review/assessment, in consultation with its tax counsel, that it is probable that its income tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. 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.

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

Effective beginning on or after January 1, 2020

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

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

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

  These amendments will apply on future business combinations of the Group.

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

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

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

Effective beginning on or after January 1, 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 Judgments, Estimates and Assumptions

<u>Basis of Consolidation</u>

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 the subsidiary 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.

<u>Current versus Noncurrent Classification</u>
The Group presents assets and liabilities in the consolidated statements of financial position based on current or noncurrent classification.

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

All other assets are classified as noncurrent.

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

The Group classifies all other liabilities as noncurrent.

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

Fair Value Measurement
The Group measures financial instruments at each reporting date. Additional fair value related disclosures including fair values of financial instruments measured at amortized cost (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 fair value through profit or loss (FVTPL)
- financial assets measured at FVOCI, where cumulative gains or losses previously recognized are reclassified to profit or loss
- financial assets measured at FVOCI, where cumulative gains or losses previously recognized are not reclassified to profit or loss

Contractual Cash Flows Characteristics

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

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

Business Model

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

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

Financial Assets at AC

A financial asset is measured at amortized cost if (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding. Financial assets at AC are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

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

Financial Assets at FVTPL

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

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

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

As of December 31, 2019 and 2018, the Group does not have financial assets at FVTPL.

Financial Assets at FVOCI

Debt Instruments

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

As of December 31, 2019 and 2018, the Group does not have debt instruments at FVOCI.

Equity instruments

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

As of December 31, 2019 and 2018, the Group does not have equity instruments at FVOCI.

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

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

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

Reclassifications of Financial Instruments
The Group reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Group and any previously recognized gains, losses or interest shall not be restated. The Group does not reclassify its financial liabilities.

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

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

ECLs are measured in a way that reflects the following:

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

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

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

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

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

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

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

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

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

Financial Assets and Liabilities *(prior to adoption of PFRS 9)*
Date of Recognition
The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, are done using trade date accounting.

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

The Group classifies its financial assets in the following categories: financial assets at FVTPL, loans and receivables (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.

<u>Derecognition of Financial Assets and Liabilities</u>
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 assets' recoverable amount is the higher of the assets' or cash generating unit's fair value less costs to sell and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

Contract Liabilities
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 December 31, 2019 and 2018 amounted to ₱15.9 million and ₱12.5 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 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.

<u>Leases *(applicable starting January 1, 2019 upon the adoption of PFRS 16)*</u>
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.

<u>Leases *(applicable until December 31, 2018, prior to adoption of PFRS 16)*</u>
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.

<u>VAT</u>
Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

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

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

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

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

<u>Earnings (Loss) Per Share</u>
Earnings (loss) per share is computed by dividing net income (loss) for the year by the weighted average number of shares outstanding during the year adjusted to give retroactive effect to any stock dividends declared during the year.

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

Diluted earnings (loss) per share is computed by dividing net income (loss) for the year by the weighted average number of shares taking into account the effects of all potential dilutive common shares.

Segment Reporting

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

An operating segment is a component of an entity:

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

Significant Accounting Judgments, Estimates and Assumptions

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

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

Judgments

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

Assumption on Going Concern

The use of the going concern assumption involves management making judgments, at a particular point in time, about the future outcome of events or conditions that are inherently uncertain. The Company has no plans to liquidate. Management believes that it will be able to generate positive cash flow and obtain potential sources of financing. Accordingly, the financial statements are prepared on a going concern basis since management has future plans with regards to the Company as disclosed in Note 1.

Evaluating Lease Commitments (see Note 17)

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

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 (see Note 19).

<u>Estimates and Assumptions</u>
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 expected credit losses recognized in 2019 and 2018 amounted to ₱110.4 million and ₱55.2 million, respectively. The carrying amounts of receivables amounted to ₱238.2 million and ₱212.4 million as at December 31, 2019 and 2018, 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 2019, 2018 and 2017. The carrying value of property and equipment and investment properties as of December 31, 2019 and 2018 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 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:

	2019	2018
Cash on hand	₱7,322,729	₱6,501,858
Cash in banks	34,464,693	465,901,982
	₱41,787,422	₱472,403,840

Cash in banks generally earns interest at the respective bank deposit rates. Total interest income earned from cash in banks amounted to ₱0.3 million, ₱0.5 million and ₱0.3 million in 2019, 2018 and 2017, respectively.

7. Receivables

This account consists of:

	2019	2018
Trade:		
Non-related parties	₱109,208,630	₱53,962,725
Related parties (Note 21)	513,923	1,943,276
Nontrade	110,381,917	110,381,917
Receivable arising from PTO related to:		
Gaming equipment (Note 17)	71,241,648	57,122,087
Gaming facility (Note 17)	55,343,119	42,774,147
Advances to employees (Note 21)	1,936,216	1,423,517
	348,625,453	267,607,669
Less: allowance for expected credit losses	110,381,917	55,177,100
	₱238,243,536	₱212,430,569

Trade receivables consist mainly of claims against the lessees of the building spaces for commercial operations, claims against the travel agencies for the hotel accommodations and claims for deposits by TSLC to PAGCOR under Junket Agreement (see Note 2). These receivables are usually collected within 30 to 60 days.

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

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

Allowance for expected credit losses

The following table shows the rollforward of the allowance for expected credit losses as of December 31, 2019 and 2018:

	2019	2018
Balance at beginning of year	₱55,177,100	₱–
Provision during the year (Note 24)	55,204,817	55,177,100
	₱110,381,917	₱55,177,100

The allowance for expected credit losses pertains to nontrade receivables.

8. Inventories

This account consists of:

	2019	2018
At cost:		
Operating supplies	₱20,310,583	₱17,121,808
Food, beverage, and tobacco	4,850,665	3,474,161
	₱25,161,248	₱20,595,969

Operating supplies include cards, seals and dice.

No allowance for inventory obsolescence was recognized in 2019 and 2018.

9. Input VAT

	2019	2018
Input VAT- current	₱16,781,594	₱33,303,677
Noncurrent:		
Input VAT - noncurrent	404,985,744	351,181,565
Deferred input VAT	13,635,008	15,898,407
	418,620,752	367,079,972
	₱435,402,346	₱400,383,649

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

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

10. Prepayments and Other Current Assets

This account consists of:

	2019	2018
Restricted cash (Note 15)	₱163,271,629	₱–
Prepayments	4,941,395	3,231,339
CWT	3,804,547	2,279,223
Deposits	3,480,320	14,191,752
Others	20,175	–
	₱175,518,066	₱19,702,314

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:

2019	Land	Building	Machinery	Gaming equipment	Non-gaming equipment	Kitchen and bar equipment, computer software and hardware	Total
Cost							
Balance at beginning of year	₱600,800,000	₱4,346,182,947	₱218,902,742	₱–	₱453,787,351	₱636,120,176	₱6,255,793,216
Additions	–	24,311,569	2,796,664	–	10,967,315	15,986,980	54,062,528
Disposal	–	–	–	–	–	(15,593,993)	(15,593,993)
Reclassification (Note 12)	–	(880,651,427)	–	–	–	–	(880,651,427)
Balance at end of year	600,800,000	3,489,843,089	221,699,406	–	464,754,666	636,513,163	5,413,610,324
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 24)	–	141,185,334	24,541,039	–	94,843,297	140,193,039	400,762,709
Disposal	–	–	–	–	–	(13,428,161)	(13,428,161)
Reclassification (Note 12)	–	(98,849,209)	–	–	–	–	(98,849,209)
Balance at end of year	–	417,459,176	76,342,833	–	302,716,169	615,005,330	1,411,523,508
Net book value	₱600,800,000	₱3,072,383,913	₱145,356,573	₱–	₱162,038,497	₱21,507,833	₱4,002,086,816

2018	Land	Building	Machinery	Gaming equipment	Non-gaming equipment	Kitchen and bar equipment, computer software and hardware	Total
Cost							
Balance at beginning of year	₱600,800,000	₱4,156,152,679	₱207,348,587	₱330,421,219	₱431,964,951	₱620,285,115	₱6,346,972,551
Additions	–	190,030,268	11,554,155	–	21,867,362	15,835,061	239,286,846
Disposal/Reclassification	–	–	–	(330,421,219)	(44,962)	–	(330,466,181)
Balance at end of year	600,800,000	4,346,182,947	218,902,742	–	453,787,351	636,120,176	6,255,793,216
Accumulated depreciation							
Balance at beginning of year	–	229,607,402	21,412,752	75,483,109	117,247,918	272,892,914	716,644,095
Depreciation (Note 24)	–	145,515,649	30,389,042	–	90,651,931	215,347,538	481,904,160
Disposal/Reclassification	–	–	–	(75,483,109)	(26,977)	–	(75,510,086)
Balance at end of year	–	375,123,051	51,801,794	–	207,872,872	488,240,452	1,123,038,169
Net book value	₱600,800,000	₱3,971,059,896	₱167,100,948	₱–	₱245,914,479	₱147,879,724	₱5,132,755,047

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 December 31, 2019 and 2018, land and building, including the amount reclassified to investment properties (see Note 12), with an aggregate carrying values of ₱4.5 billion and ₱4.6 billion were pledged as collateral for the loan facility, respectively (see Note 15).

Gain on sale of kitchen and bar equipment amounted to ₱13.4 million in 2019.

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 of Winford Hotel and Casino, with a total area of 15,718 sqm, into an office space for lease (see Note 17). Upon execution of the lease agreement, the Parent Company reclassified the portion of the property and equipment held for lease into "Investment properties" amounting to ₱781.8 million.

Details of the carrying amount of investment property is shown below:

	2019
Cost	₱781,802,218
Accumulated depreciation (Note 24)	7,445,736
Net book value	₱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 2019 as the operation has not yet started as of December 31, 2019 (see Note 17). 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 2019.

Operating expenses related to the investment property amounted to ₱5.6 million in 2019, which pertains mainly to real property taxes.

13. Other Noncurrent Assets

This account consists of:

	2019	2018
Receivable arising from PTO related to gaming equipment - net of current portion (Note 17)	₱391,670,199	₱382,234,308
Long-term deposits	6,964,000	27,103,000
Advances to contractors and suppliers	4,779,331	9,851,791
Operating equipment	885,274	23,114,358
	₱404,298,804	₱442,303,457

Long-term deposits pertain to guarantee payment for utility bills and deposits by TSLC to PAGCOR under Junket Agreement (see Note 2).

Movement in operating equipment are as follows:

	2019			
	Utensils	**Linens**	**Uniforms**	**Total**
Cost				
Balance at beginning of year	₱23,562,076	₱70,917,497	₱4,721,248	₱99,200,821
Additions	–	–	619,011	619,011
Balance at end of year	23,562,076	70,917,497	5,340,259	99,819,832
Accumulated amortization				
Balance at beginning of year	20,591,738	52,383,953	3,110,772	76,086,463
Amortization (Note 24)	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	₱–	₱101,197	₱784,077	₱885,274

	2018			
	Utensils	Linens	Uniforms	Total
Cost				
Balance at beginning of year	₱23,562,076	₱70,667,222	₱4,690,413	₱98,919,711
Additions	–	250,275	30,835	281,110
Balance at end of year	23,562,076	70,917,497	4,721,248	99,200,821
Accumulated amortization				
Balance at beginning of year	12,737,713	28,757,814	1,543,951	43,039,478
Amortization (Note 24)	7,854,025	23,626,139	1,566,821	33,046,985
Balance at end of year	20,591,738	52,383,953	3,110,772	76,086,463
Net book value	₱2,970,338	₱18,533,544	₱1,610,476	₱23,114,358

14. Accounts Payable and Other Current Liabilities

This account consists of:

	2019	2018
Accounts payable	**₱331,217,937**	₱429,415,044
Accrued expenses	**103,806,949**	61,693,012
Gaming liabilities	**33,872,011**	27,600,511
Taxes payable	**5,184,976**	7,322,024
Advances from related parties (Note 21)	**4,970,819**	4,970,819
Others	**23,853,600**	23,200,891
	₱502,906,292	₱554,202,301

Accounts payable are noninterest-bearing and are normally settled within 30 to 60 days after the billing was received.

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

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

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

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:

	2019	2018
Principal	**₱2,355,000,000**	₱2,800,000,000
Less unamortized debt discount	**(17,362,110)**	(13,490,413)
	2,337,637,890	2,786,509,587
Less current portion of long-term debt	**(185,287,516)**	(694,286,996)
	₱2,152,350,374	₱2,092,222,591

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

	2019	2018
Balance at beginning of year	**₱2,800,000,000**	₱3,500,000,000
Drawdowns	**2,355,000,000**	–
Payment	**(2,800,000,000)**	(700,000,000)
Balance at end of year	**₱2,355,000,000**	₱2,800,000,000

The movements in the unamortized debt discount are as follows:

	2019	2018
Unamortized debt discount at beginning of year	₱13,490,413	₱20,593,018
Additions	17,662,500	–
Amortization	(5,561,533)	(7,102,605)
Derecognition*	(8,229,270)	–
Unamortized debt discount at end of year	₱17,362,110	₱13,490,413

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

Future repayment of the principal as follows:

	2019	2018
Within one year	₱188,400,000	₱700,000,000
After one year but not more than five years	2,166,600,000	2,100,000,000
	₱2,355,000,000	₱2,800,000,000

In 2015, the Parent Company signed a 7-year loan agreement with a local bank for a ₱3.5 billion loan facility with an interest rate of 7-year Philippine Dealing System Treasury Reference Rates 2 (PDST-R2) plus 125 basis points at drawdown date, plus gross receipts tax (the "Original Loan"). 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 statements of comprehensive income.

As of December 31, 2019, carrying value of loans payable (current and noncurrent portion) amounted to ₱2.3 billion, net of related debt issue cost.

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 December 31 ,2019, cash amounting to ₱163.3 million are presented under "Prepayments and other current assets" as "Restricted cash".

The related interest recognized from the loans amounted to ₱153.4 million, ₱189.5 million and ₱209.3 million in 2019, 2018, and 2017 respectively. Total interest paid amounted to ₱150.2 million, ₱185.5 million and ₱201.9 million in 2019, 2018 and 2017, 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 ₱4.5 billion and ₱4.6 billion as of December 31, 2019 and 2018, 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

As of December 31, 2019 and 2018, the Parent Company has complied with the loan covenants.

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. Retirement Benefits

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

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

	2019	2018
Current service cost	₱2,760,093	₱4,185,692
Net interest cost	334,881	102,083
	₱3,094,974	₱4,287,775

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

	2019	2018
Balance at beginning of year	₱2,334,511	₱688,566
Actuarial gain (loss) recognized in other comprehensive income	(2,047,307)	1,645,945
	₱287,204	₱2,334,511

The movements in the retirement liability are as follows:

	2019	2018
Balance at beginning of year	₱4,401,879	₱1,760,049
Total retirement expense for the year	3,094,974	4,287,775
Defined benefit loss (income) recognized in OCI	2,047,307	(1,645,945)
Balance at end of year	₱9,544,160	₱4,401,879

Movement in defined benefit obligation are as follows:

	2019	2018
Balance at beginning of year	₱4,401,879	₱1,760,049
Current service cost	2,760,093	4,185,692
Interest cost	334,881	102,083
Actuarial loss (gain) on:		
Changes in financial assumptions	2,990,709	(1,645,945)
Experience adjustments	(943,402)	–
Balance at end of year	₱9,544,160	₱4,401,879

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

	2019	2018
Discount rate	5.21%	7.61%
Salary increase rate	5.00%	5.00%

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

Shown below are the maturity profile of the undiscounted benefit payments as of December 31, 2019 and 2018 are as follows:

	2019	2018
Less than one year	₱–	₱–
One to less than five years	345,712	568,824
Five to less than 10 years	1,375,089	845,504
10 to less than 15 years	3,450,176	2,386,405
15 to less than 20 years	5,297,375	4,243,737
20 years and above	17,721,076	13,140,844
	₱28,189,428	₱21,185,314

The average duration of the expected benefit payments as of December 31, 2019 and 2018 is 26.07 years and 25.85 years, respectively.

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

		Effect on retirement liability
Discount rate		
	6.21% (Actual + 1.00%)	(₱1,579,057)
	4.21% (Actual - 1.00%)	1,986,551
Salary increase rate		
	6.00% (Actual + 1.00%)	₱1,970,056
	4.00% (Actual - 1.00%)	(1,595,789)

17. Significant Commitments

PTO

As discussed in Notes 1 and 2, the Parent Company was granted a PTO by PAGCOR for the establishment, maintenance and operation of PAGCOR San Lazaro on March 18, 2010. The PTO shall be for a period of fifteen (15) years commencing on January 6, 2016, the date of actual operation.

Under this arrangement, the Parent Company shall acquire, install, maintain and upgrade to keep abreast with the worldwide industry of casino gaming the following to be used for the operation of PAGCOR San Lazaro as approved and deemed necessary by PAGCOR:

(1) Certain number of gaming tables, table layout, chairs and other equipment and paraphernalia.
(2) A minimum number of new slot machines and an online 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 ₱556.9 million in 2019 and ₱413.4 million in 2018, respectively. Portion of the share from gross gaming revenue of PAGCOR San Lazaro related to gaming equipment was applied as payment for receivable arising from PTO amounting to ₱62.4 million and ₱47.5 million in 2019 and 2018, respectively. Accordingly, revenue share in gaming operations for the year ended December 31, 2019 and 2018, presented in the consolidated statements of comprehensive income, amounted to ₱494.5 million and ₱365.9 million, respectively. The details of the revenue share in gaming operations for the years ended December 31, 2019 and 2018 are as follows:

	2019	2018
Revenue share from gaming operations related to:		
Gaming facility	₱444,672,706	₱322,178,581
Gaming equipment	49,875,474	43,693,744
	₱494,548,180	₱365,872,325

The future minimum collection related to the gaming equipment follows:

	2019	2018
Within one year	₱116,483,591	₱100,557,388
After one year but not more than five years	408,454,727	402,229,553
More than five years	86,913,440	93,932,612
	611,851,758	596,719,553
Less: unamortized portion of discount	(148,939,911)	(157,363,158)
	462,911,847	439,356,395
Less: current portion (Note 7)	(71,241,648)	(57,122,087)
Noncurrent portion (Note 13)	₱391,670,199	₱382,234,308

Operating Lease Commitment - the Parent Company as Lessor

a. The Parent Company entered into a lease contract with China Trust Philippines Commercial Banking Corp. (CTBC) to lease a space in Winford Hotel, ground floor with an area of 3 sqm. The lease term is for a period of one year commencing on February 2018 and has a basic rental fee of ₱30,000 with escalation clause of 10% per annum. In April 2018, the same lease contract was amended to a basic rent of ₱15,000 without escalation, exclusive of VAT.

b. The Parent Company also entered into an agreement of lease with IFoods Group Inc. to lease a 315.5 sqm. area of Winford Hotel and Casino for a lease term of five years from the commencement of operations of the lessee, unless sooner terminated in accordance with the termination clause. Rental rates shall be ₱600 per sqm. per month exclusive of VAT plus 10% of gross sales for the period commencing from the execution of the lease agreement until completion of all hotel rooms and ₱600 per sqm. per month exclusive of VAT plus 7% of gross sales upon completion of all the hotel rooms. Also, the lessee will pay an additional ₱13.78 per sqm for common use service area. The contract also states that base rent shall escalate at a rate to be agreed by both parties.

c. The Parent Company entered into a lease contract with Golden Arches Development Corporation to lease a space in Winford Hotel and Casino with an area of 406.14 sqm. The lease term is upon execution of the lease agreement until 10 years after the rental commencement date, unless sooner terminated in accordance with termination clause. Base rental rate is ₱750 per sqm. per month, exclusive of VAT, but subject to 5% withholding tax, or a percentage rental rate at the rate of 5% of gross sales, exclusive of VAT but subject to 5% withholding tax, whichever is higher. The lessee will pay an additional ₱13.78 for the common use service area. The contract also states that base rent shall escalate at a rate to be agreed by both parties.

d. The Parent Company entered into a lease contract with Philippine Seven Corporation for five years commencing July 7, 2016 to lease an area of 45.09 sqm. for a basic rent of ₱1,300 per sqm. plus, a percentage of gross sales (1.5% of gross sales) or minimum guaranteed rent (₱1,500 per sqm. per month), whichever is higher. Rent escalation shall separately apply to both basic rent and minimum guaranteed rent. The lessee will pay an additional ₱160 per sqm. for the common service area fee. In July 2019, the Parent Company agreed to amend the contract rates from basic rent per sqm. of ₱1,300 to ₱1,000 and removal of minimum guaranteed rent and percentage of gross sales.

e. The Parent Company also entered into an agreement of lease with SM Kenko Sauna Corporation to lease a 390 sqm. area of Winford Hotel and Casino to be used for spa and salon services. Rental rates shall be ₱650 per sqm. per month exclusive of VAT plus a percentage rental which is 10% of gross revenue from the operations. Rent shall escalate by 7.5% per annum commencing upon lapse of the first two years of lease. In 2018, the Parent Company agreed to amend the rental rates from ₱650 per sqm. to ₱200 per sqm. per month exclusive of VAT, and without rental escalation. The lessee will also pay for an additional ₱13.78 per sqm. for the common use service area.

f. The Parent Company entered into a lease contract with Banco de Oro (BDO) Unibank Inc. to lease a space in Winford Hotel, second floor with an area of 3 sqm. The lease term is for a period of two years commencing on February 1, 2016 and expiring on January 31, 2018. The lease contract was renewed in 2019. The monthly payment amounts to ₱20,000, inclusive of electrical consumption but exclusive of VAT.

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

h. The Parent Company entered into a lease contract with Maybank Philippines Inc. to lease a space in Winford Hotel and Casino, second floor with an area of 3 sqm. The lease term is for a period of one year commencing on February 2018 and was subsequently renewed. The monthly payment amounts to ₱30,000, inclusive of electrical consumption but exclusive of VAT, for the first quarter of 2018 and ₱15,000 thereafter.

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

j. The Parent Company also entered into an agreement of lease with Orient Capital Venture for two years starting March 31, 2017 to lease a 10 sqm. area of Winford Hotel and Casino to be used for online sports betting. Stated in the contract that the rental revenue basis would be 20% profit sharing or ₱100,000 minimum guaranteed fee per month, whichever is higher.

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

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

m. The Parent Company also entered into an agreement of lease with AIO FX Trade, Inc. for five years commencing on December 18, 2017 to lease a 5.06 sqm. area of Winford Hotel and Casino. AIO FX Trade, Inc is a money changer. The lease is payable at a monthly rate of ₱30,000, inclusive of VAT for the first year, ₱37,000, inclusive of VAT for the second year and 10% escalation fee on the third year thereafter applied on the second-year monthly rate. Aside from this, the lessee will pay for additional ₱50 per sqm. for the common use service area.

n. The Parent Company also entered into an agreement of lease with Andresons Global, Inc. for three years commencing on April 8, 2018 to lease a 14.09 sqm. area of Winford Hotel and Casino to sell high end liquors. The lease is payable at a monthly rate of ₱20,000 exclusive of VAT and no escalation during the lease term, and will have to pay for an additional ₱50 per sqm. for common use service area fee.

o. As discussed in Note 12, the Parent Company entered into lease agreement with Mistwood Properties, Inc. (MPI) for the conversion and lease of the parking area and roof-deck of Winford Hotel and Casino to office space of MPI. The lease is for a 9-year period commencing upon completion of the construction plans by which it has not yet started as of December 31, 2019. The lease has a base monthly rental rate of ₱ 750.0 per sqm. which is equivalent to ₱11.8 million, exclusive of VAT with annual escalation of 5%. In addition to the base monthly rental, the lease has common area dues of ₱60.0 per sqm which is equivalent to ₱0.9 million, inclusive of VAT with annual escalation of 5%. During 2019, the Parent Company received ₱35.4 million security deposit from MPI.

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

	2019	2018
Within one year	₱115,624,030	₱29,894,591
After one year but not more than five years	674,994,950	51,730,920
Five years onwards	789,166,369	17,384,971
	₱1,579,785,349	₱99,010,482

Rent income amounted to ₱25.1 million, ₱27.4 million and ₱22.3 million in 2019, 2018 and 2017. Interest expense on the security deposit amounted to ₱0.3 million in 2019.

Service Agreements

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

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

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

Total service fees recognized in 2019, 2018 and 2017 under these agreements amounted to ₱34.8 million, ₱31.6 million and ₱25.7 million, respectively (see Note 24).

18. Deposit for Future Stock Subscription

The Group presented the deposit amounting to ₱2.4 billion and ₱2.1 billion as "Deposit for future stock subscription" under noncurrent liabilities in the consolidated statements of financial position as of December 31, 2019 and 2018, respectively, in accordance with FRB No. 6 as issued by the SEC.

As of December 31, 2019, the Parent Company is currently in the process of application with SEC (see Note 22).

19. Income Taxes

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

The provision for income tax consists of final tax amounting to ₱63,227, ₱94,656 and ₱57,936 in 2019, 2018 and 2017, respectively.

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 from its hotel operations against which the deferred tax assets may be applied.

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

As of December 31, 2019 and 2018, net unrecognized deferred tax assets from its operations other than gaming are composed of the following:

	2019	2018
Deferred tax assets:		
Net operating loss carry over (NOLCO)	**₱654,878,841**	₱560,907,136
Bad debts	**33,114,575**	16,553,130
Unearned income	**4,149,324**	1,566,124
Retirement liability	**1,948,749**	1,355,546
Customer deposits	**1,339,244**	1,220,886
Unrealized foreign exchange loss	**33,600**	4,088
	695,464,333	581,606,910

(Forward)

	2019	2018
Deferred tax liabilities:		
Deferred rent income	₱888,515	₱754,268
Unrealized foreign exchange gain	228,988	204,882
	1,117,503	959,150
Deferred tax assets - net	₱694,346,830	₱580,647,760

As of December 31, 2019, the details of NOLCO and MCIT are as follows:

NOLCO

Year Incurred	Beginning Balance	Incurred	Expired	Ending Balance	Available Until
2016	₱405,982,377	₱–	(₱405,982,377)	₱–	2019
2017	762,029,320	–	–	762,029,320	2020
2018	701,678,755	–	–	701,678,755	2021
2019	–	719,221,396	–	719,221,396	2022
	₱1,869,690,452	₱719,221,396	(₱405,982,377)	₱2,182,929,471	

MCIT

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

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

	2019	2018	2017
Benefit from income tax based on accounting income before income tax	(₱192,608,912)	(₱223,789,677)	(₱237,053,172)
Additions to (reductions in) income tax resulting from tax effects of:			
Expired NOLCO and MCIT	121,794,713	17,263,101	9,622,022
Movement in unrecognized deferred tax assets	113,699,070	208,863,490	221,674,192
Loss (income) from gaming operations exempt from income tax	(51,618,609)	(4,427,264)	2,973,345
Nondeductible expenses and others	8,828,652	2,232,402	2,869,874
Interest income subjected to final tax	(31,687)	(47,396)	(28,325)
Provision for income tax	₱63,227	₱94,656	₱57,936

20. PEZA Registration

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

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

21. Related Party Transactions

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

Transactions with Related Parties

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

			2019		2018			
Entity	Relationship	Nature	Amount	Receivable (Payable)	Amount	Receivable (Payable)	Terms	Condition
Manila Jockey Club, Inc. (MJCI)	Stockholder	Deposit for future stock subscription (Note 18)	₱84,000,000	(₱321,233,646)	₱84,979,217	(₱237,233,646)	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)	105,701	459,736	167,932	371,013	Noninterest-bearing; due and demandable	Unsecured, unimpaired
Various Shareholders	Stockholder	Deposit for future stock subscription (Note 18)	200,300,651	(2,105,268,102)	971,089,239	(1,904,967,451)	Noninterest-bearing	Unsecured, unguaranteed
		Advances from stockholders [c]	345,204,623	(345,204,623)	–	–	Interest-bearing	Unsecured, unguaranteed
Manilacockers Club, Inc. (MCI)	Affiliate	Commission from the off-track betting [d], [e] (Note 7)	2,899,564	54,187	4,367,699	1,572,263	Noninterest-bearing; due and demandable	Unsecured, unimpaired

[a] *The Parent Company obtains advances for expenses such as office rental, utilities and other allowances of the Parent Company's employees.*
[b] *Share of the Parent Company on horse racing gross bets from off track betting station of MJCI located at Winford Hotel and Casino.*
[c] *The Parent Company obtains interest bearing advances from stockholders for additional funding on its capital expenditures.*
[d] *Share of the Parent Company on cockfighting gross bets from off track betting station of MCI located at Winford Hotel and Casino.*
[e] *MCI is an affiliate through a common stockholder, MJCI.*

Key Management Personnel

Total key management personnel compensation of the Group amounted to ₱35.1 million, ₱33.5 million, and ₱13.2 million as of December 31, 2019, 2018 and 2017, respectively. The compensations are short-term employee benefits.

The Group has no standard arrangement with regard to the remuneration of its directors. In 2019, 2018 and 2017, the BOD received directors' fees aggregating ₱0.7 million, ₱0.7 million and ₱0.8 million respectively (see Note 24).

The Group's advances to its employees amounted to ₱ 1.9 million and ₱ 1.4 million as of December 31, 2019 and 2018, respectively (see Note 7).

22. Equity

Capital Stock

The Parent Company has a total of 5,000,000,000 authorized shares, 3,174,405,821 issued and subscribed shares at ₱1.00 par value. The total issued, outstanding, and subscribed capital are held by 433, 434 and 446 equity holders for the years 2019, 2018 and 2017, respectively.

On April 12, 2018, the BOD approved the conduct of a stock rights offering in order to raise additional capital. The total number of shares to be issued is 1,587,202,910 common shares and the stock offer price shall be at ₱1.00 per share. The entitlement ratio shall be one right 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 right per share, if paid in full upon submission on the application to subscribe, or ₱2.00 rights per share, if paid on installment basis. As of July 3, 2020, the stock rights offering is still pending approval of SEC.

23. Basic/Diluted Loss Per Share

	2019	2018	2017
Net loss for the year	**₱642,092,932**	₱746,060,247	₱790,235,175
Divided by weighted average number of outstanding common shares	**3,174,405,821**	3,174,405,821	3,174,405,821
Basic/diluted losses per share	**₱0.202**	₱0.235	₱0.249

The Group has no potential dilutive common shares as of December 31, 2019, 2018 and 2017. Therefore, the basic and diluted loss per share are the same as of those dates.

24. Operating Costs and Expenses

This account consists of:

	2019	2018	2017
Depreciation and amortization (Notes 11, 12 and 13)	**₱431,056,540**	₱514,951,145	₱517,522,706
Utilities	**93,983,063**	93,705,878	86,566,168
Contracted services	**89,438,862**	73,607,692	58,968,324
Salaries and wages	**85,845,771**	63,922,922	52,287,878
Bad debts (Note 7)	**55,204,817**	55,177,100	–
Gaming fees (Note 2)	**53,999,160**	65,820,131	48,131,185
Repairs and maintenance	**44,659,054**	40,390,203	32,993,441
Food, beverage, and tobacco	**44,379,030**	31,044,175	21,000,605
Taxes and licenses	**44,141,254**	35,158,649	3,710,892
Security services	**41,985,517**	36,478,069	27,488,479

(Forward)

	2019	2018	2017
Service fee (Note 17)	₱34,780,715	₱31,631,071	₱25,740,714
Advertising and marketing	32,639,466	31,289,095	37,672,153
Hotel room and supplies	22,146,015	15,262,456	16,523,870
Banquet expenses	21,171,297	22,607,167	16,241,552
Entertainment	13,949,007	11,694,686	12,885,180
Professional fees	12,444,111	13,898,503	10,280,178
Transportation and travel	7,688,775	6,573,515	2,252,605
Communication	7,385,551	7,270,000	7,231,154
Insurance	6,415,174	6,425,422	6,414,645
Supplies	3,787,909	3,518,538	2,140,746
Retirement (Note 16)	3,094,974	4,287,775	1,635,897
Rent	2,977,415	2,531,601	4,151,117
Commission	1,926,430	3,148,816	3,754,417
Meetings and conferences	1,533,809	1,402,898	1,689,358
Directors' fees (Note 21)	675,000	680,000	776,000
Representation	40,165	97,500	155,275
Others	42,217,731	7,064,456	51,886,785
	₱1,199,566,612	₱1,179,639,463	₱1,050,101,324

25. Operating Segment Information

The Group has two operating segments in 2019, 2018, and 2017. Gaming segment pertains to casino operations while non-gaming pertains to hotel operations. Management monitors the operating results of its operating segments for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net income or loss and is measured consistently with the total comprehensive loss on the consolidated financial statements. The Group's asset-producing revenues are located in the Philippines (i.e., one geographical location). Therefore, geographical segment information is no longer presented.

Segment Revenue and Expenses

The segment results for the years ended December 31, 2019, 2018 and 2017 are as follows:

	2019		
	Gaming	**Non-gaming**	**Total**
Revenue	**₱546,866,978**	**₱196,294,920**	**₱743,161,898**
Operating costs and expenses	**(486,717,633)**	**(712,848,979)**	**(1,199,566,612)**
Other income (expenses) - net	**23,348**	**(185,648,339)**	**(185,624,991)**
Provision for income tax	**(4,670)**	**(58,557)**	**(63,227)**
Net income (loss)	**₱60,168,023**	**(₱702,260,955)**	**(₱642,092,932)**

	2018		
	Gaming	Non-gaming	Total
Revenue	₱411,677,559	₱211,357,200	₱623,034,759
Operating costs and expenses	(396,164,128)	(783,475,335)	(1,179,639,463)
Other expenses - net	(754,581)	(188,606,306)	(189,360,887)
Provision for income tax	(261)	(94,395)	(94,656)
Net income (loss)	₱14,758,589	(₱760,818,836)	(₱746,060,247)

	2017		
	Gaming	Non-gaming	Total
Revenue	₱309,136,298	₱160,243,331	₱469,379,629
Operating costs and expenses	(319,025,935)	(731,075,389)	(1,050,101,324)
Other expenses - net	(3,094)	(209,452,450)	(209,455,544)
Provision for income tax	(3,684)	(54,252)	(57,936)
Net loss	(₱9,896,415)	(₱780,338,760)	(₱790,235,175)

Segment Assets and Liabilities and Other Information

The segment assets, liabilities, capital expenditures and other information as of and for the years ended December 31, 2019 and 2018 are as follows:

	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**

	2018		
	Gaming	Non-gaming	Total
Assets	₱1,945,925,331	₱4,754,649,514	₱6,700,574,845
Liabilities	149,148,176	5,508,908,420	5,658,056,596
Capital expenditures	66,661,405	172,625,441	239,286,846
Interest income	1,303	527,633	528,936
Depreciation and amortization	150,955,249	363,995,896	514,951,145

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

The Group's consolidated financial instruments comprise of cash in banks, receivables (excluding "advances from employees"), deposits (presented as part of "Prepayments and other current assets" in the consolidated financial statements), noncurrent portion of receivable arising from PTO and long-term deposits (presented as part of "Other noncurrent assets" in the consolidated financial statements), accounts payable and other current liabilities (excluding "withholding taxes payable"), retention payable, interest payable and loans payable. The main purpose of these financial instruments is to finance the Group's operations. The main risks arising from the use of these financial instruments include credit risk and liquidity risk. The Group's BOD reviews and approves the policies for managing these risks and these are summarized below.

Credit Risk

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

The table below shows the maximum exposure to credit risk of the Group as at December 31, 2019 and 2018 as follows:

	2019	2018
At amortized cost/loans and receivables:		
Cash in banks* (Note 6)	₱34,464,693	₱465,901,982
Receivables** (Note 7)	236,307,320	211,007,052
Deposits*** (Note 10)	3,480,320	7,404,740
Long-term deposits (Note 13)	6,964,000	27,103,000
Receivable arising from PTO related to gaming equipment - net of current portion (Note 13)	391,670,199	382,234,308
	₱672,886,532	₱1,093,651,082

**Excluding cash on hand amounting to ₱7,322,729 and ₱6,501,858 as of December 31, 2019 and, 2018, respectively.*
***Excluding advances to employees amounting to ₱1,936,216 and ₱1,423,517 as of December 31, 2019 and, 2018, respectively.*
****Excluding security deposit to be applied at the end of the contract and advance payments for operating supplies and television advertisements.*

As of December 31, 2019 and 2018, the aging analysis of receivables is as follows:

2019	Total	Neither past due nor impaired	Past due but not impaired: Less than 30 days past due	31 to 60 days past due	61 to 90 days past due	91 to 180 days past due	More than 180 days past due	Impaired
Trade:								
Non-related parties	₱109,208,630	₱51,432,259	₱2,381,127	₱2,382,493	₱2,282,574	₱6,465,856	₱44,264,321	₱–
Related parties	513,923	513,923	–	–	–	–	–	–
Nontrade	110,381,917	–	–	–	–	–	–	110,381,917
Receivable arising from PTO	518,254,966	518,129,515	–	–	–	–	125,451	–
	₱738,359,436	₱570,075,697	₱2,381,127	₱2,382,493	₱2,282,574	₱6,465,856	₱44,389,772	₱110,381,917

2018	Total	Neither past due nor impaired	Past due but not impaired: Less than 30 days past due	31 to 60 days past due	61 to 90 days past due	91 to 180 days past due	More than 180 days past due	Impaired
Trade:								
Non-related parties	₱53,962,725	₱6,790,829	₱3,968,979	₱6,097,486	₱1,997,424	₱35,108,007	₱–	₱
Related parties	1,943,276	513,235	366,506	362,044	281,800	419,691	–	–
Nontrade	110,381,917	55,435	–	–	–	–	55,149,382	55,177,100
Receivable arising from PTO	482,130,542	481,215,042	265,500	650,000	–	–	–	–
	₱648,418,460	₱488,574,541	₱4,600,985	₱7,109,530	₱2,279,224	₱35,527,698	₱55,149,382	₱55,177,100

The table below shows the credit quality of the Group's neither past due nor impaired receivables as of December 31, 2019 and 2018, based on the Group's experience with its debtor's ability to pay:

2019	Grade A	Grade B	Grade C	Total
Trade:				
Non-related parties	₱47,048,014	₱580,964	₱3,803,281	₱51,432,259
Related parties	513,923	–	–	513,923
Receivable arising from PTO	518,129,515	–	–	518,129,515
	₱565,691,452	₱580,964	₱3,803,281	₱570,075,697

	2018			
	Grade A	Grade B	Grade C	Total
Trade:				
Non-related parties	₱3,767,015	₱1,715,819	₱1,307,995	₱6,790,829
Related parties	513,235	–	–	513,235
Nontrade	55,435	–	–	55,435
Receivable arising from PTO	481,215,042	–	–	481,215,042
	₱485,550,727	₱1,715,819	₱1,307,995	₱488,574,541

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

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

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

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

Liquidity Risk

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

The tables below summarize the maturity profile of the Group's financial liabilities as at December 31, 2019 and 2018 based on contractual undiscounted payments.

	2019			
	Due and Demandable	**Less than 1 year**	**1 year or above**	**Total**
Loans payable*	**₱–**	**₱328,009,854**	**₱2,642,251,920**	**₱2,970,261,774**
Accounts payable and other current liabilities**	**4,970,819**	**496,179,806**	**–**	**501,150,625**
Retention payable	**8,795,678**	**–**	**–**	**8,795,678**
Interest payable	**–**	**13,593,170**	**–**	**13,593,170**
Advances from stockholders*	**–**	**–**	**345,204,623**	**345,204,623**
	₱13,766,497	**₱695,060,492**	**₱2,497,554,997**	**₱3,206,381,986**

**Including interest.*
***Excluding withholding taxes payable amounting to ₱1,755,667.*

	2018			
	Due and Demandable	Less than 1 year	1 year or above	Total
Loans payable*	₱–	₱901,993,406	₱2,164,441,498	₱3,066,434,904
Accounts payable and other current liabilities**	4,970,819	542,836,155	–	547,806,974
Retention payable	138,453,425	–	–	138,453,425
Interest payable	–	15,925,877	–	15,925,877
	₱143,424,244	₱1,460,755,438	₱2,164,441,498	₱3,768,621,180

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

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

	2019			
	Due and Demandable	Less than 1 year	1 year or above	Total
At amortized cost:				
Cash in banks	₱34,464,693	₱–	₱–	₱34,464,693
Receivables	57,901,821	570,075,698	–	627,977,519
Deposits	72,000	3,408,320	–	3,480,320
Long-term deposits	–	–	6,964,000	6,964,000
	₱92,438,514	₱573,484,018	₱6,964,000	₱672,886,532

	2018			
	Due and Demandable	Less than 1 year	1 year or above	Total
Loans and receivables:				
Cash in banks	₱465,901,982	₱–	₱–	₱465,901,982
Receivables	82,313,289	128,693,763	382,234,308	593,241,360
Deposits	–	–	7,404,740	7,404,740
Long-term deposits	–	–	27,103,000	27,103,000
	₱548,215,271	₱128,693,763	₱416,742,048	₱1,093,651,082

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

Changes in liabilities arising from financing activities

	December 31, 2018	Cash flows	Others*	December 31, 2019
Loans payable	₱2,786,509,587	(₱462,622,500)	₱13,790,803	₱2,337,677,890
Advances from stockholders	–	343,581,012	1,623,611	345,204,623
Restricted cash	–	(163,271,629)	–	(163,271,629)
Deposit for future stock subscription	2,142,201,097	284,300,651	–	2,426,501,748
Interest payable	15,925,877	(187,818,869)	158,299,822	(13,593,170)
Total liabilities from financing activities	₱4,944,636,561	(185,831,335)	₱168,345,692	₱4,932,519,462

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

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

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

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:

	2019		2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Receivable arising from PTO related to gaming equipment	₱462,911,847	₱594,195,697	₱439,356,395	₱484,729,339
Long-term deposits	6,964,000	6,964,000	27,103,000	27,103,000
	₱469,875,847	₱601,159,697	₱466,459,395	₱511,832,339
Financial Liabilities				
Advances from stockholders	₱345,204,623	₱345,204,623	₱–	₱–
Loans payable	2,337,637,890	2,337,637,890	₱2,786,509,587	₱2,739,441,141
	₱2,682,842,513	₱2,682,842,513	₱2,786,509,587	₱2,739,441,141

As of December 31, 2019 and 2018, the Group's consolidated financial assets and liabilities are measured at fair value under the Level 2 hierarchy. There were no financial instruments carried at fair value as of December 31, 2019 and 2018.

As of December 31, 2019, the aggregate fair value of the Parent Company's properties and equipment, by which part of the properties are converted to investment property, amounted to ₱5.6 billion. Fair values of the properties and equipment as of August 5, 2019 have been determined based on valuation performed by independent professional appraisers using replacement cost approach method and market data approach method. Management has assessed that there are no material changes in fair value on these properties and equipment as of December 31, 2019 from the most recent revaluations performed by independent appraisers. These fair values properties and equipment was classified as Level 1 in 2019 as to the qualification of fair value hierarchy.

27. Working Capital and Capital Management

The primary objective of the Group's working capital and capital management is to ensure that the Group has sufficient funds in order to support its business, pay existing obligation and maximize stockholders' value. The Group considers its total equity, including deposit for future stock subscription, amounting to ₱2.8 billion and ₱3.2 billion as its capital as of December 31, 2019 and 2018, respectively.

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

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

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

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

	2019	2018
Total current assets	₱497,491,866	₱758,436,369
Total current liabilities	726,519,308	1,415,410,010
Current ratio	0.68	0.54
Total liabilities, excluding deposit for future stock subscription	₱3,271,974,962	₱3,515,855,499
Total equity	2,824,879,758	3,184,719,346
Debt-to-equity ratio	1.16	1.10

The Group's strategy is to maintain a sustainable current ratio and debt-to-equity ratio. The Parent Company also managed to defer the principal payments of its loans payable, while continuously having discussions with the non-bank creditors for extension of credit terms.

28. Subsequent Events

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 an enhanced community quarantine (ECQ) throughout the island of Luzon until April 12, 2020, which was subsequently extended to May 15, 2020. On May 12, 2020, the Office of the President declared modified ECQ in National Capital Region starting May 16, 2020 until May 31, 2020. Subsequently, general community quarantine was declared beginning June 1, 2020 until June 30, 2020. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve.

Following the Memorandum directive issued by the Office of the President of the Philippines, PAGCOR issued a Memorandum dated March 15, 2020 to suspend all gaming operations in Metro Manila until the end of enhanced community quarantine. The suspension applies to land-based casinos, electronic games, traditional and electronic bingo games, sports betting, poker and slot machine clubs and other activities regulated by PAGCOR. As of the date of the auditor's report, the Company has not yet resumed its full operation of the casino as a result of the PAGCOR memorandum.

The Group considers the events surrounding the outbreak as non-adjusting subsequent events, which do not impact its financial position and comprehensive income as of and for the year ended December 31, 2019. However, the outbreak could have a material impact on its 2020 financial results and even periods thereafter. Considering the evolving nature of this outbreak, the Group cannot determine at this time the impact to its financial position, comprehensive income and cash flows. The Group will continue to monitor the situation.

SGV
Building a better working world

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

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

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

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the accompanying consolidated financial statements of MJC INVESTMENTS CORPORATION [Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino] and Subsidiary (the Group) as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 included in this Form 17-A and have issued our report thereon dated July 3, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Consolidated Financial Statements and Supplementary Schedules are the responsibility of the management of the Group. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Adeline D. Lumbres

Adeline D. Lumbres
Partner
CPA Certificate No. 0107241
SEC Accreditation No. 1799-A (Group A),
December 10, 2019, valid until December 9, 2022
Tax Identification No. 224-024-746
BIR Accreditation No. 08-001998-118-2019,
January 28, 2019, valid until January 27, 2022
PTR No. 8125251, January 7, 2020, Makati City

July 3, 2020

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INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
MJC INVESTMENTS CORPORATION
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INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
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MJC INVESTMENTS CORPORATION
SCHEDULE A: FINANCIAL ASSETS
December 31, 2019

Financial Assets	Name of Issuing entity and association of each	Number of shares or principal amount of bonds and notes	Amount shown in the Balance Sheet	Valued based on market quotation at balance sheet date	Income Received and Accrued
Cash and cash equivalents*	N/A	N/A	₱34,464,693	N/A	N/A
Receivables**	N/A	N/A	236,307,320	N/A	N/A
Deposits	N/A	N/A	3,480,320	N/A	N/A
Long-term deposits***	N/A	N/A	6,964,000	N/A	N/A
Receivable arising from PTO related to gaming equipment - net of current portion***	N/A	N/A	391,670,199	N/A	N/A
TOTAL			₱672,886,532		

*Excluding cash on hand amounting to ₱7,322,729 as of December 31, 2019.
**Excluding advances to employees amounting to ₱1,936,216 as of December 31, 2019.
***Presented under "Other noncurrent assets" in consolidated financial statements.

MJC INVESTMENTS CORPORATION

SCHEDULE B: AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)

December 31, 2019

Name and designation of Debtor	Balance at beginning of period	Additions	Deductions		Current	Not Current	Balance at End of period
			Amounts Collected	Amounts Written Off			
Manila Jockey Club, Inc.	₱371,013	₱155,692	(₱66,969)	₱–	₱459,736	₱–	₱459,736
Manila Cockers Club, Inc.	1,572,263	223,459	(1,741,535)	-	54,187	-	54,187
Advances to Employee	1,423,517	4,138,974	(3,626,275)	-	1,936,216	-	1,936,216
TOTAL	**₱3,366,793**	**₱4,518,125**	**(₱5,432,729)**	**₱–**	**₱2,450,139**	**₱–**	**₱2,450,139**

MJC INVESTMENTS CORPORATION

SCHEDULE C: AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING CONSOLIDATION OF FS

December 31, 2019

Name and esignation of Debtor	Balance at the Beginning of Period	Additions	Deductions			Current	Not Current	Balance at End of period
			Amounts Collected	Amounts Written Off	Others			
gar Square Leisure ration	₱90,119,753	₱28,623,147	₱–	₱–	₱118,742,900	₱–	₱–	₱–
	₱90,119,753	₱28,623,147	₱–	₱–	₱118,742,900	₱–	₱–	₱–

MJC INVESTMENTS CORPORATION

SCHEDULE D: LONG TERM DEBT

December 31, 2019

Title of Issue and Type of Obligation	Amount authorized by Indenture	Amount shown under caption "Current Portion of Long term Debt" in related Balance Sheet	Amount shown under caption "Long Term Debt" in Related Balance Sheet
Bank Loan	₱2,355,000,000	₱185,287,516	₱2,152,350,374
TOTAL	₱2,355,000,000	₱185,287,516	₱2,152,350,374

MJC INVESTMENTS CORPORATION

SCHEDULE E: INDEBTEDNESS TO RELATED PARTIES

(LONG TERM LOANS FROM RELATED COMPANIES)

December 31, 2019

Name of Related Party	Balance at beginning of period	Balance at End of Period
Advances from Stockholders	₱–	₱345,204,623
Total	₱–	₱345,204,623

MJC INVESTMENTS CORPORATION

SCHEDULE F: GUARANTEES OF SECURITIES OF OTHER ISSUERS

December 31, 2019

Name of issuing entity issuing guaranteed by the company for which this statement is filed	Title of Issue of each class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by Person for which this Statement is Filed	Nature of Guarantee

NOT APPLICABLE

MJC INVESTMENTS CORPORATION

SCHEDULE G: CAPITAL STOCK

December 31, 2019

Title of Issue	No. of Shares Authorized	No. of shares issued and outstanding and shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by affiliates	Directors, Officers and Employees	Others
Common Stock	5,000,000,000	3,174,405,821	N/A	N/A	26,671,437	N/A
TOTAL	**5,000,000,000**	**3,174,405,821**				

MJC INVESTMENTS CORPORATION

SCHEDULE H: AMOUNTS PAYABLE TO RELATED PARTIES WHICH ARE ELIMINATED DURING CONSOLIDATION OF FS

December 31, 2019

Name of Creditor	Designation of Creditor	Balance at the Beginning of Period	Additions	Deductions		Current	Not Current	Balance at End of period
				Amounts Paid	Others			

NOT APPLICABLE

MJC INVESTMENTS CORPORATION

SCHEDULE I: PARENT COMPANY RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

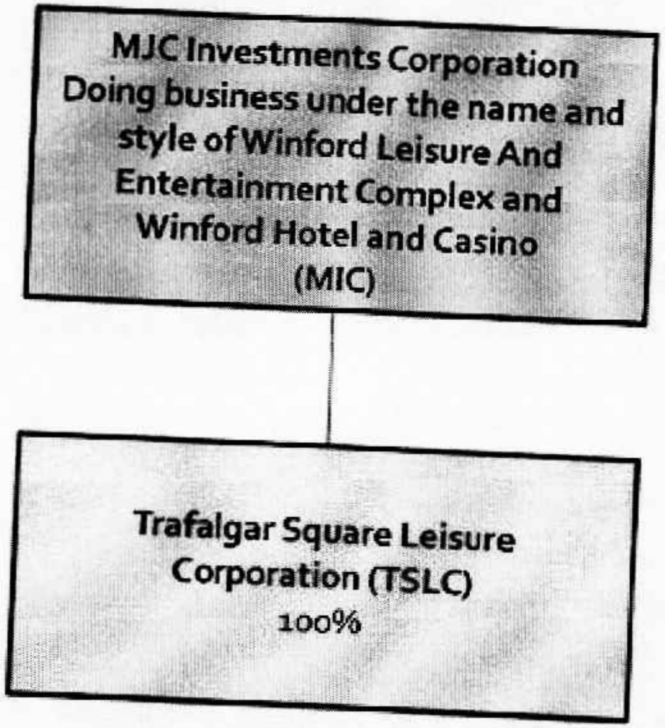
December 31, 2019

NOT APPLICABLE

MJC INVESTMENTS CORPORATION

SCHEDULE I: MAP OF AFFILIATES

December 31, 2019



MJC INVESTMENTS CORPORATION

SCHEDULE K: Financial Soundness Indicators

December 31, 2019

	2019	2018
Liquidity ratios		
Current ratio[a]	0.68	0.54
Interest rate coverage ratio[b]	N/A	N/A
Solvency ratios		
Debt to equity ratio[c]	6.73	2.67
Asset to equity ratio[d]	15.30	6.43
Profitability ratio		
EBITDA margin[e]	N/A	N/A

[a] *Current assets over current liabilities*

[b] *EBITDA over interest expense and other financing charges*

[c] *Interest-bearing debts over total equity*

[d] *Total assets over total equity*

[e] *EBITDA over gross revenues from operations*

Sustainability Report

Contextual Information

Company Details	
Name of Organization	MJC Investments Corporation
Location of Headquarters	MJC Drive corner Consuelo Streets, San Lazaro Tourism and Business Park, Brgy. 350 Zone 035, Sta Cruz Manila 1600
Location of Operations	MJC Drive corner Consuelo Streets, San Lazaro Tourism and Business Park, Brgy. 350 Zone 035, Sta Cruz Manila 1600
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	Aside from the Company, below subsidiary is included in this report: - Trafalgar Square Leisure Corporation
Business Model, including Primary Activities, Brands, Products, and Services	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. The 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. 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.
Reporting Period	Year Ended December 31, 2019
Highest Ranking Person responsible for this report	Atty Alfonso Reyno Jr Chairman and Chief Executive Officer Jeffrey Rodrigo Evora President and Chief Operating Officer

**If you are a holding company, you could have an option whether to report on the holding company only or include the subsidiaries. However, please consider the principle of materiality when defining your report boundary.*

Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.[1]
For the purpose of identifying the topics material to the Company, Management tasked the relevant departments of the Company to collect and gather the data and information for the disclosure topics under this Report. Based on the existing data and information, the Sustainability Report Team identified the material topics based on Materiality Process of the Global Reporting Initiative (GRI) so as to understand and communicate the organization's impact. The end goal is to create real action to create benefits for all. The topics were assessed based on the following: (i) impact of the organization on the economy, environment, and society, and (ii) their substantive influence on the assessments and decisions of stakeholders. Per assessment, the following are topics identified as material to the Company:

	Topic
	Economic
1.	Direct Economic Value Generated & Distributed
2.	Procurement Practices
3.	Anti-corruption
	Environmental
4.	Energy consumption within the organization
5.	Reduction of energy consumption
6.	Water consumption within the organization
7.	Air Emissions
8.	Solid Waste
9.	Effluents
	Social
10.	Employee Hiring and Benefits
11.	Employee Training and Development
12.	Labor-Management Relations
13.	Diversity and Equal Opportunity
14.	Occupational Health and Safety
15.	Labor Laws and Human Rights
16.	Significant Impacts on Local Communities
	Customer Management
17.	Customer Satisfaction

[1] See GRI 102-46 (2016) for more guidance.

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	Amount	Units
Direct economic value generated (revenue) *Pertains to Total Gross Revenue after Philippine Amusement and Gaming Corporation (PAGCOR) 60% Revenue Share, Franchise Tax, Cost of Services from Gaming Operation and Finance Lease Adjustments*	758,808,720	PhP
Direct economic value distributed:		
a. Operating costs *Pertains to Cost of Food, Beverages and Services, Utilities, Security Services, Advertising and Marketing Expenses, Hotel Operating Supplies, Entertainment and Other Expenses (excluding Provision for Bad Debts and Depreciation)*	439,405,654	PhP
b. Employee wages and benefits *Salaries and wages and contract services presented in the Operating Costs and Expenses*	175,284,633	PhP
c. Dividends given to stockholders and interest payments to loan providers *Pertains to Total Interest Expenses reported in 2019*	201,271,813	PhP
d. Taxes given to government *Pertains to Remittances to PAGCOR, BIR, LGU and other government agencies (Taxes and Licenses plus Gaming Fees presented in the Operating Costs and Expenses)*	98,140,414	PhP
e. Investments to community (e.g. donations, CSR) *Pertains to Donations and Cost Related to Community Services*	474,554	PhP

What is the impact and where does it occur? What is the organization's involvement in the impact?	• Economic contribution to the country through the 60% revenue share of PAGCOR and taxes and fees paid to the National Government and Local Government; • Value generation for its stockholders; • Human resources management; • Improvement of customer relations and satisfaction; • Compliance to government regulations; • Provision of direct and outsourced employment; and
Which stakeholders are affected?	Stockholders; Customers; Direct and Outsourced Employees; National and Local Governments
Management Approach	The Company shall establish continuing sustainability through its progressive and proactive policies and programs. With such an approach, the Company is able to ensure that the expectations and

	interests of the stakeholders are addressed and that it contributes in strengthening the country's tourism and gaming industry.

What are the Risks Identified?	Risks include the increasing popularity of integrated resorts and casinos that are both larger and more accessible than WMRC.
Which stakeholders are affected?	Stakeholders that are directly affected are Stockholders and Business Partners like OTAs
Management Approach	To address these risks, the management approach focuses primarily on leveraging on its strengths, such as the hotel's luxurious rooms and first rate entertainment acts that nearby competitors do not offer.

What are the Opportunities Identified?	WMRC has identified and executed new opportunities, such as the introduction of a food delivery service, social media campaigns to sustain customer engagement, and other revenue streams that make full use of WMRC's amenities and facilities esp. during these uncertain times.
Which stakeholders are affected?	Stockholders; Employees
Management Approach	WMRC adopts a very strategic approach in targeting the right market from neighboring cities like Quezon City, Caloocan, and Malabon, to name a few.

Procurement Practices

Proportion of spending on local suppliers

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	80	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	The impact of the Company's procurement practices is economic inclusion and support to local business and individuals, which in turn translates to business enhancement and revenue generation for the Government. The Company regard its suppliers as key allies in advancing its sustainability program.
Which stakeholders are affected?	Company; Suppliers; Government
Management Approach	Availing from local suppliers not only benefits our Company in terms of cost and efficiency, but also those businesses and individuals that we deal with. Locally supplied products and services may lead to hand-in-hand profit and cost-savings. The Company shall continue its procurement spending on local suppliers.

What are the Risks Identified?	• Reliability and quality control • Limited sources
Which stakeholders are affected?	Company; Suppliers; Government
Management Approach	• Continuous supplier accreditation • Expand supplier base

What are the Opportunities Identified?	• New market network • Development of product substitutes
Which stakeholders are affected?	Company; Suppliers; Government
Management Approach	The Company commits to continue to improve its material management, which includes planning, procurement and distribution.

Anti-corruption –

Training on Anti-corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of directors and management that have received anti-corruption training	100	%
Percentage of employees that have received anti-corruption training	100	%

Incidents of Corruption

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	0	#
Number of incidents in which employees were dismissed or disciplined for corruption	0	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0	#

What is the impact and where does it occur? **What is the organization's involvement in the impact?**	The Company's anti-corruption policy and program is indicated in its Code of Business Conduct and Ethics (the "Code"). Under said Code, the Company restricts the solicitation or acceptance of gifts in any form from a third person or entity, directly or indirectly, in consideration of any act, omission or transaction of the Company favorable to such third person or entity with existing or intended business dealings with the Company. As reported in the Company's Integrated Annual Corporate Governance Report (I-ACGR), Department Heads have the responsibility for the monitoring, ensuring, and enforcing compliance with this Code within their department. The Department Heads shall also be responsible for the dissemination thereof and reporting non-compliance with this Code, including taking or implementing disciplinary actions after proper exercise of due process.
Which stakeholders are affected?	Employees; Directors and Management; Business Partner
Management Approach	The Company shall endeavor to continually conduct training on anti-corruption policies and procedures to its employees, directors and management, and to communicate anti-corruption policies and procedures to its business partners.

What are the Risks Identified?	Fraud and Game-fixing
Which stakeholders are affected?	Employees; Directors and Management; Business Partner; Customers
Management Approach	The Company shall enforce strict implementation of administrative and criminal sanctions.

What are the Opportunities Identified?	• Maintain the Company's integrity • Ensure customer satisfaction
Which stakeholders are affected?	Customers; Officers; Government Regulators
Management Approach	The Company shall establish integrity among its core values.

ENVIRONMENT

Resource Management

Energy consumption within the organization:

Disclosure	Quantity	Units
Energy consumption (renewable sources)	No available data	GJ
Energy consumption (gasoline)	No available data	GJ
Energy consumption (LPG)	6,950.65	GJ
Energy consumption (diesel)	20.47	GJ
Energy consumption (electricity)	12,606,856	kWh

Reduction of energy consumption:

Disclosure	Quantity	Units
Energy reduction (gasoline)	No available data	GJ
Energy reduction (LPG)	105.94	GJ
Energy reduction (diesel)	344.90	GJ
Energy reduction (electricity)	No available data	kWh
Energy reduction (gasoline)	No available data	GJ

What is the impact and where does it occur? What is the organization's involvement in the impact?	Energy is consumed through its primary business operations. Liquefied Petroleum Gas (LPG) is used for stoves and other kitchen equipment. Diesel fuel is used to operate boiler operations and generator sets. Electricity is supplied to gaming floors, hotel, restaurant, ballroom and other areas.
Which stakeholders are affected?	Company
Management Approach	The Company intends to continue its energy consumption advocacies through the following activities: (a) Energy reduction consumption campaigns among its employees during lean hours; (b) Conversion and use of energy efficient lighting for efficient energy consumption;

Water consumption within the organization

Disclosure	Quantity	Units
Water withdrawal	No available data	Cubic meters
Water consumption	146,145	Cubic meters
Water recycled and reused	No available data	Cubic meters

What is the impact and where does it occur? What is the organization's involvement in the impact?	Energy is consumed through its primary business operations. Water is supplied to gaming floors, hotel, restaurant, ballroom and other areas.
Which stakeholders are affected?	Company
Management Approach	The Company shall endeavor to conserve water resources and initiate water recycling and reusing.

What are the Risks Identified?	Wastage of water use
Which stakeholders are affected?	Company
Management Approach	Implement program to consume the water efficiently and repair pipe leaks

What are the Opportunities Identified?	Proper water usage
Which stakeholders are affected?	Company
Management Approach	Implement awareness program for the efficient usage of water resources

Environmental impact management

Air Emissions

GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	10,0000	Tonnes CO_2e
Energy indirect (Scope 2) GHG Emissions	12,000	Tonnes CO_2e
Emissions of ozone-depleting substances (ODS)	No available data	Tonnes

What is the impact and where does it occur? What is the organization's involvement in the impact?	Primary business operations
Which stakeholders are affected?	Company
Management Approach	Implement an energy reduction program to lessen the energy consumptions

What are the Risks Identified?	Health and environment issues
Which stakeholders are affected?	Company and Community
Management Approach	Implement an energy reduction program to lessen the energy consumptions. Annual preventive maintenance of equipment to lessen electrical outage.

What are the Opportunities Identified?	Lessen the GHG emission
Which stakeholders are affected?	Company
Management Approach	Implement an energy reduction program to lessen the energy consumptions. Annual preventive maintenance of equipment to lessen electrical outage.

Solid and Hazardous Wastes

Solid Waste

Disclosure	Quantity	Units
Total solid waste generated	104,280	kg
Reusable	20,000	kg
Recyclable	10,900	kg
Composted	No available data	kg
Incinerated	No available data	kg
Residuals/Landfilled	No available data	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Primary business operations
Which stakeholders are affected?	Company
Management Approach	Garbage segregation of recyclable wastes & hazardous materials, proper waste management through sourcing of products in eco-friendly packaging. Reduce the use of one-time use plastic containers by 50%.

What are the Risks Identified?	Improper waste management & handling of hazardous wastes that may lead to health & environment risks.
Which stakeholders are affected?	Company
Management Approach	Daily monitoring and strict compliance to government's waste management guidelines. Strict enforcement of standard operating procedures.

What are the Opportunities Identified?	Create a recycle program that could monetize our recyclable wastes.
Which stakeholders are affected?	Company
Management Approach	Source for partnership with external party.

Effluents

Disclosure	Quantity	Units
Total volume of water discharges	71, 282	Cubic meters
Percent of wastewater recycled	0	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Primary business operations
Which stakeholders are affected?	Company and Community
Management Approach	Implement awareness program for the efficient usage of water resources

What are the Risks Identified?	Health issue; Water pollution
Which stakeholders are affected?	Company and Community
Management Approach	Proper maintenance and operation of STP. Implement awareness program for the efficient usage of water resources.

What are the Opportunities Identified?	Usage of gray water
Which stakeholders are affected?	Company and Community
Management Approach	Proper maintenance and operation of STP. Implement awareness program for the efficient usage of water resources.

SOCIAL

Employee Management

Employee Hiring and Benefits

Employee data

Disclosure	Quantity	Units
Total number of employees[2]	144	
a. Number of female employees	45	#
b. Number of male employees	99	#
Attrition rate[3]	13%	rate
Ratio of lowest paid employee against minimum wage	0%	ratio

Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	18%	21%
PhilHealth	Y	9%	1%
Pag-ibig	Y	16%	15%
Parental leaves	Y	2%	3%
Vacation leaves	Y	100%	100%
Sick leaves	Y	100%	100%
Medical benefits (aside from PhilHealth))	Y	100%	100%
Housing assistance (aside from Pag-ibig)	N	0%	0%
Retirement fund (aside from SSS)	Y	0%	0%
Further education support	Y	0%	2%
Company stock options	N	0%	0%
Telecommuting	Y	0%	0%
Flexible-working Hours	Y	7%	13%
(Others) Emergency loan	Y	2%	3%

What is the impact and where does it occur? What is the organization's involvement in the impact?	The Company provides employee benefits as required under Philippine labor laws. The Company believes that the quality of benefits is a key factor in the retention, recruitment, development, motivation, rewards and recognition of employees. The investment in human capital will allow the Company to achieve its goals and objectives.

[2] Employees are individuals who are in an employment relationship with the organization, according to national law or its application (GRI Standards 2016 Glossary)

[3] Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

Management Approach	The Company shall maintain and enhance its investment in human capital since it believes that a healthy and well-motivated workforce is the key to the productivity and profitability of the Company. Since its business operates in an environment of trust, the Company does not tolerate fraudulent and dishonest actions from its employees within the Company or in dealing with other stakeholders.

What are the Risks Identified?	May result in attrition, inefficiency or dishonest acts
Management Approach	• The Company's overarching paradigm is to professionalize the organization, hence, it will continue to put a premium on employee benefits.

What are the Opportunities Identified?	• Efficiency in its operations • Improvement of organizational demographics
Management Approach	• Continuing evaluation of roles of employees • Positive correlation between employee benefits and productivity

Employee Training and Development

Disclosure	**Quantity**	**Units**
Total training hours provided to employees		
a. Female employees	180	hours
b. Male employees	396	hours
Average training hours provided to employees		
a. Female employees	4	hours/employee

What is the impact and where does it occur? What is the organization's involvement in the impact?	Technical and functional competency trainings especially on the following areas – Safety, Security, Finance, Information Technology, Customer Handling, Marketing and others which contribute to the employee's professional growth and efficiency.
Management Approach	• Conduct of regular training needs analysis to all employees • Establishment of career development and succession planning policy

What are the Risks Identified?	• Resignation of trained employees • Lack of proper training and evaluation may result in error, mistakes, inefficiency
Management Approach	• Establishment of a training policy with provisions on imposing fines or penalty in case of non-compliance with return of service requirement • Skills development through training will lead to better organizational fit

What are the Opportunities Identified?	• In depth training on information technology which are readily available in the market for continuous innovation on business processes • Free trainings provided by government agencies such as DOLE, BIR, SSS, Philhealth, Pag-ibig, BSP and various business partners
Management Approach	• Full support on technical training on information technology, especially in the field of programming and software development • Maintain close contact with government agencies in order to keep updated with the latest issuances and/or orders and to maximize free trainings and seminars that these government agencies provide

Labor-Management Relations

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	0	%
Number of consultations conducted with employees concerning employee-related policies	1,200	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Maintaining open communication with employees.
Management Approach	• Creation of Labor Management Committee; • Employee empowerment by involving them in various engagement activities

What are the Risks Identified?	Labor cases

Management Approach	Creation of Labor Management Committee

What are the Opportunities Identified?	Industrial peace and more efficient information dissemination to employees
Management Approach	Maintaining an open communication with employees through regular meetings

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	31	%
% of male workers in the workforce	69	%
Number of employees from indigenous communities and/or vulnerable sector*	2	%

**Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Equal treatment and non-discrimination are highly regarded values of the Company.
Management Approach	• Longer maternity leave benefit for women and additional workplace requirements which are gender specific • Company provided a designated breastfeeding area and/ or nursery station in the workplace and a dedicated refrigerator for milk storage while the mothers are still at work.

What are the Risks Identified?	Risk of having sexual harassment case/s
Management Approach	Inclusion of anti-sexual harassment policy in Employee Handbook as required by DOLE

What are the Opportunities Identified?	Introduction of Gender and Development (GAD) Programs
Management Approach	The Company promotes inclusive policies.

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	70,500	Man-hours
No. of work-related injuries	0	#
No. of work-related fatalities	0	#
No. of work related ill-health	0	#
No. of safety drills	24 drills a year	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Bullying/Sexual Harassment Affects Job Performance** Workplace bullying/harassment has detrimental effects on employers, not just the victim and their co-workers who witness it. In addition to disrupting the work environment and impacting worker morale it can also: • Reduce productivity • Create a hostile work environment • Promote absenteeism • Impact worker's compensation claims • Result in costly, and possibly embarrassing legal issues
Management Approach	The Company do not tolerate any form of workplace bullying/harassment as stated in our Code of Conduct. Corresponding sanctions were enforced to delinquent associates. Also, prevention is more cost-effective than intervention or mediation. Hence, the company provided gender sensitivity trainings for managers, supervisors, other authority figures and all associates. Also, the company strived to create a workplace environment that cultivates teamwork, cooperation, and positive interaction instead.

What are the Risks Identified?	Other costly effects on the employer include: • Increased use of sick leave, health care claims and staff turnover • Loss of employee loyalty and commitment • Additional costs to recruit and train new employees • Poor public image and negative publicity • Increased risk of legal action

Management Approach	The Company do not tolerate any form of workplace bullying/harassment as stated in our Code of Conduct. Corresponding sanctions were enforced to delinquent associates. Also, prevention is more cost-effective than intervention or mediation. Hence, the company provided gender sensitivity trainings for managers, supervisors, other authority figures and all associates. Also, the company strived to create a workplace environment that cultivates teamwork, cooperation, and positive interaction instead.

What are the Opportunities Identified?	Improvements in the workplace that is both safe and healthy
Management Approach	The Company shall conduct studies on the improvement of the workplace to improve the productivity and efficiency of employees

Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	0	#

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	N	
Child labor	N	
Human Rights	Y	Bullying, Sexual Harassment in the workplace, Gross Misconduct (Code of Conduct)

Relationship with Community

Significant Impacts on Local Communities

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	All businesses
Location	Sta. Cruz Manila
Vulnerable groups (if applicable)*	Elderly, solo parents, PWD
Does the particular operation have impacts on indigenous people (Y/N)?	N
Collective or individual rights that have been identified that or particular concern for the community	Local employment, heathy and safe community
Mitigating measures (if negative) or enhancement measures (if positive)	Job Fair, Gift Giving Project and other CSR activities

Customer Management

Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction	8.4	Yes. Awarded as a 2019 Top Choice of Agoda Travelers by Agoda.com

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Gaming	For Company and Employees : SDG 3 – Good Health and Well Being SDG 8 – Decent Work and Economic Growth	Gaming still has a negative connotation as opposed to balance in life and therefore will have decreased patronage. Likewise,	Abide by government restriction and reassess future practicability and viability based on new strategies and technologies.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
		LGUs are not necessarily appreciative of the business relations under the franchise terms and conditions.	