

**COVER SHEET
for
SEC Form 17-A**

SEC Registration Number

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Company Name

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

Principal Office (No./Street/Barangay/City/Town/Province)

W	I	N	F	O	R	D		H	O	T	E	L		A	N	D		C	A	S	I	N	O	,		M	J	C	
D	R	I	V	E	,		S	T	A	.		C	R	U	Z	,		M	A	N	I	L	A						

Form Type

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Department requiring the report

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Secondary License Type, If Applicable

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COMPANY INFORMATION

Company's Email Address

corporate@rtdslaw.com.ph

Company's Telephone Number/s

8687-9889

Mobile Number

0935-9807539

No. of Stockholders

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Annual Meeting
Month/Day

Second to the last working day of June

Fiscal Year
Month/Day

December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

ATTY. LEMUEL M. SANTOS

Email Address

corporate@rtdslaw.com.ph

Telephone Number/s

8687-9889

Mobile Number

0935-9807539

Contact Person's Address

12 TH FLR. STRATA 100 BLDG. F. ORTIGAS JR. ROAD, ORTIGAS CENTER, PASIG CITY
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Note: 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 designate

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 2020
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 6. _____
Province, Country or other jurisdiction of Industry Classification Code
incorporation or organization
7. Winford Manila Resort and Casino _____
MJC Drive, Sta. Cruz, Manila 1014
Address of principal office 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 [] 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 [] No []

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

13. Aggregate market value of the voting stock held by non-affiliates as of 31 December 2020.

Php 640,214,086.50 [Based on the closing price of PhP 1.50 as of 30 June 2021 and 426,809,391 common shares held by the public as of 30 June 2021].

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, 2020.

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 2021		CY 2020		CY 2019	
	High	Low	High	Low	High	Low
1st Quarter	2.45	1.74	2.56	2.56	3.39	2.57
2nd Quarter	1.88	1.41	2.10	1.48	3.39	2.72
3rd Quarter	-	-	2.79	1.68	2.89	2.61
4th Quarter	-	-	2.00	1.73	2.60	2.60

Source: Philippine Stock Exchange, Inc.

As of July 1, 2021, the closing price of the Company's common shares in the PSE is at PhP1.52 per share.

(2) Holders

As of December 31, 2020, 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 Stock Transfer Service, Inc., the Company's stock transfer agent, is as follows:

Top Twenty Stockholders (As of 31 December 2020)

	Name	No. of Shares	% of Shareholdings
1.	PCD NOMINEE CORPORATION (Filipino)	2,284,191,396	71.96%
2.	ONE WISTERIA LOOP HOLDINGS, INC.	63,892,500	2.01%
3.	ORCHARDSTAR HOLDINGS, INC..	61,285,000	1.93%
4.	MULBERRY ORCHID HOLDINGS INC.	61,285,000	1.93%
5.	FLYING HERON HOLDINGS, INC.	61,285,000	1.93%
6.	BELLTOWER LAKES HOLDINGS, INC.	61,285,000	1.93%
7.	BRANFORD RIDGE HOLDINGS, INC.	61,285,000	1.93%
8.	CHERRY GROVE HOLDINGS, INC.	61,285,000	1.93%
9.	EAST BONHAM HOLDINGS, INC.	61,285,000	1.93%
10.	PURPLE CASSADY HOLDINGS INC.	61,285,000	1.93%
11.	SAVILE ROW HOLDINGS INC.	53,471,250	1.68%
12.	BELGRAVE SQUARE HOLDINGS INC.	53,471,250	1.68%
13.	EVERDEEN SANDS 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.	12,137,704	0.38%
18.	PCD NOMINEE CORPORATION (NON-FILIPINO)	1,019,172	0.03%
19.	PALOS VERDES REALTY CORP.	446,300	0.01%
20.	TAN, JALANE CHRISTIE	215,698	0.01%
	TOTAL	3,173,010,270	99.95%

(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 OR PLAN OF OPERATION

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, 2020, 2019 and 2018 and for each of the three years in the period ended December 31, 2020.

6.1 Discussion on Results of Operations

The following table shows a summary of results of the operations for the years ended December 31, 2020, 2019 and 2018:

	For the Year Ended December 31			% Change 2020 vs. 2019	% Change 2019 vs. 2018
	2020	2019	2018		
	<i>Amount in Millions of Philippine peso except EPS</i>				
Revenue					
Revenue share in gaming operations	₱153.0	₱494.5	₱365.9	(69.1%)	35.1%
Hotel	24.1	67.4	90.1	(64.2%)	(25.2%)
Food and beverage	19.0	86.0	78.6	(77.9%)	9.4%
Rental	12.1	25.1	27.4	(51.8%)	(8.4%)
Bingo operations	8.9	51.5	45.8	(82.7%)	12.4%
Other revenue	4.3	18.6	15.2	(76.9%)	22.4%
	221.4	743.1	623.0	(70.2%)	19.3%
Operating costs and expenses	(664.4)	(1,199.5)	(1,179.6)	(44.6%)	1.7%
Operating loss	(443.0)	(456.4)	(556.6)	(3.0%)	(18.0%)
Other income (expenses)					
Interest expense	(148.5)	(201.2)	(189.5)	(26.2%)	6.2%
Interest income	2.1	0.3	0.5	600.0%	(40.0%)
Gain on sale of kitchen and bar equipment	-	13.4	-	(100.0%)	100.0%
Miscellaneous income (expenses) - net	0.4	1.9	(0.4)	(78.9%)	(575.0%)
	(146.0)	(185.6)	(189.4)	(21.3%)	(2.0%)
Loss before income tax	(589.0)	(642.0)	(746.0)	(8.3%)	(13.9%)
Provision for income tax	(0.03)	(0.1)	(0.1)	(70.0%)	0.0%
Net loss	(589.0)	(642.1)	(746.1)	(8.3%)	(13.9%)
Other comprehensive income (loss)	7.7	(2.0)	1.6	(485%)	(225.0%)
Total comprehensive loss	(581.3)	(₱644.1)	(744.4)	(9.8%)	(13.5%)
Basic/diluted loss per share	₱0.186	₱0.202	₱0.235	(7.9%)	(14.0%)

Comparison of Operating Results for the Years Ended December 31, 2020 and 2019

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, 2020 and 2019 amounted to ₱221.4 million and ₱743.1 million, respectively.

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

- Revenue share in gaming operations decreased by ₱341.5 million or 69% from ₱494.5 million in 2019 to ₱153.0 million in 2020. The decrease is the result of temporary suspension of gaming operations for the months of April, May, and August due to quarantine restrictions. Furthermore, operating gaming tables and electronic gaming machines (slot machines) were reduced to comply with social distancing policy. In addition, foot traffic in the property decreased from ₱2.0 million in 2019 to ₱0.4 million in 2020.
- Revenue from food and beverage decreased by ₱67.0 million or 78% from ₱86.0 million in 2019 to ₱19.0 million in 2020. The decrease is attributable reduced operations of the Group due to imposed community quarantine that resulted to cancelled events held in the hotel and reduced gaming headcount in casino leading to decline in sales of beverages availed by casino players. During the year, it was able to generate ₱0.2 million from Winford on Wheels which is its new revenue stream that was launched in July that cooks up and delivers around Metro Manila.
- Revenue from hotel rooms decreased by ₱43.3 million or 64% from ₱67.4 million in 2019 to ₱24.1 million in 2020. The decrease is attributable to the mandatory closure of hotels during the community quarantine. The hotel is not yet permitted for leisure bookings and is currently operating as a quarantine facility thus, its only source of revenue are the bookings from the returning overseas Filipinos, and the accommodation of off-signers crew of shipping companies. Accordingly, the room occupancy rate declined from 81% in 2019 to 34% in 2020. Of the 128 rooms available on average each day, average occupied paying rooms per day is 25 rooms in 2020, which is lower than the 42 rooms in 2019.
- Revenue from bingo operations decreased by ₱42.6 million or 83% from ₱51.5 million in 2019 to ₱8.9 million in 2020. The bingo operations have only operated until March 13, 2020 and did not resume to operate up to date.
- Revenue from rental decreased by ₱13.0 million or 52% from ₱25.1 million in 2019 to ₱12.1 million in 2020. The decrease is due to waiver of rent to its concessionaires in the midst of the pandemic. In addition, three contracts were terminated in 2020 while one contract were terminated in 2019.
- Other revenue decreased by ₱14.3 million or 77% from ₱18.6 million in 2019 to ₱4.3 million in 2020. This is mainly attributable to decrease in consumption of utilities by the Group's concessionaires since only two have resumed and continued to operate in June. Additionally, there were no junket wins generated during the year.

Total operating costs and expenses for the years ended December 31, 2020 and 2019 amounted to ₱664.4 million and ₱1,199.5 million, respectively. The significant decrease in the total operating costs and expenses is due to lower salaries and wages, contracted services, food, tobacco and beverage, service fee, banquet expenses, entertainment and bad debts which is partially offset by the increase in taxes and licenses.

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

- Depreciation and amortization decreased by ₱150.7 million or 35% from ₱431.1 million in 2019 to ₱280.4 million in 2020. This is due to several equipment becoming fully depreciated during the year and fully amortization of prepayments.
- Salaries and wages expense decreased by ₱21.1 million or 25% from ₱85.8 million in 2019 to ₱64.7 million in 2020. This is attributable to temporary suspension of Group's operations from March until May and reduce working days thereafter.
- Utilities decreased by ₱36.4 million or 39% from ₱94.0 million in 2019 to ₱57.5 million in 2020. The decrease is mostly attributable to lower gaming capacity during pandemic, lower hotel occupancy, decreased consumption of utilities from concessionaires since only two have reopened and continued to operate when the hotel and casino resumed its operations in June.
- Taxes and licenses increased by ₱7.2 million or 16% from ₱44.1 million in 2019 to ₱51.4 million in 2020. This is mainly attributable to the increase in annual real property tax to ₱47.6 million and business permit to ₱0.8 million as compared to prior year's real property tax and business permit totaling to ₱42.0 million.
- Repairs and maintenance expense decreased by ₱4.3 million or 10% from ₱44.7 million in 2019 to ₱40.4 million in 2020. The decrease is due to reduced contracted repairs by the Group during the community quarantine and reduced usage of air-conditioned facilities since it did not operate from March to May. However, the decrease is minimized by various partitions and alignment repairs made in the hotel during the year.
- Contracted services significantly decreased by ₱57.7 million or 65% from ₱89.4 million in 2019 to ₱31.7 million in 2020. This is mainly due to the decreased in contracted manpower services in the hotel and casino during non-operations in March to May and with limited capacity of operations from July onwards.
- Security services expense decreased by ₱22.0 million or 52% from ₱42.0 million in 2019 to ₱20.0 million in 2020. Hotel and casino operations resumed in June but with limited capacity which resulted to decrease in required number of security services.
- Advertising and marketing decreased by ₱14.2 million or 44% from ₱32.6 million in 2019 to ₱18.4 million in 2020. Marketing efforts to advertise the hotel were reduced since the Department of Tourism (DOT) prohibited the leisure operations of hotel. Advertisements for gaming operations of the casino have also not been allowed by PAGCOR.
- Food, beverage and tobacco decreased by ₱30.9 million or 70% from ₱44.4 million in 2019 to ₱13.5 million in 2020. This is attributable to the decrease in number of guests and players for its hotel and casino since concerts, banquets and other hotel events have been cancelled from March to December. The consumption of tobacco also decreased due to smoking prohibition inside the venue of casino.
- Hotel room and supplies decreased by ₱10.2 million or 46% from ₱22.1 million in 2019 to ₱11.9 million in 2020. The hotel ceased to accept leisure bookings as imposed by the DOT, due to that, the hotel currently serves as a quarantine facility for returning OFWs under the provision of OWWA. These quarantine restrictions brought significant decrease in hotel guests, resulting in proportionate declined of laundry and cleaning expenses.
- Provision for expected credit losses (ECL) expenses decreased by ₱47.3 million or 86% from ₱55.2 million in 2019 to ₱7.9million in 2020. The provision for bad debts is to recognize an allowance on the receivables from existing concessionaires.
- Professional fees decreased by ₱4.6 million or 37% from ₱12.4 million in 2019 to ₱7.8 million in 2020. This is mainly due to the decrease in retainer's fees, consultancy fees and accounting fees rendered to the Group during the time of COVID 19 pandemic since operations were limited when the hotel and casino resumed in June.
- Service fees decreased by ₱28.6 million or 82% from ₱34.8 million in 2019 to ₱6.3 million in 2020. During the year, since operations of the hotel were limited to serving OFWs, the Group

negotiated and have obtained a waiver for its management fees from March until December amounting to ₱31.3 million.

- Gaming fees decreased by ₱48.3 million or 89% from ₱54.0 million in 2019 to ₱5.7 million in 2020. The decrease is mainly due to the temporary suspension of the bingo operations from March to December. Furthermore, suspension of casino operations due to quarantine restrictions has significantly decreased the gaming fees. In addition, due to junket agreement expiration in 2019, there were no gaming fees from TSLC.
- Banquet expenses decreased by ₱16.9 million or 80% from ₱21.2 million in 2019 to ₱4.3 million in 2020. Due to the government gathering limitations, banquet events from March to December have been cancelled. Banquet events have not resumed up to date.
- Entertainment expenses decreased by ₱11.3 million or 81% from ₱14.0 million in 2019 to ₱2.7 million in 2020. Performances for hotel guests and casino players were cancelled due to restrictions in large gatherings as imposed by the national government from April until December.
- Other expenses decreased by ₱31.9 million or 76% from ₱42.2 million in 2019 to ₱10.3 million in 2020. The decrease is due to the decrease in operating and administrative related activities of the Group which resulted to decline in incurrence of miscellaneous expenses. The Group also did not incur various sponsorships and assistance during the year.

6.2 Analysis of Statements of Financial Position

	For the Year Ended December 31				
	2020	2019	2018	% Change	% Change
	<i>Amount in Millions of Philippine peso except EPS</i>			2020 vs. 2019	2019 vs. 2018
ASSETS					
Current Assets					
Cash	₱21.0	₱41.8	₱472.4	(49.8%)	(91.2%)
Receivables	204.1	238.2	212.4	(14.3%)	12.1%
Inventories	20.2	25.2	20.6	(19.8%)	22.3%
Current portion of input value added tax (VAT)	10.9	16.8	33.3	(35.1%)	(49.5%)
Other current assets	114.1	175.5	19.7	(35.0%)	790.9%
Total Current Assets	370.3	497.5	758.4	(25.6%)	(34.4%)
Noncurrent Assets					
Property and equipment	3,766.1	4,002.1	5,132.8	(5.9%)	(22.0%)
Investment property	744.6	774.4	–	(3.8%)	100.0%
Input VAT- net of current portion	440.8	418.6	367.1	5.3%	14.0%
Other noncurrent assets	344.1	404.3	442.3	(14.9%)	(8.6%)
Total Noncurrent Assets	5,295.6	5,599.4	5,942.2	(5.4%)	(5.8%)
	₱5,665.9	₱6,096.9	₱6,700.6	(7.1%)	(9.0%)
LIABILITIES AND EQUITY					
Accounts payable and other current liabilities	₱591.0	₱502.9	₱554.2	17.5%	(9.3%)
Retention payable	7.9	8.8	138.5	(10.2%)	(93.6%)
Interest payable	40.2	15.2	15.9	164.5%	(4.4%)
Current portion of loans payable	138.0	185.3	694.4	(25.5%)	(73.3%)
Contract liabilities	16.6	15.9	12.5	4.4%	27.2%
Total Current Liabilities	793.7	728.1	1415.5	9.0%	(48.6%)
Noncurrent Liabilities					
Advances from stockholders	436.3	343.6	–	27.0%	100.0%
Loans payable - net of current portion	2,154.8	2,152.4	2,092.2	0.1%	2.9%
Deposit for future stock subscription	2,426.5	2,426.5	2,142.2	0.0%	13.3%
Other noncurrent liabilities	37.5	47.9	8.2	(21.7%)	484.1%
Total Noncurrent Liabilities	5,055.1	4,970.4	4,242.6	1.7%	17.2%
Total Liabilities	5,848.8	5,698.5	5,658.1	2.6%	0.7%
Equity					
Capital stock	3,174.4	3,174.4	3,174.4	0.0%	0.0%
Deficit	(3,365.3)	(2,776.3)	(2,134.2)	21.2%	30.1%
Actuarial gains on retirement liability	8.0	0.3	2.3	2566.7%	(87.0%)
Total Equity	(182.9)	398.4	1,042.5	(145.9%)	(61.8%)
	₱5,665.9	₱6,096.9	₱6,700.6	(7.1%)	(9.0%)

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

Total assets amounting to ₱5,665.9 million in 2020, decreased by ₱431.0 million or 7% from ₱6,096.9 million in 2019.

1. Cash decreased by ₱20.8 million or 50%, from ₱41.8 million in 2019 to ₱21.0 million in 2020 due to the following:

- a) The negative cash flows used in operating activities amounting to ₱51.5 million resulted from the difference in operating loss generated amounting to ₱160.8 million and changes in the working capital amounting to ₱107.2 million. The significant decrease in operating income is due to the limited accommodation on food and beverage, and hotel operations, waiver of rental receivables, reduced table games and slot machine operation and suspension of banquet events due to the government restrictions imposed in response to the COVID-19 pandemic.
 - b) Net cash flows from investing activities amounting to ₱45.6 million is due to the acquisition of building improvements, machineries and non-gaming equipment amounting to ₱13.8 million during the year and the decrease in other noncurrent asset amounting to ₱59.4 million.
 - c) Negative cash flows used in financing activities amounted to ₱14.8 million for the current year. The Group made payments amounting to ₱47.1 million and ₱130.1 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 ₱102.7 million and the infusion of restricted cash amounting to ₱59.7 million to pay for its maturing loan obligations.
2. The ₱34.1 million or 14% decrease in receivables is primarily due to:
- a. Decrease in receivables by ₱31.4 million from PAGCOR due to the lockdown imposed by the government from March to May and started to resumed its operation in June with restrictions.
 - b. Recognition of allowance for doubtful account with its nontrade receivables amounting to ₱7.9 million.

This is partially offset by:

- a. Increase in the receivable by ₱9.7 million arising from finance lease due to additional gaming equipment.
3. The decrease in inventories of ₱5.0 million or 20% from ₱25.2 million in 2019 to ₱20.2 million in 2020 is mainly due to reduced hotel and casino operations. The demand for food and beverages declined in relation to its limited capacity to operate when it resumed its operations in June. The decline in purchases have increased in October due to lighter restrictions. Also, the Group acquired new playing cards amounting to ₱1.4 million and consumed ₱4.7 million from its available sets.
4. The increase in input VAT amounting to ₱16.2 million is the result of the current year services rendered to the Company.
5. Other current assets decreased by ₱61.4 million or 35% from ₱175.5 million in 2019 to ₱114.1 million in 2020. The significant decrease is mainly due to payments of loan interest from its debt service reserve account amounting to ₱59.7 million. Additional amortization was incurred during the year from its new prepayments totaling to ₱8.6 million for software maintenance, health insurance and permits.
6. The decrease in other noncurrent assets of ₱60.2 million or 15% from ₱404.3 million in 2019 to ₱344.1 million in 2020 is mainly due to reclassification of lease receivable to current asset due to amortization. The further decrease in other noncurrent assets is attributable to the fully depreciated kitchen bar utensils and the depreciation of other noncurrent assets which were minimized by acquisition of linens and uniforms amounting to ₱1.8 million.

7. The accounts payable and other current liabilities increased by ₱88.1 million or 18% from ₱502.9 million in 2019 to ₱591.0 million in 2020. This is because the Group has newly contracted but unpaid services that includes installations and repairs in the hotel. The Group's accruals have significantly increased due to accrual of real property taxes, software maintenance, advertising, meal allowance and service fees.
8. Interest payable increased by ₱25.0 million or 165% from ₱15.2 million in 2019 to ₱40.2 million in 2020. The increase is due to the unpaid monthly interest on its outstanding loans payable in 2020.
9. The decrease in current portion of loans payable by ₱47.3 million or 26% from ₱185.3 million in 2019 to ₱138.0 million in 2020 is attributable to the Group's payment of loan principal. In light of COVID 19 outbreak, the Group was granted the deferral of the quarterly principal payments until May 2021 as well as its quarterly interest payment to monthly interest payment from June 2020 to February 2021.
10. Advances from stockholders increased by ₱92.7 million or 27% from ₱343.6 million in 2019 to ₱436.3 million in 2020 due to new loan agreements entered by the Parent Company with its stockholders. The proceeds of these loans were used to pay the maturing loan obligation and to support its working capital requirements.

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	2020	2019
Current ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	0.47:1	0.68:1
Debt-to-Equity Ratio	$\frac{\text{Total Liabilities}}{\text{Total Equity}}$	1.53:1	1.16:1
Asset-Liability Ratio	$\frac{\text{Total Assets}}{\text{Total Liabilities}}$	0.97:1	1.07:1
Return on Assets	$\frac{\text{Net Income (Loss)}}{\text{Total Assets}}$	(10%)	(11%)
Basic Earnings (Loss per share)	$\frac{\text{Net Income (Loss)}}{\text{Outstanding Common Shares}}$	(₱0.186)	(₱0.202)

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, 2020, the current ratio is 0.47:1 compared to 0.68:1 of the prior year. The outstanding liabilities in 2020 mostly consist of balances of payables to contractors and suppliers for the services and/or goods provided for the Group's day-to-day operations; accruals pertaining to payroll, employee benefits, utilities, travel and transportation, 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 ₱0.47 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, 2020, the debt to equity ratio has increased by 0.37 from 1.16 in 2019 to 1.53 in 2020.

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, 2020, the asset-liability ratio is 0.97:1 from 1.07:1 as of that of December 31, 2019. The ratio indicates that the Group has ₱.97 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, 2020 and 2019, the return on asset is negative 10% and 11%, respectively. This means that the Group is neither effective nor efficient in utilizing its economic resources.

For the year ended December 31, 2020, the Group's loss per share amounts to ₱0.186 which increased from ₱0.202 that of prior year.

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

Plans of Operation

The Winford Manila Resorts and Casino (WMRC), the newest integrated resort at the heart of San Lazaro Tourism and Business Park in the Philippine capital's historic Chinese quarter. Built at ₱8.0 billion, WMRC is a world-class hospitality and entertainment hotel which serves as an oasis filled with leisure and luxury alternatives for everyone to enjoy from its 126 all-suites rooms, an expensive podium to house high-end restaurants, 900 parking slots, fully-equipped fitness center, wellness spa, business facilities to over 9,000 square meters of internationally designed themed indoor gaming and entertainment facility.

The Group has been rapidly increasing its gaming operation with additional gaming floor area opened last April 2018. The expansion added more gaming tables and slot machines to accommodate the drastic increase of its patrons. On December 31, 2020, due to the effects of quarantine restrictions, the Group reduced its operational gaming tables from 30 in 2019 to 22 gaming tables in 2020 and its operational slot machines from 521 in 2019 to 273 slot machines in 2020. Furthermore, operating hours were also reduced. Due to social distancing, ground floor casino is renovated to expand gaming area to accommodate additional slot machines and electronic table games so that more are operating at a time. The Group plans to steadily increase its operational table games to 30 and operational slot machines to 500 by the end of next year. The Group assumes that for the following years, they will be allowed to operate at minimum 50% capacity and will resume 24 hours of operation.

For its hotel operations, currently the Group is operating as a quarantine facility to accommodate bookings from OWWA and off-signers crew of shipping companies. While the permit to operate for leisure booking is still pending for approval from Department of Tourism (DOT), the Company is applying for hotel accreditation on "Multi-Use Property", wherein even if the Group operates as a quarantine facility, they can still operate their ballroom and other function halls for other events like weddings and gatherings, with adherence to social distancing protocols. Marketing and public relations (PR) highlights include quarterly car raffle, a monthly appliance and cash raffle, slot machine tournaments, and more Earn & Redeem promotions. Rental income will be supplemented by the continuation of online sports betting.

The Group entered into an agreement with its suppliers and with a local bank to defer its maturing liabilities with them in order to utilize its cash flows more effectively. In addition, a local bank provided the Group with a credit line facility to ensure that the Group has adequate funds for its working capital needs and to meet its maturing obligations.

ITEM 7. FINANCIAL STATEMENTS

The Parent Company Financial Statements, Consolidated Financial Statements and Supplementary Schedules are filed as part of this Annual Report as **Annexes "A", "B" and "C"**, respectively.

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

In 2020, 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). Jaime F. del Rosario has been the Partner In-charge effective audit year 2020.

External Audit Fees and Services

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

	<u>Audit and Audit-related Fees (with VAT)</u>
2020	₱1,232,000.00
2019	₱1,232,000.00

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 2020. 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, 2020, the following are the Directors of the Company:

Names	Citizenship	Age	Year First Elected
Alfonso R. Reyno, Jr.	Filipino	76	2009
Chai Seo Meng	Singaporean	57	2017
Jeffrey Rodrigo L. Evora	Filipino	51	2018
Alfonso Victorio G. Reyno III	Filipino	50	2009
Jose Alvaro D. Rubio	Filipino	67	2014
John Anthony B. Espiritu	Filipino	57	2012
Gabriel A. Dee	Filipino	56	2013
Walter L. Mactal	Filipino	37	2017
Dennis Ryan C. Uy	Filipino	42	2014
Victor P. Lazatin (<i>Independent Director</i>)	Filipino	70	2009
Adan T. Delamide (<i>Independent Director</i>)	Filipino	44	2020

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

ALFONSO R. REYNO, JR., holds a Bachelor of Arts degree in Political Science from the University of the Philippines and a Bachelor of Laws from the same university. 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 presently occupies the following positions in various entities: *Chairman and President*, Arco Management & Development Corporation; *Chairman*, Arco Equities, Inc.; *Chairman*, Arco Ventures, Inc.; *Chairman and President*, Bonaventure Development Corporation (1983 to present); *Chairman*, Palos Verdes Realty Corporation; *Chairman*, PGR Development Holdings, Inc., *Managing Partner*, Reyno Tiu Domingo & Santos Law Offices (1976 to present); *Chairman*, Manila Jockey Club, Inc. (1997 to present).

CHAI SEO MENG, holds a degree of Bachelor of Business Administration from the graduated from the National University of Singapore in 1987. He formerly occupied the following position in various institutions: Senior Trader for Foreign Exchange at United Overseas Bank limited (1992 to 2004); Head Foreign Exchange at Nomura Singapore Limited (2004 to 2009). Presently, he practices Private Constitution and provides various wealth managements and financial advisories to various business sector.

JEFFREY RODRIGO L. EVORA is an accomplished hospitality professional with more than 20 years' experience in the United States and a pioneer in the integrated resort industry in the Philippines. After graduating from Philippine Science High School, Mr. Evora continued his tertiary education with an Associate in Science (AS) degree in Hotel Operations at the University of Hawaii Maui College, and earned his Bachelor of Science (BSc) degree in Business Administration from the University of Phoenix. He started his professional career in the hospitality industry at a restaurant in Wailuku, Hawaii, 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. Mr. Evora held key positions in various casinos in the United States, 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 and was subsequently appointed President of the Corporation in August 2018.

ALFONSO VICTORIO G. REYNO III, holds a degree of Bachelor of Arts and Commerce from De La Salle University and a Bachelor of Laws from the University of the Philippines. He was previously a Junior Associate at ACCRA Law Offices (1997-1999). He presently occupies the following positions in various entities: *President*, Arco Ventures, Inc. (1995 to present); *Vice President and Corporate Secretary*, Arco Management & Development Corporation; *Corporate Secretary*, Bonaventure Development Corporation; *President*, Arco Equities, Inc.; *President*, Palos Verdes Realty Corporation; *Director*, PGR Development Holdings, Inc.; *Junior Partner*, Reyno Tiu Domingo & Santos Law Offices (1999 to present); *President and COO*, Manila Jockey Club, Inc. (1997 to 2019); *President and CEO*, Manila Jockey Club, Inc. (2019 to present).

JOSE ALVARO D. RUBIO, holds a degree of Bachelor of Science in Business Administration Major in Accounting (Cum Laude) from the University of the East. A Certified Public Accountant, he formerly occupied the following positions at Philippine National Bank: Senior Vice President for six (6) years and had thirty-five (35) years of experience in banking, including international operations, remittance, budgeting, corporate planning, controllership, systems design/improvement, branch banking, audit and lending operations (including 14 years as Head of Corporate Banking). He was also a Director of the Bank Administration Institute of the Philippines, an association of local and foreign banks.

JOHN ANTHONY B. ESPIRITU, holds a degree of Bachelor of Business Administration from the University of Michigan, and a Masters degree in Business Administration from the same university. He presently occupies the following positions in various entities: Director, DATEM, Inc.; Chairman; Belares Food Corporation; Director, American Eye Correction Center.

GABRIEL A. DEE, holds a degree of Bachelor of Arts major in History (1984) from the University of the Philippines, and a Bachelor of Laws (1988) from the same university. He was admitted to the Philippine Bar in 1989 and is currently the Managing Partner of the Picazo Buyco Tan Fider & Santos Law Offices. He joined the firm in 1988 and was admitted to the partnership in 1994. He is also a professional lecturer at the University of the Philippines, College of Law.

WALTER L. MACTAL, holds a degree of A. B. Economics 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 general counsel in a private company in the Philippines. He has broad legal experience in litigation, labor relations, contract drafting and negotiation, intellectual property, and various corporate compliance services.

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

VICTOR P. LAZATIN, holds a degree of AB Economics from the University of the Philippines and a Bachelor of Laws degree from the same university in 1971 (Cum Laude). He obtained a Masters of Law from University of Michigan in 1974. He occupies the following positions in various institutions, viz: *Director*, ACCRA Investment Corporation (2007-present); *Corporate Secretary/Director*, WWW Express Corporation (2003-present); *Chairman*, Timog Silangan Development Corp. (1978-present);

Chairman, Trillan Services, Inc. (2009-present); *President*, Davinelle Provident Lands, Inc. (1986-present); *Chairman*, Anvidan Realty Inc. (2015-present); *Director*, Kenram Industrial Development Inc. (2009-present); *Chairman/Director*, Kenram Palmoil Plantations, Inc. (2019-present); *Corporate Secretary*, SPC Power Corporation (2019-present). He is currently Of Counsel at Angara Abello Concepcion Regala & Cruz Law Offices.

ADAN T. DELAMIDE, holds a degree of Bachelor of Science in Accountancy from the Polytechnic University of the Philippines – Taguig (1997) and a Juris Doctor from the Ateneo De Manila University. He previously occupied the following positions, viz: *Associate Director*, Tax Services, Sycip Gorres Velayo & Co. (November 1997 – March 2006); *Director II and Head of Technical*, Congressional Oversight Committee on Comprehensive Tax Reform Program – Secretariat (April 2006 – March 2007); Salvador & Associates (October 2007 – February 2015). He is currently the Managing Partner at Delamide & Lock, Certified Public Accountants. He is affiliated with the following companies or organizations: *Director/Corporate Secretary*, Solutions Foundry Inc. (2016-present); *Director*, Elite Sales Force International Inc. (2017-present); *Director and Corporate Secretary*, Mindteck Solutions Philippines, Inc. (2016-present); *Corporate Secretary*, Feilo Sylvania Philippines, Inc. (2017-present) and *Director*, Oculus Digital Info Tech Corporation (2018-present).

(2) The Executive Officers

As of December 31, 2020, 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	51
Vice President	Alfonso Victorio G. Reyno III	Filipino	50
Treasurer & Chief Finance Officer	Jose Alvaro D. Rubio	Filipino	67
Corporate Secretary & General Counsel	Ferdinand A. Domingo	Filipino	68
Asst. Corporate Secretary	Gabriel A. Dee	Filipino	56
Corporate Information Officer and Compliance Officer	Lemuel M. Santos	Filipino	69

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, holds a degree of Bachelor of Arts in Political Science from the University of the Philippines, and a Bachelor of Laws from the same university. He previously occupied the following positions in various companies: *Director*, CICI General Insurance Corporation; *Director*, United Overseas Bank (May 2001 to July 2002); *Corporate Secretary*, Westmont Bank (May 17, 2000 to January 16, 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 (May 3, 1995 to March 1997). He currently occupies the following positions: *Senior Partner*, Reyno Tiu Domingo & Santos Law Offices; *Corporate Secretary and General Counsel*; Manila Jockey Club, Inc.

LEMUEL M. SANTOS, holds a degree of Bachelor of Arts and Political Science from the University of the Philippines and a Bachelor of Laws degree from the same university. He presently occupies the following positions in various entities: *Partner*, Reyno, Tiu, Domingo & Santos Law Offices (1991 up to present); *Assistant Corporate Secretary*, Manila Jockey Club, Inc.

(2) Significant Employees

The following are the employees of the Company who are expected to make significant contributions to the business of the Company and their business experience during the past five (5) years.

DARWIN L. CUSI, Filipino, 46 years of age, is currently the Director for Gaming Compliance and Operations and has been employed with the company starting 09 November 2015. He is a Marine Engineering graduate of the Technological Institute of the Philippines (1994) and has more than 25 years of solid experience and expertise in gaming operations specifically in Cruise line operations and Hotel/Casino operations. Darwin is a former AVP for Casino Operations at Famous City Holdings Ltd. - ROHQ.

ALLAN S. ABESAMIS, Filipino, 49 years of age, is currently the Director for Facilities Management and has been employed with the company starting 16 November 2015. He is an Electrical Engineering graduate of the Mapua Institute of Technology (1993) and has more than 23 years of plant operations/facilities management experience in the areas of engineering and production management in manufacturing plants. Prior to joining the Company, Allan was a former Manufacturing Manager at Supa Nova Foods Incorporated.

RYAN KHIMPY G. RABE, Filipino, 40 years of age, is currently the Director for Hotel Operations and has been employed with the company starting 24 October 2016. He is a Hotel, Restaurant and Institution Management graduate of De La Salle – College of Saint Benilde (2020), San Sebastian College (1999) and Philippine Women’s University (1998) and has more than 19 years of hotel experience in cruise line operations specifically in Concierge, Butler Services, and Hotel Operations at Norwegian Cruise Lines. He also had experience working in Hotel/Casino operations handling VIP Relations as Director for Gaming Support and Services at in an integrated resort.

JOEMAR L. ONNAGAN, Filipino, 36 years of age, is currently the Director for Finance and Administration and has been employed with the company starting 16 November 2016. He is a Certified Public Accountant and a graduate of Mariano Marcos State University (2005) with more than 12 years of experience in General Accounting specifically in areas of Accounts Payable, Hotel Revenue Audit and Financial Reporting in a multinational and Shared Services environment as a Senior Finance Manager.

TAYFUN BAYAR, Turkish, 47 years of age, is currently the Director for Gaming Operations and Marketing and has been employed with the company since 01 September 2017. He had more than 20 years’ gaming experience in various hotels and cruise lines in Asia, South America, and Europe.

COL. ANICETO VICENTE, Filipino, 59 years of age, is currently the Director for Safety and Security and 34 years in the Armed Forces of the Philippines. Aside from security matters, he was assigned in various fields including personnel management, intelligence, operations, logistics, and training. His last assignment was as Group Commander with the main task of developing and utilizing the Reserve Force in the five provinces of Region 1 and Cordillera Autonomous region.

JOSE MARIA C. LEDESMA III, Filipino, 47 years of age, is currently the Director for Corporate Communications and has been employed with the company since 03 December 2018. He graduated from the University of West London with a Bachelor of Arts degree in Design and Media Management. He has more than 20 years’ experience in the fields of advertising, marketing, and public relations. Prior to working at the Company, he was Assistant Director for Public Relations in an integrated resort.

(3) Family Relationships

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

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

(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 fiscal years and estimated to be paid in the ensuing year to the Company's Chief Executive Officer (CEO) and four (4) most highly compensated executive officers is presented below. Also included in the tabular presentation is the compensation paid to or accrued for other officers and directors. 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 Executive Officers:	2021	8,466	-	-
. CEO- Alfonso R. Reyno, Jr.	2020	8,466	-	-
.Vice President - Alfonso Victorio G. Reyno III				
. Corporate Secretary- Ferdinand A. Domingo	2019	10,865	-	-
. Corporate Information and Compliance Officer - Lemuel M. Santos				
All other Executive Officers and Directors as a group unnamed	2021	18,059	-	-
	2020	18,059	-	-
	2019	24,233	-	-

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 ₱15,000.00 for their attendance at every Board Meeting. The director's fees amounted to ₱867,000.00, ₱675,000.00 and ₱680,000.00 in 2020, 2019 and 2018 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, 2020, 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	2,284,191,396	71.96%

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

The table below shows persons or groups known to the Company as of 30 October 2020 to be directly or indirectly the record or beneficial owner of more than 5% of the Company's voting securities under the PCD Nominee Corporation:

Title of Class	PCD Participant	Citizenship	No. Shares Held	Percent
Common	BDO Securities Corporation 27/F Tower I & Exchange Plaza Ayala Ave., Makati City	Filipino	2,235,267,760	70.42%

As of 31 December 2020, the number of shares held by foreign stockholders is 1,069,503 common shares, or 0.03% of the Company's total issued and outstanding 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, 2020.

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	%
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

<u>Title of Class</u>	<u>Name of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership</u>	<u>Citizenship</u>	<u>%</u>
Common	Alfonso Victorio G. Reyno III	100,000 (Direct)	Filipino	Nil
Common	Jose Alvaro D. Rubio	1 (Direct)	Filipino	Nil
Common	John Anthony B. Espiritu	1,000 (Direct)	Filipino	Nil
Common	Gabriel A. Dee	1 (Direct)	Filipino	Nil
Common	Walter L. Mactal	1 (Direct)	Filipino	Nil
Common	Dennis Ryan C. Uy	1 (Direct)	Filipino	Nil
Common	Victor P. Lazatin	10,000 (Direct)	Filipino	Nil
Common	Adan T. Delamide	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 **26,671,438** common shares, equivalent to approximately **0.84%** of the Company's issued and outstanding capital stock.

(3) Voting Trust Holders of 5% or more

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

(4) Changes in Control

There were no material changes in the control of the 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:

Financial Statements

Party	Amount/Volume		Receivable (Payable)		Account	Terms	Conditions	
	2020	2019	2020	2019				
Stockholder								
Manila Jockey Club, Inc. (MJCI)								
Deposit for future stock subscription (Note 18)	P-	P84,000,000	84,979,217	(P321,233,646)	(P321,233,646)	Deposit for future stock subscription	Non-interest bearing	Unsecured, unguaranteed

Advances ^(a) (Note 14)	(11,285)	–	–	(4,982,104)	(4,970,819)	Advances from related parties	Non-interest bearing; due and demandable	Unsecured, unguaranteed
Commission from the off-track betting ^(b) (Note 7)	(41,389)	105,701	167,932	418,347	459,736	Receivable	Non-interest bearing; due and demandable	Unsecured, unguaranteed
Various Shareholders								
Deposit for future stock subscription (Note 18)	–	200,300,651	971,089,239	(2,105,268,102)	(2,105,268,102)	Deposit for future stock subscription	Non-interest bearing Interest- bearing and non-interest bearing	Unsecured, unguaranteed
Advances from stockholders ^(c)	102,704,215	343,581,012	–	(446,285,227)	(343,581,012)	Advances from stockholders	Non-interest bearing and non-interest bearing	Unsecured, unguaranteed
Interest payable on advances from stockholders ^(c)	13,534,528	1,623,611	–	(15,158,139)	(1,623,611)	Interest payable	Non-interest bearing;	Unsecured, unguaranteed
Affiliate								
Manila Cockers Club, Inc. (MCI)								
Commission from the off-track betting ^{(d), (e)} (Note 7)	–	2,899,564	4,367,699	–	54,187	Receivable	Noninterest bearing; due and demandable	Unsecured, unimpaired
				₱2,426,501,748	₱2,426,501,748	Deposit for future stock subscription		
				4,982,104	4,970,819	Advances from related parties		
				418,347	513,923	Receivable		
				446,285,227	343,581,012	Advances from stockholders		
				15,158,139	1,623,611	Interest payable		

(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. The payable amount is gross of discount on non-interest bearing advances from shareholders amounting to ₱9,970,642 and nil in 2020 and 2019, respectively.

(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, 2020 and 2019 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, 2020 and 2019
- Parent Company Statements of Comprehensive Income (Loss) for the years ended December 31, 2020, 2019 and 2018
- Parent Company Statements of Changes in Equity for the years ended December 31, 2020, 2019 and 2018
- Parent Company Statements of Cash Flows for the years ended December 31, 2020, 2019 and 2018
- Notes to Parent Company Financial Statements

13.2 Consolidated Financial Statements

The Audited Consolidated Financial statements for the years ended December 31, 2020 and 2019 are attached as **Annex "B"**:

- Statement of Management's Responsibility to the Financial Statements
- Independent Auditors' Report
- Consolidated Financial Position as of December 31, 2020 and 2019
- Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2020, 2019 and 2018
- Consolidated Statements of Changes in Equity for the years ended December 31, 2020, 2019 and 2018
- Consolidated Statements of Cash Flows for the years ended December 31, 2020, 2019 and 2018
- Notes to Consolidated Financial Statements

13.3 Supplementary Schedules

The supplementary schedules of the Consolidated Financial Statements for the year ended December 31, 2020 are attached as **Annex "C"**:

- Schedule A : Financial Assets as of December 31, 2020
- Schedule B : Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates) as of December 31, 2020
- Schedule C : Amounts Receivable from Related Parties which are eliminated during the Consolidation of Financial Statements as of December 31, 2020
- Schedule D: Long-term Debt as of December 31, 2020
- Schedule E: Indebtness to Related Parties (Long-term Loans from Related Companies) as of December 31, 2020
- Schedule F: Guarantees of Securities of Other Issuers as of December 31, 2020
- Schedule G: Capital Stock as of December 31, 2020

- Schedule H: Amounts Payable to Related Parties which are Eliminated during the Consolidated of Financial Statementst as of December 31, 2020
- Schedule I: Parent Company Retained Earnings Available for Dividend Declaration as of December 31, 2020
- Schedule J: Map of Subsidiaries, Joint Ventures and Associates as of December 31, 2020
- Schedule K: Financial Soundness Indicators as of December 31, 2020

13.4 Reports on SEC Form 17-C

Reports on SEC Form 17-C filed during the year ended December 31, 2020 are as follows:

Date of Report	Subject
February 12, 2020	<ul style="list-style-type: none"> • Resignation of the Company’s Stock Transfer Agent, Rizal Commercial Banking Corporation-Trust and Investments Group • Engagement of Stock Transfer Service, Inc. as new Stock Transfer Agent
March 16, 2020	<ul style="list-style-type: none"> • Current report under Section 17 of the Securities Regulation Code amid COVID-19 pandemic, in compliance with SEC Notice dated 12 March 2020
May 22, 2020	<ul style="list-style-type: none"> • Meeting of the Board of Directors on 22 May 2020 on the following: <ol style="list-style-type: none"> (1) Postponement of the Company’s Annual Stockholders’ Meeting scheduled on the 2nd to the last business day of June of each year pursuant to the Company’s By-Laws, to a later date to be determined by the Board; and (2) Acceptance of the resignation of Atty. Bernadette V. Quiroz, and appointment of Atty. Adan T. Delamide, as Independent Director and member of the Executive Committee, Compensation and Remuneration Committee and Audit Committee, effective immediately.
July 3, 2020	<ul style="list-style-type: none"> • Meeting of the Board of Directors on 03 July 2020 via Zoom videoconferencing, on the approval of the Company’s Audited Financial Statements for year 2019
September 24, 2020	<ul style="list-style-type: none"> • Penalty assessment from the Securities and Exchange Commission directing the Company to pay the partial penalty in the amount of One Hundred Thirty Four Thousand Pesos (Php 134,000.00) for failure to comply with the website template for publicly-listed companies as required under SEC Memorandum Circular No. 11, Series 2014
October 1, 2020	<ul style="list-style-type: none"> • Company’s payment of the partial penalty in the amount of One Hundred Thirty Four Thousand Pesos (Php 134,000.00)
October 14, 2020	<ul style="list-style-type: none"> • Meeting of the Board of Directors on the approval of the following matters: <ol style="list-style-type: none"> (1) Setting the 2020 Annual Stockholders’ Meeting (“2020 ASM”) on 04 December 2020 at 9:00 a.m.;


Date of Report	Subject
	<ul style="list-style-type: none"> (2) Fixing 30 October 2020 as the Record Date for determining the shareholders entitled to notice of and to vote at the 2020 ASM; (3) Agenda of the 2020 ASM; (4) Conduct of the 2020 ASM via remote communication, the participation by the stockholders via remote communication, and voting by the stockholders in absentia or by proxy; and (5) Delegation to Management of the approval of the procedures for the 2020 ASM via remote communication.
October 16, 2020	<ul style="list-style-type: none"> • Filing of Material Related Party Transaction Policy in compliance with SEC Memorandum Circular No. 10, Series of 2019
December 4, 2020	<ul style="list-style-type: none"> • Results of the 2020 Annual Stockholders' Meeting and Organizational Meeting of the Board of Directors

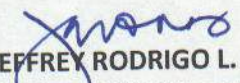
SIGNATURES

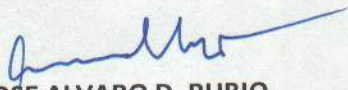
Pursuant to the requirements of Section 17 of the Securities Regulation Code and Section 177 of the Revised Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in Pasig City on AUG 12 2021.

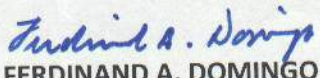
MJC INVESTMENTS CORPORATION

By:


ALFONSO R. REYNO, JR.
Chairman and Chief Executive Officer

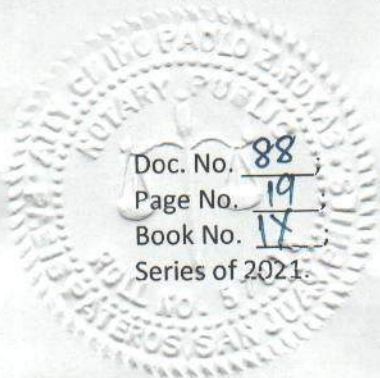

JEFFREY RODRIGO L. EVORA
President and Chief Operating Officer

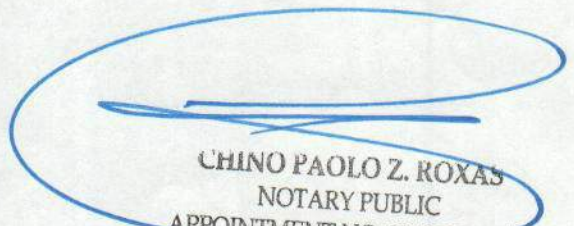

JOSE ALVARO D. RUBIO
Treasurer and Chief Finance Officer


FERDINAND A. DOMINGO
Corporate Secretary and General Counsel

SUBSCRIBED AND SWORN TO before me this AUG 12 2021 at Pasig City, affiants exhibiting to me their ID Nos., as follows:

	<u>ID Nos.</u>	<u>Date/Place Issued</u>
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




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

Annex "A"
Parent Company Financial Statements

Your BIR AFS eSubmission uploads were received

eafs@bir.gov.ph <eafs@bir.gov.ph>

Tue 8/10/2021 11:43 PM

To: financial reporting <financial.reporting@winfordmanila.com>

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

Hi MJC INVESTMENTS CORPORATION,

Valid files

- EAFS000596509RPTTY122020.pdf
- EAFS000596509ITRTY122020.pdf
- EAFS000596509AFSTY122020.pdf
- EAFS000596509OTHTY122020.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-8EHBD68B0ECK9DF9PYR2PR4N07GLKJKB9**

Submission Date/Time: **Aug 10, 2021 11:29 PM**

Company TIN: **000-596-509**

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- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

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COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0	0	0	0	0	1	0	0	2	0
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COMPANY NAME

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

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

W	i	n	f	o	r	d		H	o	t	e	l		a	n	d		C	a	s	i	n	o	,		M	J	C
D	r	i	v	e	,		S	t	a	.		C	r	u	z	,		M	a	n	i	l	a					

Form Type
A A F S

Department requiring the report
S E C

Secondary License Type, If Applicable
N / A

COMPANY INFORMATION

Company's Email Address -	Company's Telephone Number (02) 8632-7373	Mobile Number -
No. of Stockholders 433	Annual Meeting (Month / Day) 12/04	Fiscal Year (Month / Day) 12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person Joemar Onnagan	Email Address joemar.onnagan@winfordmanila.com	Telephone Number/s (02) 8528-3600 (loc. 1132)	Mobile Number (+63) 917-595-5222
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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.

NOTE 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.





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, 2020, 2019 and 2018, 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.

A handwritten signature in blue ink, appearing to read 'Alfonso R. Reyno, Jr.', written over a horizontal line.

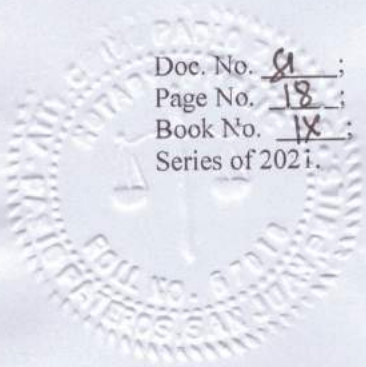
Alfonso R. Reyno, Jr.
Chairman of the Board and Chief Executive Officer

A handwritten signature in blue ink, appearing to read 'Jose Alvaro D. Rubio', written over a horizontal line.


Jose Alvaro D. Rubio
Treasurer and Chief Financial Officer

SUBSCRIBED AND SWORN to before me AUG 04 2021 day of PASIG CITY
affiants exhibiting to me their Taxpayer Identification Numbers as follows

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



Doc. No. 91 ;
Page No. 18 ;
Book No. IX ;
Series of 2021.


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

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, 2020 and 2019, and the parent company statements of income, 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 December 31 2020, 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 parent company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended December 31, 2020 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 parent 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the parent company financial statements, which indicates that the parent company has incurred continuing losses of ₱567.2 million and ₱752.3 million in 2020 and 2019, respectively, resulting to a capital deficiency of ₱183.4 million as at December 31, 2020. The COVID-19 outbreak and the measures taken have continually caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve. Consequently, the parent company's casino and hotel operations have also been disrupted, resulting to limited operations, until such time that the quarantine period is lifted. Furthermore, the parent company's current liabilities exceeded its current assets by ₱423.8 million and ₱252.8 million as at December 31, 2020 and 2019, respectively. As stated in Note 1, these conditions indicate that a material uncertainty exists that may cast significant doubt on the parent company's ability to continue as a going concern. 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 parent 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 parent company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the parent 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 parent 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 parent 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 parent 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 basic 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 parent financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the parent financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Jaime F. del Rosario.

SYCIP GORRES VELAYO & CO.



Jaime F. del Rosario

Partner

CPA Certificate No. 56915

SEC Accreditation No. 0076-AR-5 (Group A),
April 30, 2019, valid until April 29, 2022

Tax Identification No. 102-096-009

BIR Accreditation No. 08-001998-072-2020,
November 27, 2020, valid until November 26, 2023

PTR No. 8534239, January 4, 2021, Makati City

August 4, 2021



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	
	2020	2019
ASSETS		
Current Assets		
Cash (Note 6)	₱21,049,381	₱41,071,743
Receivables (Note 7)	204,082,822	217,300,536
Inventories (Note 8)	20,206,354	25,161,248
Input value-added tax (VAT) - current (Note 9)	10,927,769	16,777,994
Other current assets (Note 10)	114,073,654	175,395,726
Total Current Assets	370,339,980	475,707,247
Noncurrent Assets		
Property and equipment (Note 11)	3,766,120,571	4,002,086,816
Investment properties (Note 12)	744,573,541	774,356,482
Input VAT - net of current portion (Note 9)	440,789,218	418,620,752
Other noncurrent assets (Note 13)	343,958,008	404,128,905
Total Noncurrent Assets	5,295,441,338	5,599,192,955
TOTAL ASSETS	₱5,665,781,318	₱6,074,900,202
LIABILITIES AND EQUITY (CAPITAL DEFICIENCY)		
Current Liabilities		
Accounts payable and other current liabilities (Note 14)	₱607,945,543	₱519,226,995
Retention payable (Note 11)	7,934,014	8,795,678
Interest payable (Notes 15 and 21)	40,233,541	15,216,781
Current portion of loans payable (Note 15)	138,039,293	185,287,516
Total Current Liabilities	794,152,391	728,526,970
Noncurrent Liabilities		
Advances from stockholders (Note 21)	436,314,585	343,581,012
Loans payable - net of current portion (Note 15)	2,154,743,374	2,152,350,374
Deposit for future stock subscription (Notes 18 and 21)	2,426,501,748	2,426,501,748
Other noncurrent liabilities (Notes 16 and 17)	37,486,824	47,900,657
Total Noncurrent Liabilities	5,055,046,531	4,970,333,791
Total Liabilities	5,849,198,922	5,698,860,761
Equity(Capital Deficiency)		
Capital stock (Note 22)	3,174,405,821	3,174,405,821
Deficit	(3,365,822,992)	(2,798,653,584)
Actuarial gains on retirement liability (Note 16)	7,999,567	287,204
Net Equity (Capital Deficiency)	(183,417,604)	376,039,441
TOTAL LIABILITIES AND EQUITY (CAPITAL DEFICIENCY)	₱5,665,781,318	₱6,074,900,202

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	
	2020	2019
REVENUE		
Revenue share in gaming operations (Note 17)	₱152,970,083	₱494,548,180
Hotel	24,059,292	67,402,013
Food and beverage	19,042,942	86,018,597
Rental (Note 17)	12,096,250	25,057,408
Bingo operations	8,915,161	51,497,934
Other revenue	4,275,109	17,914,892
	221,358,837	742,439,024
OPERATING COSTS AND EXPENSES (Note 24)	(664,210,888)	(1,308,985,191)
OPERATING LOSS	(442,852,051)	(566,546,167)
OTHER INCOME (EXPENSES)		
Interest expense and other financing charges (Notes 15, 17 and 21)	(148,507,290)	(201,271,813)
Gain on reversal of allowance for ECL (Note 7)	21,408,535	–
Interest income (Note 6)	2,138,149	293,031
Gain on sale of kitchen and bar equipment (Note 11)	–	13,428,161
Miscellaneous income – net	669,359	1,902,282
	(124,291,247)	(185,648,339)
LOSS BEFORE INCOME TAX	(567,143,298)	(752,194,506)
PROVISION FOR INCOME TAX (Note 19)	(26,110)	(58,557)
NET LOSS	(567,169,408)	(752,253,063)
OTHER COMPREHENSIVE INCOME		
<i>Item that will not be reclassified to profit or loss in subsequent periods:</i>		
Re-measurement gain (loss) on defined benefit obligation (Note 16)	7,712,363	(2,047,307)
TOTAL COMPREHENSIVE LOSS	(₱559,457,045)	(₱754,300,370)
Basic/Diluted Loss Per Share (Note 23)	₱0.179	₱0.237

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, 2020 AND 2019**

	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
Net loss	–	(752,253,063)	–	(752,253,063)
Other comprehensive loss (Note 16)	–	–	(2,047,307)	(2,047,307)
Total comprehensive loss	–	(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
Net loss	–	(567,169,408)	–	(567,169,408)
Other comprehensive income (Note 16)	–	–	7,712,363	7,712,363
Total comprehensive income (loss)	–	(567,169,408)	7,712,363	(559,457,045)
BALANCES AT DECEMBER 31, 2020	₱3,174,405,821	(₱3,365,822,992)	₱7,999,567	(₱183,417,604)

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	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(₱567,143,298)	(₱752,194,506)
Adjustments for:		
Depreciation and amortization (Notes 11, 12, 13 and 24)	280,288,947	430,921,727
Interest expense and other financing charges (Notes 15, 17 and 21)	148,507,290	201,271,813
Interest income (Note 6)	(2,138,149)	(293,031)
Retirement benefit expense (Notes 16 and 24)	1,341,597	3,094,974
Unrealized foreign exchange loss	84,472	18,021
Impairment loss on investment in subsidiary (Notes 1 and 24)	–	20,000,000
Gain on sale of disposal of kitchen and bar equipment (Note 11)	–	(13,428,161)
Operating loss before working capital changes	(139,059,141)	(110,609,163)
Decrease (increase) in:		
Receivables	13,217,714	102,715,059
Inventories	4,954,894	(4,565,279)
Input VAT	(16,318,241)	(36,889,977)
Other current assets	1,613,074	7,336,079
Increase (decrease) in:		
Accounts payable and other current liabilities	88,718,548	(47,480,349)
Retention payable	(861,664)	(129,657,747)
Other noncurrent liabilities	(5,192,120)	34,164,241
Net cash used in operations	(52,926,936)	(184,987,136)
Income taxes paid	(26,110)	(58,557)
Interest received (Note 6)	2,138,149	293,031
Net cash flows used in operating activities	(50,814,897)	(184,752,662)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment (Note 11)	(13,802,781)	(54,062,528)
Decrease in other noncurrent assets (Note 13)	59,433,917	(5,584,876)
Net cash flows provided by (used in) investing activities	45,631,136	(59,647,404)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of loan (Note 15):		
Principal	(47,100,000)	(2,800,000,000)
Interest and other financing charges	(130,067,342)	(187,818,869)
Decrease (increase) in restricted cash (Notes 10 and 15)	59,708,998	(163,271,629)
Proceeds from:		
Advances from stockholders (Note 21)	102,704,215	343,581,012
Loans payable (Note 15)	–	2,337,337,500
Deposit for future stock subscription (Notes 18 and 21)	–	284,300,651
Net cash flows used in financing activities	(14,754,129)	(185,871,335)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(84,472)	(18,021)
NET DECREASE IN CASH	(20,022,362)	(430,289,422)
CASH AT BEGINNING OF YEAR	41,071,743	471,361,165
CASH AT END OF YEAR (Note 6)	₱21,049,381	₱41,071,743

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

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.

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

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

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

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

On March 18, 2010, the Parent Company was granted a permit to operate (PTO) by the Philippine Amusement and Gaming Corporation (PAGCOR) for the establishment, maintenance and operation of a casino, PAGCOR San Lazaro, within the San Lazaro Tourism and Business Park in Sta. Cruz, Manila. The permit shall be for a period of 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 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. On August 1, 2019, the junket agreement between TSLC and PAGCOR expired and was no longer renewed. (see Note 2).

Status of Operations

Gaming 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 months and imposed community quarantines. The Office of the President issued several directives for the classification of each of the cities and municipalities in different levels of community quarantine between March 13, 2020 to date.

Philippine Amusement Gaming Corporation (PAGCOR) issued a memorandum dated March 15, 2020 to suspend all gaming operations in Metro Manila. On June 16, 2020, the casino has resumed its operations as approved by PAGCOR at 30% capacity and eight-hour daily operations until July 3, 2020. On July 4, 2020, the casino operation moved to temporarily cease operations until August 20, 2020. On August 21, 2020, the casino has again resumed limited operation and subsequently, on November 23, 2020 it has been allowed to operate at 24-hours until re-imposition of enhance community quarantine on March 29, 2021. Casino operations has been suspended from March 29, 2021 until April 30, 2021. On May 1, 2021, upon imposition of modified enhanced community quarantine in Metro Manila, PAGCOR and Inter-agency Task Force (IATF) have allowed the casino to resume 12 hours operations at 50% capacity and on an invitational basis only until May 31, 2021. On June 1, 2021, it has been downgraded to general community quarantine until August 5, 2021 hence the casino can operate for 24 hours. On July 29, 2021, the IATF has again placed Metro Manila on enhanced community quarantine from August 6 to 20, 2021.

As of the date of the auditor's report, the Parent Company has not yet resumed its full operation of the casino and is dependent on the quarantine classification put in place by IATF.

Hotel Operations

On June 7, 2020, the hotel resumed its operations after receiving the approval from the Department of Tourism (DOT). 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. DOT has not yet allowed the Parent Company to accommodate leisure booking and is currently operating as a quarantine facility for returning overseas Filipino workers as booked by OWWA (Overseas Workers Welfare Administration).

For the years ended December 31, 2020 and 2019, the Parent Company reported net losses of ₱567.2 million and ₱752.3 million, respectively, which resulted to capital deficiency amounting ₱183.4 million as at December 31, 2020. Furthermore, the Parent Company's current liabilities exceeded its current assets by ₱423.8 million and ₱252.8 million as at December 31, 2020 and 2019, respectively.

These conditions indicate that a material uncertainty exists that may cast significant doubt on the Parent Company's ability to continue as going concern.



Management will continue to carry out activities to pursue business opportunities related to its gaming, hotel, and rental operations. 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 to ensure compliance with PAGCOR's memorandum and directives. The Parent Company is also exploring new business opportunities.

The Parent Company's ability to continue as a going concern is dependent on the commitment to defer payment of advances from related party and stockholders, waiver of management service fees and extension of credit line facility by a local bank.

On July 23, 2021, the Parent Company obtained the approval of its request from a local bank to defer its loan principal payments. Moreover, on July 30, 2021, a credit line facility was extended by a local bank to the Parent Company (see Note 15). This is to ensure that the Parent Company has adequate funds for its working capital needs and to meet its maturing obligations.

Authorization for the Issuance of the Consolidated Financial Statements

The Parent Company financial statements as at December 31, 2020 and 2019 and for each of the years in the period ended December 31, 2020 were approved and authorized for issuance by the Board of Directors (BOD) on August 4, 2021.

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.

In accordance with PAGCOR memorandum, bingo operation was temporarily suspended since March 13, 2020. As of August 4, 2021, the Parent Company has not yet resumed its bingo operations.

3. Basis of Preparation and Statement of Compliance

Basis of Preparation

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

Statement of Compliance

The Parent Company financial statements have been prepared in compliance with Philippine Financial Reporting Standards (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 for the adoption of new standards effective as at January 1, 2020. The Parent Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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

The amendments to PFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without



including all of the inputs and processes needed to create outputs. These amendments may impact future periods should the Parent Company enter into any business combinations.

The Parent Company did not enter into any business combinations during the year.

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*

The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

The amendments did not have any material impact to 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 provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

The amendments did not have any material impact to the Parent Company.

- Conceptual Framework for Financial Reporting issued on March 29, 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

The revised Conceptual Framework did not have any material impact to the Parent Company.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID-19;



- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted.

The amendments did not have any material impact to the Parent Company.

Standards Issued but not yet Effective

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

Effective beginning on or after January 1, 2021

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform - Phase 2*

The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Parent Company shall also disclose information about:

- The about the nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition.

The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively, however, the Parent Company is not required to restate prior periods.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.



The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments will apply when the Parent Company sells its property and equipment in the future.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022.

The Parent Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- *Annual Improvements to PFRSs 2018-2020 Cycle*

- Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.



The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

- Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Parent Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The Parent Company is currently assessing its impact to the parent company financial statements.

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Parent Company.

Effective beginning January 1, 2023

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Parent Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.



- 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.

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. Retirement 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 of input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level of 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

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

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 other comprehensive income (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 solely payments of principal and interest (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 AC 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, receivables (excluding "advances from employees"), deposits (presented as part of "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).

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, 2020 and 2019, 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 expected credit loss (ECL) model.

As of December 31, 2020 and 2019, 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. Equity instruments designated at FVOCI are not subject to impairment assessment.

As of December 31, 2020 and 2019, the Parent Company does not have equity instruments at FVOCI.

Derecognition

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

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

Impairment of Financial Assets

The Parent Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Parent Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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 either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk on its cash since initial recognition.

For receivables, deposits and long-term deposits, the 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 90 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.

Classification of financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at FVTPL
- Financial liabilities at AC (loans and borrowings)

The Parent Company's financial liabilities include accounts payable and other current liabilities (excluding "withholding taxes payable"), retention payable, interest payable and loans payable.

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Parent Company that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the statement of profit or loss. Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied.

The Parent Company has not designated any financial liability at FVTPL.

Financial liabilities at AC (loans and borrowings)

This is the category most relevant to the Parent Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at AC using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings, accounts payable and other current liabilities, interest payable, retention payables, and advances from stockholders.



Derecognition

A financial liability (or a part of a financial liability) is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability or a part of it are substantially modified, such an exchange or modification is treated as a derecognition of the original financial liability and the recognition of a new financial liability, and the difference in the respective carrying amounts is recognized in profit or loss in the parent company statement of comprehensive income.

Exchange or modification of financial liabilities

The Parent Company considers both qualitative and quantitative factors in assessing whether a modification of financial liabilities is substantial or not. The terms are considered substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial liability. However, under certain circumstances, modification or exchange of a financial liability may still be considered substantial, even where the present value of the cash flows under the new terms is less than 10% different from the present value of the remaining cash flows of the original financial liability. There may be situations where the modification of the financial liability is so fundamental that immediate derecognition of the original financial liability is appropriate (e.g., restructuring a financial liability to include an embedded equity component).

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. The difference between the carrying value of the original financial liability and the fair value of the new liability is recognized in profit or loss.

When the exchange or modification of the existing financial liability is not considered as substantial, the Parent Company recalculates the gross carrying amount of the financial liability as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR and recognizes a modification gain or loss in profit or loss.

If modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the financial instrument and are amortized over the remaining term of the modified financial instrument.

Reclassifications of Financial Instruments

The Parent Company reclassifies its financial instruments when, and only when, there is a change in the business model for managing the financial instruments. 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 instruments.

Offsetting of Financial Instruments

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

Cash

Cash in the Parent Company statements of financial position comprises 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.

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.

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.

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 “Other current assets” in the parent company statement 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 statement 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:

	<u>Useful Lives in Years</u>
Building	30
Machinery	10
Non-gaming equipment	5
Kitchen and bar equipment, computer software and hardware	3

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 statement 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.

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.

Advances to Contractors and Suppliers

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

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 Nonfinancial 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 statement 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, 2020 and 2019 are recognized under “Accounts payable and other current liabilities” in the parent company financial statements.

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 statement 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 insignificant portion of the hotel (classified as Property and Equipment) 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 statement 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 statement 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

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

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

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

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

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

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

Leases

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.

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.

Lease Modification

Lease modification is defined as a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease e.g., addition or termination of the right to use one or more underlying assets, or the extension or shortening of the contractual lease term.

In case of a lease modification, the lessor shall account for any such modification by recognizing a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease. In case of change in lease payments for an operating lease that does not meet the definition of a lease modification, the lessor shall account for any such change as a negative variable lease payment and recognize lower lease income.

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 statement of comprehensive income net of any reimbursement.

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



Earnings (Loss) Per Share

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

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

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

Segment Reporting

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

An operating segment is a component of an entity:

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

Significant Accounting Judgments, Estimates and Assumptions

The preparation of the parent company financial statements in accordance with PFRS requires the Parent Company to make judgments, estimates and assumptions that affect the amounts reported in the parent company financial statements and accompanying notes. The judgments, estimates and assumptions used are based on management's evaluation of relevant facts and circumstances as of the report 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. Management believes that it will be able to generate positive cash flows and has obtained from its creditor banks the approval to defer loan payments and credit facilities. In making this judgment, the Parent Company evaluates among other factors, existing and committed cash reserves, challenges imposed by the COVID-19 pandemic, current run-rate performance of the business as well as expected future performance based on internal models informed by competitive market dynamics and macroeconomic factors. Accordingly, the financial statements are prepared on a going concern basis since management has concrete plans with regards to the Parent Company as disclosed in Note 1.



Evaluating Lease Commitments

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

Parent Company as the Lessor - Operating Lease Commitments

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

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 and rental operations as of December 31, 2020 and 2019, 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).

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial years are discussed below.



Definition of Default and Credit-Impaired Financial Assets

Upon adoption of PFRS 9, the 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.



In light of COVID-19 pandemic, the Parent Company reviewed the conduct of its impairment assessment and ECL methodology. The Parent Company also reassessed the framework for macroeconomic overlay, incorporating pandemic scenarios to ensure that changes in economic conditions are captured in the ECL calculations.

Allowance for expected credit losses as of December 31, 2020 and 2019 amounted to ₱215.7 million and ₱229.1 million, respectively. The carrying amounts of receivables (including “Receivable arising from PTO related to gaming equipment – net of current portion” presented as part of “Other Noncurrent Assets”) for which the management believes to be recoverable amounted to ₱204.1 million and ₱217.3 million as at December 31, 2020 and 2019, respectively (see Notes 7 and 13).

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 2020 and 2019. The carrying value of property and equipment and investment properties as of December 31, 2020 and 2019 are disclosed in Notes 11 and 12 to the parent company financial statements, respectively.

Impairment of Property and Equipment and Investment Properties

The Parent Company determines whether its property and equipment and investment properties are impaired whenever events or changes in circumstances indicate that the carrying values of the assets may not be recoverable. The recoverable amount of an asset is the higher of its fair value less cost to sell and value in use. Recoverable amounts are estimated for an individual assets, or if possible, for the CGU to which the asset belongs, while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. 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 impact of COVID-19 outbreak in the industry or economic trends.

As a result of the continuing community quarantines and restricted travel, the Parent Company’s revenue from casino, hotel and restaurant operations continues to be adversely affected by the lower number of operating days and guests. In addition, the lessee’s operations have not yet commenced due to the suspension of its construction activities in the Parent Company’s investment properties, brought about by the COVID-19 pandemic. These events and conditions are impairment indicators requiring the assessment of the recoverable amount of the property and equipment and investment properties.



The Parent Company estimates the recoverable amount of the property and equipment and investment properties based on value in use. For property and equipment, value in use calculations uses pre-tax cash flow projections based on the prospective financial information using 5-year forecast. These pre-tax cash flow projections were approved by management. The cash flow projections assumed the potential revenue growth rate against the industry and the long-term growth rate against relevant economic and external data, which are adjusted to take into consideration the impact associated with the COVID -19 pandemic.

For investment properties, value in use calculations uses pre-tax cash flow projections based on the prospective financial information using 9-year forecast of cash flows relating to its lease contract. The cash flow projections assumed the potential revenue growth rate against the industry and the long-term growth rate against the relevant economic and external data, which are adjusted to take into consideration the impact associated with the coronavirus pandemic. The forecasted costs and expenses are based on the Parent Company's historical performance and current market conditions.

Based on the Parent Company's impairment testing, no impairment loss was recognized for the years ended December 31, 2020 and 2019. The net book values of the Parent Company's property and equipment and investment properties amounted to ₱3,766.1 million and ₱744.6 million, respectively, as of December 31, 2020; and ₱4,002.1 million and ₱774.4 million, respectively, as of December 31, 2019 (see Notes 11 and 12).

Impairment of Input VAT

The determination of the Parent Company's recoverability of Input VAT is based on the Parent Company's assessment of its projected operating results taking into consideration the significant impact of COVID-19 pandemic in the industry. The Parent Company assessed that the current portion of input VAT amounting to ₱10.9 million is recoverable within the next 12 months from the reporting date and non-current portion amounting to ₱440.8 million is recoverable for the years thereafter (see Note 9). No impairment loss was recognized as of and for the year ended December 31, 2020.

Retirement Benefits

The determination of the Parent Company's obligation and cost for retirement benefits is dependent on the selection of certain assumptions used by the Parent Company's actuary in calculating such amounts. Those assumptions, which include among others, discount rate and future salary increase rate, are described in Note 16 to the parent company financial statements.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables and is modified accordingly with estimates of mortality improvements. Future salary increases, and retirement increases are based on expected future inflation rates.

Information on the Parent Company's retirement benefits are presented in Note 16 to the parent company financial statements.



6. Cash

	2020	2019
Cash on hand	₱1,910,279	₱7,242,499
Cash in banks	19,139,102	33,829,244
	₱21,049,381	₱41,071,743

Cash in banks generally earns interest at the respective bank deposit rates. Total interest income earned from cash in banks amounted to ₱2.1 million and ₱0.3 million in 2020 and 2019, respectively.

7. Receivables

	2020	2019
Trade:		
Non-related parties	₱67,149,684	₱72,967,190
Related parties (Note 21)	418,347	513,923
Nontrade (Note 11)	125,681,357	125,681,357
Advances to related parties (Note 21)	114,441,618	118,742,900
Receivable arising from PTO related to:		
Gaming equipment (Note 17)	80,983,264	71,241,648
Gaming facility	27,839,504	55,343,119
Advances to employees	3,246,805	1,935,216
	419,760,579	446,425,353
Less: Allowance for ECL	(215,677,757)	(229,124,817)
	₱204,082,822	₱217,300,536

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

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 ECL

The following table shows the rollforward of the allowance for ECL on trade receivables from non-related parties and nontrade receivables as of December 31, 2020 and 2019:

	2020	2019
Balance at beginning of year	₱229,124,817	₱55,177,100
Provision (Note 24)	7,961,475	173,947,717
Reversals	(21,408,535)	-
	₱215,677,757	₱229,124,817



As of June 30, 2021, the Parent Company received payment for a portion of previously impaired receivables from TSLC amounting to ₱21.4 million of which ₱4.4 million was received in 2020 and ₱17.0 million in 2021. This resulted to the reversal of allowance for ECL as of December 31, 2020.

8. Inventories

	2020	2019
At cost:		
Operating supplies	₱15,784,488	₱20,310,583
Food, beverage, and tobacco	4,421,866	4,850,665
	₱20,206,354	₱25,161,248

Operating supplies include cards, seals and dice.

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

9. Input VAT

	2020	2019
Input VAT - current	₱10,927,769	₱16,777,994
Noncurrent:		
Input VAT - noncurrent	427,061,029	404,985,744
Deferred input VAT	13,728,189	13,635,008
	440,789,218	418,620,752
	₱451,716,987	₱435,398,746

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. Other Current Assets

	2020	2019
Restricted cash (Note 15)	₱103,562,631	₱163,271,629
CWT	4,920,241	3,804,547
Deposits	4,191,787	3,408,320
Prepayments	1,398,995	4,891,055
Others	—	20,175
	₱114,073,654	₱175,395,726



Restricted cash are interest-bearing special bank accounts which are solely being used to maintain funding for loan quarterly payments in compliance with the requirements of the loan agreement (see Note 15). Total interest income earned from restricted cash amounted to ₱2.0 million and nil in 2020 and 2019, respectively.

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.

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



11. Property and Equipment

2020						
	Land	Building	Machinery	Non-gaming equipment	Kitchen and bar equipment, computer software and hardware	Total
Cost						
Balance at beginning of year	₱600,800,000	₱3,489,843,089	₱221,699,406	₱464,754,666	₱636,454,422	₱5,413,551,583
Additions	–	8,947,264	–	1,402,128	3,453,389	13,802,781
Balance at end of year	600,800,000	3,498,790,353	221,699,406	466,156,794	639,907,811	5,427,354,364
Accumulated depreciation	–					
Balance at beginning of year	–	417,459,176	76,342,833	302,716,169	614,946,589	1,411,464,767
Depreciation (Note 24)	–	119,517,332	23,803,494	93,955,934	12,492,266	249,769,026
Balance at end of year	–	536,976,508	100,146,327	396,672,103	627,438,855	1,661,233,793
Net book value	₱600,800,000	₱2,961,813,845	₱121,553,079	₱69,484,691	₱12,468,956	₱3,766,120,571
2019						
	Land	Building	Machinery	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/Reclassification	–	(880,651,427)	–	–	(15,593,993)	(896,245,420)
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/Reclassification	–	(98,849,209)	–	–	(13,428,161)	(112,277,370)
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



As of December 31, 2020 and 2019, land and building, presented as part of property and equipment and investment properties, with an aggregate carrying values of ₱4.3 billion and ₱4.4 billion were pledged as collateral for the loan facility, respectively (see Note 15).

The cost of fully depreciated property and equipment which are still in use amounted to ₱725.4 million and ₱613.7 million as of December 31, 2020 and 2019 respectively.

In 2019, the Parent Company sold kitchen and bar equipment which resulted to a gain of ₱13.4 million. Proceeds from sale of kitchen and bar equipment is recorded as part of “Nontrade receivables” in the parent company statements of financial position as of December 31, 2020 and 2019, respectively (see Note 7).

As of December 31, 2020 and 2019, the Parent Company has outstanding retention payable to its service providers related to renovation and improvements to the building amounting to ₱7.9 million and ₱8.8 million, respectively.

Impairment

As a result of the continuing community quarantines and restricted travel brought about by COVID-19 pandemic, the Parent Company’s revenue from casino, hotel and restaurant operations continues to be adversely affected by the lower number of operating days and guests. These events and conditions are impairment indicators requiring the assessment of the recoverable amount of the property and equipment.

The Parent Company’s estimates the recoverable amount of the property and equipment based on value in use. The value in use calculations uses pre-tax cash flow projections based on the prospective financial information using 5-year forecast. These pre-tax cash flow projections were approved by management. The cash flow projections assumed the potential revenue growth rate against the industry and the long-term growth rate against relevant economic and external data, which are adjusted to take into consideration the impact associated with the COVID -19 pandemic.

Based on the Parent Company’s impairment testing on property and equipment, no impairment loss was recognized in 2020 and 2019 (see Note 5).

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:

	2020	2019
Cost	₱781,802,218	₱781,802,218
Accumulated depreciation	37,228,677	7,445,736
Net book value	₱744,573,541	₱774,356,482



Movement of accumulated depreciation:

	2020	2019
Beginning balance	₱7,445,736	₱-
Depreciation expense (Note 24)	29,782,941	7,445,736
Ending balance	₱37,228,677	₱7,445,736

No rental income was recognized in 2020 and 2019. Operating expenses related to the investment properties amounted to ₱8.0 million and ₱5.6 million in 2020 and 2019 respectively, which pertains mainly to real property taxes. There were no significant repairs and maintenance were made to maintain the Parent Company's investment properties in 2020 and 2019.

Impairment

As a result of the continuing community quarantines and restricted travel brought about by COVID-19 pandemic, the third-party lessee's operations have not yet commenced due to the suspension of its construction activities in the Parent Company's investment properties. These events and conditions are impairment indicators requiring the assessment of the recoverable amount of the property and equipment and investment properties.

The Parent Company estimates the recoverable amount of the investment properties based on value in use. Value in use calculations for investment properties uses pre-tax cash flow projections based on the prospective financial information using 9-year forecast of cash flow relating to its lease contract, taking into consideration the impact associated with the COVID-19 pandemic. The forecasted costs and expenses are based on the Parent Company historical performance and current market conditions.

Based on the Parent Company impairment testing on investment properties, no impairment loss was recognized in 2020.

13. Other Noncurrent Assets

	2020	2019
Receivable arising from PTO related to gaming equipment - net of current portion (Note 17)	₱331,107,901	₱391,670,199
Long-term deposits	6,267,386	6,964,000
Advances to contractors and suppliers	4,779,331	4,779,331
Operating equipment	1,803,390	715,375
	₱343,958,008	₱404,128,905

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



Movement in operating equipment are as follows:

	2020			
	Utensils	Linens	Uniforms	Total
Cost				
Balance at beginning of year	₱23,562,076	₱70,917,497	₱4,816,363	₱99,295,936
Additions	–	1,715,645	109,350	1,824,995
Balance at end of year	23,562,076	72,633,142	4,925,713	101,120,931
Accumulated amortization				
Balance at beginning of year	23,562,076	70,816,300	4,202,185	98,580,561
Amortization (Note 24)	–	327,536	409,444	736,980
Balance at end of year	23,562,076	71,143,836	4,611,629	99,317,541
Net book value	₱–	₱1,489,306	₱314,084	₱1,803,390

	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

14. Accounts Payable and Other Current Liabilities

	2020	2019
Accounts payable	₱364,240,946	₱331,217,937
Accrued expenses	155,861,011	103,758,402
Gaming liabilities	39,147,990	33,872,011
Contract liabilities	16,558,725	15,936,652
Advances from related parties (Note 21)	4,982,104	4,970,819
Taxes payable	4,505,072	5,661,596
Others	22,649,695	23,809,578
	₱607,945,543	₱519,226,995

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, real property tax, 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 loyalty programs.

Contract liabilities pertain to 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. The revenue recognized from prior year performance obligations amounted to ₱4.1 million and ₱4.5 million in 2020 and 2019, respectively.



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

	2020	2019
Principal	₱2,307,900,000	₱2,355,000,000
Less unamortized debt discount	(15,117,333)	(17,362,110)
	2,292,782,667	2,337,637,890
Less current portion of long-term debt	(138,039,293)	(185,287,516)
	₱2,154,743,374	₱2,152,350,374

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

	2020	2019
Balance at beginning of year	₱2,355,000,000	₱2,800,000,000
Payment	(47,100,000)	(2,800,000,000)
Drawdowns	-	2,355,000,000
Balance at end of year	₱2,307,900,000	₱2,355,000,000

The movements in the unamortized debt discount are as follows:

	2020	2019
Unamortized debt discount at beginning of year	₱17,362,110	₱13,490,413
Additions*	1,966,404	17,662,500
Amortization	(4,211,181)	(5,561,533)
Derecognition**	-	(8,229,270)
Unamortized debt discount at end of year	₱15,117,333	₱17,362,110

*This includes adjustments related to loan contract modification.

**Recorded as part of "Interest expense and other financing charges" in the 2019 parent company statements of comprehensive income.

Future repayment of the principal as follows:

	2020	2019
Within one year	₱141,300,000	₱188,400,000
After one year but not more than five years	2,166,600,000	2,166,600,000
	₱2,307,900,000	₱2,355,000,000

In 2015, the Parent Company signed a 7-year loan agreement with a local bank for a ₱3.5 billion loan 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"). The proceeds from this 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 receiving proceeds of ₱2.5 billion, net of related debt issue cost of ₱30.0 million. Subsequently, 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. Debt issue costs for both loans include documentary stamp tax amounting to ₱17.5 million and upfront fees amounting to ₱17.5 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 part of “Interest expense and other financing charges” in the parent company statements of comprehensive income.

In June 2020, in light of the COVID-19 pandemic, the bank provided a revised principal and interest payment scheme, which was accepted by the Parent Company. In August 2020, the bank approved further relief in relation to the terms of the loan. The Parent Company was provided with the following reliefs and agreed on the revised terms of the existing loan agreements with the bank:

- *Principal repayments and interest payment*
Quarterly principal repayment due in June 2020 was deferred to May 2021. Quarterly interest payment was changed to monthly payment starting June 2020 to February 2021 and shall revert to quarterly payments starting May 2021 coinciding with the principal repayment from May 2021 to November 2026.
- *Term loan covenants*
Debt Service Payment Account (DSPA) shall have no build-up on principal plus interest due until April 2021. The monthly buildup will resume starting May 2021 onwards equivalent to one-third of next principal plus interest due.

Debt Service Reserve Account (DSRA) requirement of equivalent to two quarters of principal plus interest shall be deferred to May 2021 onwards.

Restriction with respect to quarterly calculation of debt-equity ratio and debt service coverage ratio was waived and will resume on September 2021 based on June 30, 2021 interim financial statements.

In addition, quarterly principal and interest repayments starting May 2021 were further extended to July 2021 or a 60-day extension by virtue of Bayanihan to Heal as One Act (RA 11469).

Based on the Parent Company’s assessment, these modifications in the contractual cash flows are not substantial and therefore do not result in the derecognition of the affected financial liabilities.

Under the loan agreement, the Parent Company is required to maintain debt service accounts to fund the quarterly principal and interest payments of the loan in accordance with the loan agreement. The cash amounting to ₱103.6 million and ₱163.3 million as of December 31, 2020 and 2019, respectively, are presented under “Other current assets” as “Restricted cash” (see Note 10).



The related interest recognized from the loans amounted to ₱144.7 million and ₱153.4 million in 2020 and 2019, respectively. Total interest paid amounted to ₱130.1 million and ₱150.2 million in 2020 and 2019, respectively.

The loan is secured by the Parent Company's land and building, classified as property and equipment and investment properties with an aggregate carrying value of ₱4.3 billion and ₱4.4 billion as of December 31, 2020 and 2019, respectively (see Notes 11 and 12).

On July 23, 2021, the bank provided a further revised principal and interest payment scheme to the Parent Company, which the Parent Company accepted, due to the continuing COVID-19 situation affecting the Parent Company. Details are as follows:

- *Principal repayments*
Quarterly principal repayment due in July 2021 was deferred to January 2023. Accordingly, current portion of the loans payable amounting to ₱138.0 million as of December 31, 2020, will now be due in January 2023.
- *Term loan covenants*
DSPA shall have no build-up up to October 2022. The monthly build-up will resume starting November 2022 onwards equivalent to one-third of next debt service.

DSRA requirement of equivalent to two quarters of debt service starting July 2021.

Restriction with respect to quarterly calculation of debt-equity ratio and debt service coverage ratio is waived and will resume on 2023 based on 2022 parent company financial statements.

Credit line facility

On July 30, 2021, a local bank provided the Parent Company with a credit line facility amounting to ₱400.0 million. The unused credit line as of August 4, 2021 amounted to ₱400.0 million.

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. In 2020, the Parent Company engaged an independent expert to perform actuarial valuation.

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):

	2020	2019
Current service cost	₱844,346	₱2,760,093
Interest cost	497,251	334,881
	₱1,341,597	₱3,094,974



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

	2020	2019
Balance at beginning of year	₱287,204	₱2,334,511
Actuarial gain (loss) recognized in other comprehensive income	7,712,363	(2,047,307)
	₱7,999,567	₱287,204

The movements in the retirement liability are as follows:

	2020	2019
Balance at beginning of year	₱9,544,160	₱4,401,879
Total retirement expense	1,341,597	3,094,974
Defined benefit loss (income) recognized in OCI	(7,712,363)	2,047,307
Balance at end of year	₱3,173,394	₱9,544,160

Movement in defined benefit obligation are as follows:

	2020	2019
Balance at beginning of year	₱9,544,160	₱4,401,879
Current service cost	844,346	2,760,093
Interest cost	497,251	334,881
Actuarial loss (gain) on:		
Changes in financial assumptions	123,239	2,990,709
Experience adjustments	(7,835,602)	(943,402)
Balance at end of year	₱3,173,394	₱9,544,160

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 as of January 1 are shown below:

	2020	2019
Discount rate	5.21%	7.61%
Salary increase rate	5.00%	5.00%

The latest actuarial valuation made for the plan was as of December 31, 2020.

As of December 31, 2020, discount rate and salary increase rate are 3.90% and 4.00%, respectively.

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, 2020 and 2019 are as follows:

	2020	2019
Less than one year	₱-	₱-
One to less than five years	736,026	345,712
Five to less than 10 years	2,451,901	1,375,089
10 years and above	25,897,525	26,468,627
	₱29,085,452	₱28,189,428

The average duration of the expected benefit payments as of December 31, 2020 and 2019 is 25.2 years and 26.07 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	(11.9%) (Actual + 100 basis points (bps))	(₱377,123)
	14.2% (Actual - 100 bps)	450,332
Salary increase rate	14.0% (Actual + 100 bps)	₱445,185
	12.0% (Actual - 10 bps%)	(380,139)

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 ₱225.1 million in 2020 and ₱556.9 million in 2019, respectively. Portion of the share from gross gaming revenue of PAGCOR San Lazaro related to gaming equipment was applied as payment for receivable arising from PTO amounting to ₱72.1 million and ₱62.4 million in 2020 and 2019, respectively. Accordingly, revenue share in gaming operations for the year ended December 31, 2020 and 2019, presented in the parent company statements of comprehensive income, amounted to ₱153.0 million and ₱494.5 million, respectively.

The details of the revenue share in gaming operations are as follows:

	2020	2019
Revenue share from gaming operations related to:		
Gaming facility	₱106,629,088	₱444,672,706
Gaming equipment	46,340,995	49,875,474
	₱152,970,083	₱494,548,180

The future minimum collection related to the gaming equipment follows:

	2020	2019
Within one year	₱120,429,069	₱116,483,591
After one year but not more than five years	364,869,513	408,454,727
More than five years	39,660,666	86,913,440
	524,959,248	611,851,758
Less: unamortized portion of discount	(112,868,083)	(148,939,911)
	412,091,165	462,911,847
Less: current portion (Note 7)	(80,983,264)	(71,241,648)
Noncurrent portion (Note 13)	₱331,107,901	₱391,670,199

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 monthly rental fee of ₱30,000 with escalation clause of 10% per annum. In April 2018, the same lease contract was amended to a basic monthly rent of ₱15,000 without escalation, exclusive of VAT. The contract has been renewed in 2020 and shall expire in December 31, 2021.
- 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. In 2020, due to the effects of the COVID-19 pandemic, the Parent Company has waived the basic rental



payments and changed the percentage rental to 7% of dine-in sales valid from June 2020 to December 2020 and shall resume to original terms thereafter. The amendments have reduced the total rent income earned from the concessionaire by ₱1.1 million.

- 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. In 2020, due to the effects of the COVID-19 pandemic, the Parent Company has waived the common area charges and basic rental payments and changed the percentage rental to 1% of gross sales valid from June 2020 to December 2020 and is further extended until June 2021.
- 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. In 2020, due to the effects of the COVID-19 pandemic, the Parent Company has waived the basic rental payments valid from April 2020 to December 2020 and is further extended until June 2021.
- 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. On March 2020, due to the COVID-19 pandemic, its operations have been closed and its contract has been terminated.
- 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. The contract has been renewed in 2020 and shall expire in December 31, 2022.
- 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. On March 2020, due to the COVID-19 pandemic, its operations have been closed and its contract has been terminated.



- 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. On November 2019, the lease contract has been terminated.
- i. 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.
- j. 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.
- k. 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. On March 2020, due to the COVID-19 pandemic, its operations have been closed and its contract has been terminated.
- l. 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. In 2020, due to the effects of the COVID-19 pandemic, the Parent Company has waived the basic rental payments valid from March 2020 to December 2020 and shall resume to original agreement thereafter.
- m. 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. In 2020, conversion has been suspended indefinitely due to COVID-19 pandemic. No rental income was recognized in 2020 and 2019.

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

	2020	2019
Within one year	₱4,111,337	₱115,624,030
After one year but not more than five years	543,462,011	674,994,950
Five years onwards	784,635,314	789,166,369
	₱1,332,208,662	₱1,579,785,349



Rent income amounted to ₱12.1 million and ₱25.1 million in 2020 and 2019, respectively. Interest expense on the security deposit amounted to ₱1.1 million and ₱0.3 million in 2020 and 2019, respectively.

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.

Due to COVID-19 crisis, the service providers have waived fees pertaining to March to December 2020. Total service fees recognized in 2020 and 2019 under these agreements amounted to ₱6.3 million and ₱34.8 million, respectively (see Note 24).

On June 30, 2021, the service providers have also agreed to waive fees for the whole year of 2021.

18. Deposit for Future Stock Subscription

The Parent Company presented the deposit amounting to ₱2.4 billion as "Deposit for future stock subscription" under noncurrent liabilities in the parent company statements of financial position as of December 31, 2020 and 2019, in accordance with FRB No. 6 as issued by the SEC.

As of August 4, 2021, the Parent Company is in the process of applying with the SEC (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 ₱26,110 and ₱58,557 in 2020 and 2019, respectively.

As of December 31, 2020 and 2019, no deferred tax assets were recognized as management believes that the Parent Company may not have sufficient future taxable income from its hotel and rental 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, 2020 and 2019, net unrecognized deferred tax assets from its operations other than gaming are composed of the following:

	2020	2019
Deferred tax assets:		
Net operating loss carry over (NOLCO)	₱583,041,155	₱654,878,841
Allowance for ECL	64,703,327	68,737,445
Allowance for impairment on investment in subsidiary	6,000,000	6,000,000
Unearned income	5,975,748	4,149,324
Customer deposits	1,315,592	1,339,244
Retirement liability	744,674	1,948,749
	661,780,496	737,053,603
Deferred tax liabilities:		
Deferred rent income	920,367	888,515
Unrealized foreign exchange gain	170,046	195,388
Unrealized gain on loan modification	268,113	-
	1,358,526	1,083,903
Deferred tax assets – net	₱660,421,970	₱735,969,700

As of December 31, 2020, the details of NOLCO is as follows:

NOLCO

On September 30, 2020, the BIR issued Revenue Regulations (RR) No. 25-2020 implementing Section 4 of "Bayanihan to Recover As One Act" which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five consecutive taxable years immediately following the year of such loss.

As of December 31, 2020, the Parent Company has incurred NOLCO before taxable year 2020 which can be claimed as deduction from the regular taxable income for the next three consecutive taxable years, as follows:

Year Incurred	Beginning Balance	Incurred	Expired	Ending Balance	Available Until
2017	₱762,029,320	₱-	(₱762,029,320)	₱-	2020
2018	701,678,755	-	-	701,678,755	2021
2019	719,221,396	-	-	719,221,396	2022
	₱2,182,929,471	₱-	(₱762,029,320)	₱1,420,900,151	

As of December 31, 2020, the Company has incurred NOLCO in taxable year 2020 which can be claimed as deduction from the regular taxable income for the next five consecutive taxable years pursuant to the Bayanihan to Recover As One Act, as follows:

Year Incurred	Beginning Balance	Incurred	Expired	Ending Balance	Available Until
2020	₱-	₱522,570,365	₱-	₱522,570,365	2025



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 follows:

	2020	2019
Benefit from income tax based on accounting income before income tax	(₱170,142,989)	(₱225,658,352)
Additions to (reductions in) income tax resulting from tax effects of:		
Expired NOLCO	228,608,796	121,794,713
Movement in unrecognized deferred tax assets	(75,547,730)	155,321,940
Loss (income) from gaming operations exempt from income tax	17,781,969	(60,199,044)
Nondeductible expenses (nontaxable income) and others	(58,602)	8,828,652
Interest income subjected to final tax	(615,334)	(29,352)
Provision for income tax	₱26,110	₱58,557

Impact of RA No. 11534 or CREATE Act

President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax (CIT) and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Parent Company:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25%.
- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 for financial reporting purposes.

Applying the provisions of the CREATE Act, the Parent Company would have been subjected to lower regular corporate income tax rate of 27.5% effective July 1, 2020.

- Based on the provisions of Revenue Regulations (RR) No. 05-2021 dated April 8, 2021 issued by the BIR, the prorated CIT rate of the Parent Company for CY2020 is 27.5%. This has no impact to the Parent Company provision for current income tax and income tax payable as of December 31, 2020 as the Parent Company is in net operating loss position amounting to ₱522.6 million.
- The Parent Company does not recognize deferred tax assets as of December 31, 2020. This is not expected to impact the parent company financial statements in 2021.



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:

Party	Amount/Volume Receivable (Payable)				Financial Statements Account	Terms	Conditions
	2020	2019	2020	2019			
Subsidiary							
TSLC	(P4,301,282)	P28,623,147	P114,441,618	P118,742,900	Advances to related parties	Non-interest bearing	Unsecured, unguaranteed
Stockholder							
Manila Jockey Club, Inc. (MJCI)							
Deposit for future stock subscription (Note 18)	P-	P84,000,000	(P321,233,646)	(P321,233,646)	Deposit for future stock subscription	Non-interest bearing	Unsecured, unguaranteed
Advances ^(a) (Note 14)	(11,285)	-	(4,982,104)	(4,970,819)	Advances from related parties	Non-interest bearing; due and demandable	Unsecured, unguaranteed
Commission from the off-track betting ^(b) (Note 7)	(41,389)	105,701	418,347	459,736	Receivable	Non-interest bearing; due and demandable	Unsecured, unguaranteed
Various Shareholders							
Deposit for future stock subscription (Note 18)	-	200,300,651	(2,105,268,102)	(2,105,268,102)	Deposit for future stock subscription	Non-interest bearing	Unsecured, unguaranteed

(Forward)



Party	Amount/Volume Receivable (Payable)				Financial Statements Account	Terms	Conditions
	2020	2019	2020	2019			
Advances from stockholders ^(d)	₱102,704,215	₱343,581,012	(₱446,285,227)	(₱343,581,012)	Advances from stockholders	Interest-bearing and non-interest bearing	Unsecured, unguaranteed
Interest payable on advances from stockholders ^(e)	13,534,528	1,623,611	(15,158,139)	(1,623,611)	Interest payable	Non-interest bearing;	Unsecured, unguaranteed
Affiliate Manila Cockers Club, Inc. (MCI) Commission from the off-track betting ^{(d), (e)} (Note 7)	-	2,899,564	-	54,187	Receivable	Noninterest bearing due and demandable	Unsecured, unimpaired
			₱2,426,501,748	₱2,426,501,748	Deposit for future stock subscription		
			109,459,514	113,772,081	Advances from related parties		
			418,347	513,923	Receivable		
			446,285,227	343,581,012	Advances from stockholders		
			15,158,139	1,623,611	Interest payable		

^(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. The payable amount is gross of discount on non-interest bearing advances from shareholders amounting to ₱9,970,642 and nil in 2020 and 2019, respectively.

^(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 ₱26.5 million and ₱35.1 million as of December 31, 2020 and 2019, respectively. The compensations are short-term employee benefits.

The Parent Company has no standard arrangement with regard to the remuneration of its directors. In 2020 and 2019, the BOD received directors' fees aggregating to ₱0.9 million and ₱0.7 million, respectively (Note 24).

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 equity holders for the years 2020 and 2019.

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 August 4, 2021, the stock rights offering is still pending approval of SEC.



23. Basic/Diluted Loss Per Share

	2020	2019
Net loss	₱567,169,408	₱752,253,063
Divided by weighted average number of outstanding common shares	3,174,405,821	3,174,405,821
Basic/diluted losses per share	₱0.179	₱0.237

The Parent Company has no potential dilutive common shares as of December 31, 2020 and 2019. Therefore, the basic and diluted loss per share are the same as of those dates.

24. Operating Costs and Expenses

	2020	2019
Depreciation and amortization (Notes 11, 12 and 13)	₱280,288,947	₱430,921,727
Salaries and wages	64,666,181	79,016,128
Utilities	57,545,363	93,983,063
Taxes and licenses	51,348,115	44,106,631
Repairs and maintenance	40,398,581	44,639,054
Contracted services	31,727,740	88,993,175
Security services	20,028,847	41,985,517
Advertising and marketing	18,437,847	32,639,466
Food, beverage, and tobacco	13,462,213	44,379,030
Hotel room and supplies	11,885,174	22,146,015
Insurance	8,302,163	6,415,174
Provision for ECL (Note 7)	7,961,475	173,947,717
Professional fees	7,782,520	12,380,511
Communication	7,268,015	7,385,551
Service fee (Note 17)	6,253,571	34,780,715
Transportation and travel	6,140,923	7,688,775
Gaming fees (Note 2)	5,688,253	33,497,186
Banquet expenses	4,254,816	21,171,297
Entertainment	2,693,856	13,949,007
Rent	1,561,643	2,977,415
Meetings and conferences	1,401,096	1,533,809
Supplies	1,359,687	3,787,909
Commission	1,352,842	1,926,430
Retirement (Note 16)	1,341,597	3,094,974
Directors' fees (Note 21)	867,000	675,000
Impairment loss on investment in subsidiary (Note 21)	-	20,000,000
Others	10,192,423	40,963,915
	₱664,210,888	₱1,308,985,191



25. Operating Segment Information

The Parent Company has two operating segments in 2020 and 2019. 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, 2020 and 2019 are as follows:

	2020		
	Gaming	Non-gaming	Total
Revenue	₱161,885,244	₱59,473,593	₱221,358,837
Operating costs and expenses	(221,158,473)	(443,052,415)	(664,210,888)
Other expenses – net	–	(124,291,247)	(124,291,247)
Provision for income tax	–	(26,110)	(26,110)
Net loss	(₱59,273,229)	(₱507,896,179)	(₱567,169,408)

	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)

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, 2020 and 2019 are as follows:

	2020		
	Gaming	Non-gaming	Total
Assets	₱1,417,372,636	₱4,248,408,682	₱5,665,781,318
Liabilities	299,495,609	5,549,703,313	5,849,198,922
Capital expenditures	564,253	13,238,528	13,802,781
Interest income	–	2,138,149	2,138,149
Depreciation and amortization	73,547,836	206,741,111	280,288,947

	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



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

The Parent Company's financial instruments comprise of cash, receivables (excluding "advances from employees"), deposits (presented as part of "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, 2020 and 2019 as follows:

	2020	2019
At amortized cost/loans and receivables:		
Cash* (Note 6)	₱19,139,102	₱33,829,244
Receivables** (Note 7)	200,836,017	215,365,320
Deposits (Note 10)	4,191,787	3,408,320
Long-term deposits (Note 13)	6,267,386	6,964,000
Receivable arising from PTO related to gaming equipment - net of current portion (Note 13)	331,107,901	391,670,199
	₱561,542,193	₱651,237,083

*Excluding cash on hand amounting to ₱1,910,279 and ₱7,242,499 as of December 31, 2020 and, 2019, respectively.

**Excluding advances to employees amounting to ₱3,246,805 and ₱1,935,216 as of December 31, 2020 and, 2019, respectively.

As of December 31, 2020, and 2019, the aging analysis of receivables is as follows:

2020	Total	Neither past due nor impaired	Past due but not impaired				More than 180 days past due	Impaired
			Less than 30 days past due	31 to 60 days past due	61 to 90 days past due	91 to 180 days past due		
Trade:								
Non-related parties	₱67,149,684	₱19,504,043	₱2,213,768	₱502,416	₱1,712,900	₱-	₱35,334,335	₱7,882,222
Related parties	418,347	418,347	-	-	-	-	-	-
Nontrade	125,681,357	-	-	-	-	-	15,299,440	110,381,917
Advances to related parties	114,441,618	-	-	-	-	-	17,028,000	97,413,618
Receivable arising from PTO	439,930,669	439,690,546	-	155,357	-	-	84,766	-
	₱747,621,675	₱459,612,936	₱2,213,768	₱657,773	₱1,712,900	₱-	₱67,746,541	₱215,677,757



2019	Total	Neither past due nor impaired	Past due but not impaired					Impaired
			Less than 30 days past due	31 to 60 days past due	61 to 90 days past due	91 to 180 days past due	More than 180 days past due	
Trade:								
Non-related parties	P88,266,630	P30,490,259	P2,381,127	P2,382,493	P2,282,574	P6,465,856	P44,264,321	P-
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	-
	P836,160,336	P549,133,697	P2,381,127	P2,382,493	P2,282,574	P6,465,856	P44,389,772	P229,124,817

The table below shows the credit quality of the Parent Company's neither past due nor impaired receivables as of December 31, 2020 and 2019, based on the Parent Company's experience with its debtor's ability to pay:

	2020			
	Grade A	Grade B	Grade C	Total
Trade:				
Non-related parties	P17,889,544	P376,746	P1,237,753	P19,504,043
Related parties	418,347	-	-	418,347
Receivable arising from PTO	439,690,546	-	-	439,690,546
	P457,998,437	P376,746	P1,237,753	P459,612,936

	2019			
	Grade A	Grade B	Grade C	Total
Trade:				
Non-related parties	P26,106,014	P580,964	P3,803,281	P30,490,259
Related parties	513,923	-	-	513,923
Receivable arising from PTO	518,129,515	-	-	518,129,515
	P544,749,452	P580,964	P3,803,281	P549,133,697

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.

On July 23, 2021, the bank provided a revised principal and interest payment scheme to the Parent Company, which the Parent Company accepted, due to the continuing COVID-19 situation affecting the Parent Company (see Note 15).

On July 30, 2021, a local bank provided the Parent Company with a credit line facility amounting to P400.0 million. The unused credit line as of August 4, 2021 amounted to P400.0 million (see Note 15).



The tables below summarize the maturity profile of the Parent Company's financial liabilities as at December 31, 2020 and 2019 based on contractual undiscounted payments.

	2020			
	Due and Demandable	Less than 1 year	1 year or above	Total
Loans payable*	₱-	₱276,209,870	₱2,504,005,465	₱2,780,215,335
Accounts payable and other current liabilities**	4,982,104	586,412,386	-	591,394,490
Retention payable	7,934,014	-	-	7,934,014
Interest payable	-	34,595,539	-	34,595,539
Advances from stockholders*	-	-	446,285,227	446,285,227
	₱12,916,118	₱897,217,795	₱2,950,290,692	₱3,860,424,605

*Including interest payable.

**Excluding contract liabilities and withholding taxes payable amounting to ₱16,558,725 and ₱1,795,539, respectively.

	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	-	15,216,781	-	15,216,781
Advances from stockholders*	-	-	343,581,012	343,581,012
	₱13,766,497	₱839,313,872	₱2,985,832,932	₱3,838,913,301

*Including interest payable.

**Excluding contract liabilities and withholding taxes payable amounting to ₱15,936,652 and ₱2,232,287 respectively.

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

	2020			
	Due and Demandable	Less than 1 year	1 year or above	Total
At amortized cost:				
Cash in banks	₱19,139,102	₱-	₱-	₱19,139,102
Receivables	80,371,200	120,521,377	331,107,900	532,000,477
Deposits	-	4,191,787	-	4,191,787
Long-term deposits	-	-	6,267,386	6,267,386
	₱99,510,302	₱124,713,164	₱337,375,286	₱561,598,752

	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	175,405,498	391,670,120	607,035,519
Deposits	-	3,408,320	-	3,408,320
Long-term deposits	-	-	6,964,000	6,964,000
	₱91,731,065	₱178,813,818	₱398,634,120	₱651,237,083

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, 2019	Cash flows	Others*	December 31, 2020
Loans payable	₱2,337,677,890	(₱47,100,000)	₱2,204,777	₱2,292,782,667
Advances from stockholders	343,581,012	102,704,215	(9,970,642)	436,314,585
Restricted cash	(163,271,629)	59,708,998	-	(103,562,631)
Interest payable	15,216,781	(130,067,342)	155,084,102	40,233,541
Total liabilities from financing activities	₱2,533,204,054	(₱14,754,129)	₱147,318,237	₱2,665,768,162

*Others include accrual of interest from interest-bearing loans, discount on non-interest bearing advances from stockholders and accretion of loans payable.

	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	-	343,581,012
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)	187,109,773	15,216,781
Total liabilities from financing activities	₱4,944,636,561	(₱185,831,335)	₱200,900,576	₱4,959,705,802

*Others include accrual of interest from interest-bearing loans and advances from stockholders, other financing charges and accretion of loans payable.

Fair Value Measurement

The carrying values of cash, 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:

	2020		2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Receivable arising from PTO related to gaming equipment	₱412,091,165	₱498,257,876	₱462,911,847	₱594,195,697
Long-term deposits	6,267,386	6,267,386	6,964,000	6,964,000
	₱418,358,551	₱504,525,262	₱469,875,847	₱601,159,697

	2020		2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Liabilities				
Advances from stockholders	₱447,908,838	₱455,805,365	₱345,204,623	₱345,204,623
Loans payable	2,292,782,667	2,292,782,667	2,337,637,890	2,337,637,890
	₱2,740,691,505	₱2,748,588,032	₱2,682,842,513	₱2,682,842,513

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



As of December 31, 2020, the aggregate fair value of the Parent Company's investment property amounted to ₱1.3 billion. The Group estimates the recoverable amount of the investment property based on value in use. Value in use calculations use pre-tax cash flow projections based on the prospective financial information using 9 year forecast of cash flows relating to its lease contract. The cash flow projections assumed the potential revenue growth rate against the industry and the long-term growth rate against relevant economic and external data, which are adjusted to take into consideration the impact associated with the coronavirus pandemic. These fair values was classified as Level 3 in 2020 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 ₱2.2 billion and ₱2.8 billion as its capital as of December 31, 2020 and 2019, 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. On August 2020, due to COVID-19 crisis, the bank has granted the Parent Company waiver for quarterly calculation of debt-to-equity ratio until September 2021. In July 2021, this was further deferred to 2023 (see Note 15).

In computing the debt-to-equity ratio, the 'deposits for future stock subscription' formed part of the total shareholders' equity, 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:

	2020	2019
Total current assets	₱370,339,980	₱475,707,247
Total current liabilities	794,152,391	726,903,359
Current ratio	0.47	0.65
Total liabilities, excluding deposit for future stock subscription	₱3,422,697,174	₱3,272,359,013
Total equity	2,243,084,144	2,802,541,189
Debt-to-equity ratio	1.53	1.17

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 from July 2021 to January 2023 and obtained a credit line amounting to ₱400.0 million.



28. Subsequent Events

- a. On July 23, 2021, the Parent Company obtained the approval of its creditor bank to amend the principal repayments, loan covenants and the waiver of restrictions with respect to quarterly calculation of debt-equity and debt service coverage ratio (see Note 15). This event is considered as non-adjusting and will affect the current and noncurrent classification of the loans payable in the 2021 consolidated financial statements.
- b. On July 30, 2021, the Parent Company obtained the approval of its credit line facility amounting to ₱400.0 million (see Note 15).

29. Supplementary Information Required Under 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, 2020.

- a. The Parent Company has VAT output tax declaration of ₱5.6 million in 2020 based on the amount reflected in the revenue from hotel and food and beverage and other revenue arising from sale of tobacco amounting to ₱46.4 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	₱412,794,125
Purchases of:	
Goods other than for resale	3,291,732
Services lodged under other accounts	13,829,019
Claims for tax credit/refund and other adjustments	(5,564,424)
<u>Balance at end of the year</u>	<u>₱424,350,452</u>

- b. Other taxes and licenses

Details consist of the following:

National	
Filing and listing fees	₱1,024,921
Documentary stamp taxes	1,277,342
Public performance license	118,970
Custom duties and taxes	12,500
BIR registration	500
	<u>2,434,233</u>



Local	
Real property tax	47,616,550
Business permit	740,829
PEZA permit	345,849
Inspection fee	115,055
Barangay clearance certificate	23,000
Advertising billboard permit	4,949
Notarial services	4,200
Hotel permit	1,000
Others	62,450
	<hr/>
	48,913,882
Total	<hr/> <hr/>
	₱51,348,115

The Parent Company incurred franchise tax amounting to ₱14.1 million 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 2020 are as follows:

Expanded withholding taxes	₱7,439,551
Withholding taxes on compensation	4,196,228
Final withholding tax	2,761,418
Total	<hr/> <hr/>
	₱14,397,197

Tax Assessments or Tax Cases

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



Annex "B"
Consolidated Financial Statements

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COVER SHEET

for
AUDITED CONSOLIDATED FINANCIAL STATEMENTS

SEC Registration Number

0	0	0	0	0	1	0	0	2	0
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COMPANY NAME

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

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

W	i	n	f	o	r	d	H	o	t	e	l	a	n	d	C	a	s	i	n	o	,	M	J	C
D	r	i	v	e	,	S	t	a	.	C	r	u	z	,	M	a	n	i	l	a				

Form Type
A A C F S

Department requiring the report
S E C

Secondary License Type, If Applicable
N / A

COMPANY INFORMATION

Company's Email Address -	Company's Telephone Number (02)8632-7373	Mobile Number -
No. of Stockholders 433	Annual Meeting (Month / Day) 12/04	Fiscal Year (Month / Day) 12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person Joemar Onnagan	Email Address joemar.onnagan@winfordmanila.com	Telephone Number/s (02)8528-3600 (loc. 1132)	Mobile Number (+63) 917-595-5222
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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.

NOTE 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.





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, 2020, 2019 and 2018, 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.

A handwritten signature in blue ink, appearing to read 'Alfonso R. Reyno, Jr.', written over a horizontal line.

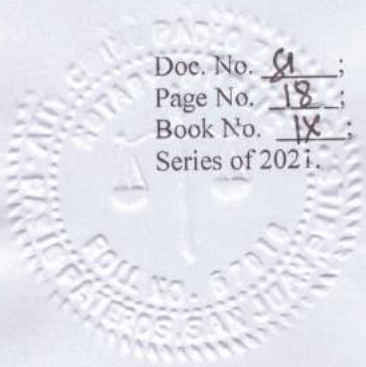
Alfonso R. Reyno, Jr.
Chairman of the Board and Chief Executive Officer

A handwritten signature in blue ink, appearing to read 'Jose Alvaro D. Rubio', written over a horizontal line.


Jose Alvaro D. Rubio
Treasurer and Chief Financial Officer

SUBSCRIBED AND SWORN to before me AUG 04 2021 day of PASIG CITY
affiants exhibiting to me their Taxpayer Identification Numbers as follows

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



Doc. No. 91 ;
Page No. 18 ;
Book No. IX ;
Series of 2021.


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

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, 2020 and 2019, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2020, 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, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2020 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the consolidated financial statements, which indicates that the Group has incurred continuing losses of ₱589.0 million, ₱642.1 million and ₱746.1 million in 2020, 2019 and 2018, respectively, resulting to a capital deficiency of ₱182.9 million as at December 31, 2020. The COVID-19 outbreak and the measures taken have continually caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve. Consequently, the Group's casino and hotel operations have also been disrupted, resulting to limited operations, until such time that the quarantine period is lifted. Furthermore, the Group's current liabilities exceeded its current assets by ₱423.4 million and ₱230.7 million as at December 31, 2020 and 2019, respectively. As stated in Note 1, these conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.



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. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matter described below to be the key audit matters to be communicated in our report. 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 the 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 Impairment of Property and Equipment and Investment Properties

As a result of the continuing community quarantines and restricted travel, the Group's revenue from casino and hotel and restaurant operations continues to be adversely affected by the lower number of operating days and guests. In addition, the lessee's operations have not yet commenced due to the suspension of its construction activities in the Group's investment properties, brought about by the coronavirus pandemic. These events and conditions are impairment indicators requiring the assessment of the recoverable amount of the property and equipment and investment properties amounting to ₱3,766.1 million and ₱744.6 million, respectively, as of December 31, 2020. This impairment testing is significant to our audit because the amounts involved are material to the consolidated financial statements. The assessment of the recoverable amount of property and equipment and investment properties involves significant management judgment, estimation and assumptions about forecasted cashflow and discount rate, among others. In addition, there is a higher level of estimation uncertainty due to the current economic conditions which have been impacted by the coronavirus pandemic.

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 and investment properties are included in Notes 11 and 12, respectively, to the consolidated financial statements.

Audit Response

We obtained the Group's cash flow forecast and involved our internal specialist in evaluating the methodology and assumptions used in the forecasted cash flow and discount rate. We compared the key assumptions used such as revenue growth against industry forecast and lease contract, and the long-term growth rate against relevant economic and external data, which are adjusted to take into consideration the impact associated with the coronavirus pandemic. We also reviewed the forecasted costs and expenses based on the Group's historical performance and current business environment. We tested the parameters used in the determination of discount rate by comparing it against market data. We also reviewed the Group's disclosure about those assumptions to which the outcome of the impairment test is most sensitive, specifically those that have the most significant effect on the determination of the recoverable amount of property and equipment and investment properties.



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, 2020 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, 2020, 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.

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 Jaime F. del Rosario.

SYCIP GORRES VELAYO & CO.



Jaime F. del Rosario

Partner

CPA Certificate No. 56915

SEC Accreditation No. 0076-AR-5 (Group A),

April 30, 2019, valid until April 29, 2022

Tax Identification No. 102-096-009

BIR Accreditation No. 08-001998-072-2020,

November 27, 2020, valid until November 26, 2023

PTR No. 8534239, January 4, 2021, Makati City

August 4, 2021



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	
	2020	2019
ASSETS		
Current Assets		
Cash (Note 6)	₱21,049,397	₱41,787,422
Receivables (Note 7)	204,083,822	238,243,536
Inventories (Note 8)	20,206,354	25,161,248
Input value-added tax (VAT) - current (Note 9)	10,931,369	16,781,594
Other current assets (Note 10)	114,073,654	175,518,066
Total Current Assets	370,344,596	497,491,866
Noncurrent Assets		
Property and equipment (Note 11)	3,766,120,571	4,002,086,816
Investment properties (Note 12)	744,573,541	774,356,482
Input VAT - net of current portion (Note 9)	440,789,218	418,620,752
Other noncurrent assets (Note 13)	344,061,052	404,298,804
Total Noncurrent Assets	5,295,544,382	5,599,362,854
TOTAL ASSETS	₱5,665,888,978	₱6,096,854,720
LIABILITIES AND EQUITY (CAPITAL DEFICIENCY)		
Current Liabilities		
Accounts payable and other current liabilities (Note 14)	₱607,524,451	₱518,842,944
Retention payable (Note 11)	7,934,014	8,795,678
Interest payable (Notes 15 and 21)	40,233,541	15,216,781
Current portion of loans payable (Note 15)	138,039,293	185,287,516
Total Current Liabilities	793,731,299	728,142,919
Noncurrent Liabilities		
Advances from stockholders (Note 21)	436,314,585	343,581,012
Loans payable - net of current portion (Note 15)	2,154,743,374	2,152,350,374
Deposit for future stock subscription (Notes 18 and 21)	2,426,501,748	2,426,501,748
Other noncurrent liabilities (Notes 16 and 17)	37,486,824	47,900,657
Total Noncurrent Liabilities	5,055,046,531	4,970,333,791
Total Liabilities	5,848,777,830	5,698,476,710
Equity (Capital Deficiency)		
Capital stock (Note 22)	3,174,405,821	3,174,405,821
Deficit	(3,365,294,240)	(2,776,315,015)
Actuarial gains on retirement liability (Note 16)	7,999,567	287,204
Net Equity (Capital Deficiency)	(182,888,852)	398,378,010
TOTAL LIABILITIES AND EQUITY (CAPITAL DEFICIENCY)	₱5,665,888,978	₱6,096,854,720

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		
	2020	2019	2018
REVENUE			
Revenue share in gaming operations (Note 17)	₱152,970,083	₱494,548,180	₱365,872,325
Hotel	24,059,292	67,402,013	90,124,116
Food and beverage	19,042,942	86,018,597	78,603,365
Rental (Note 17)	12,096,250	25,057,408	27,369,552
Bingo operations	8,915,161	51,497,934	45,805,234
Other revenue	4,275,109	18,637,766	15,260,167
	221,358,837	743,161,898	623,034,759
OPERATING COSTS AND EXPENSES (Note 24)	(664,389,033)	(1,199,566,612)	(1,179,639,463)
OPERATING LOSS	(443,030,196)	(456,404,714)	(556,604,704)
OTHER INCOME (EXPENSES)			
Interest expense and other financing charges (Notes 15, 17 and 21)	(148,507,290)	(201,271,813)	(189,478,166)
Interest income (Notes 6 and 10)	2,138,149	316,379	528,936
Gain on sale of kitchen and bar equipment (Note 11)	–	13,428,161	–
Miscellaneous income (expenses) - net	446,222	1,902,282	(411,657)
	(145,922,919)	(185,624,991)	(189,360,887)
LOSS BEFORE INCOME TAX	(588,953,115)	(642,029,705)	(745,965,591)
PROVISION FOR INCOME TAX (Note 19)	(26,110)	(63,227)	(94,656)
NET LOSS	(588,979,225)	(642,092,932)	(746,060,247)
OTHER COMPREHENSIVE INCOME			
<i>Item that will not be reclassified to profit or loss in subsequent periods:</i>			
Re-measurement gain (loss) on defined benefit obligation (Note 16)	7,712,363	(2,047,307)	1,645,945
TOTAL COMPREHENSIVE LOSS	(₱581,266,862)	(₱644,140,239)	(₱744,414,302)
Basic/Diluted Loss Per Share (Note 23)	₱0.186	₱0.202	₱0.235

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, 2020, 2019 AND 2018**

	Capital Stock (Note 22)	Deficit	Actuarial gains on retirement liability (Note 16)	Total
BALANCES AT DECEMBER 31, 2017	₱3,174,405,821	(₱1,388,161,836)	₱688,566	₱1,786,932,551
Net loss	–	(746,060,247)	–	(746,060,247)
Other comprehensive income	–	–	1,645,945	1,645,945
Total comprehensive income (loss)	–	(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
Net loss	–	(642,092,932)	–	(642,092,932)
Other comprehensive loss (Note 16)	–	–	(2,047,307)	(2,047,307)
Total comprehensive loss	–	(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
Net loss	–	(588,979,225)	–	(588,979,225)
Other comprehensive income (Note 16)	–	–	7,712,363	7,712,363
Total comprehensive income (loss)	–	(588,979,225)	7,712,363	(581,266,862)
BALANCES AT DECEMBER 31, 2020	₱3,174,405,821	(₱3,365,294,240)	₱7,999,567	(₱182,888,852)

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		
	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax	(P588,953,115)	(P642,029,705)	(P745,965,591)
Adjustments for:			
Depreciation and amortization (Notes 11, 12, 13 and 24)	280,355,802	431,056,540	514,951,145
Interest expense and other financing charges (Notes 15, 17 and 21)	148,507,290	201,271,813	189,478,166
Interest income (Note 6)	(2,138,149)	(316,379)	(528,936)
Retirement benefit expense (Notes 16 and 24)	1,341,597	3,094,974	4,287,775
Unrealized foreign exchange loss (gain)	84,472	18,021	(669,312)
Gain on sale of disposal of kitchen and bar equipment (Note 11)	–	(13,428,161)	–
Operating loss before working capital changes	(160,802,103)	(20,332,897)	(38,446,753)
Decrease (increase) in:			
Receivables	34,159,714	(8,347,694)	2,610,484
Inventories	4,954,892	(4,565,279)	7,672,727
Input VAT	(16,318,241)	(35,018,697)	(37,811,775)
Other current assets	1,735,414	7,455,877	24,945,283
Increase (decrease) in:			
Accounts payable and other current liabilities	88,681,507	(49,772,048)	251,939,268
Retention payable	(861,664)	(129,657,747)	(140,720,768)
Other noncurrent liabilities	(5,192,119)	34,164,241	–
Net cash generated from (used in) operations	(53,642,600)	(206,074,244)	70,188,466
Income taxes paid	(26,110)	(63,227)	(94,656)
Interest received (Note 6)	2,138,149	316,379	528,936
Net cash flows provided by (used in) operating activities	(51,530,561)	(205,821,092)	70,622,746
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment (Note 11)	(13,802,780)	(54,062,528)	(239,286,846)
Decrease (increase) in other noncurrent assets (Note 13)	59,433,917	15,156,558	(89,038,071)
Proceeds from disposal of non-gaming equipment	–	–	17,985
Net cash flows provided by (used in) investing activities	45,631,137	(38,905,970)	(328,306,932)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of loan (Note 15):			
Principal	(47,100,000)	(2,800,000,000)	(700,000,000)
Interest and other financing charges	(130,067,342)	(187,818,869)	(185,505,520)
Decrease (increase) in restricted cash (Notes 10 and 15)	59,708,998	(163,271,629)	–
Proceeds from:			
Advances from stockholders (Note 21)	102,704,215	343,581,012	–
Loans payable (Note 15)	–	2,337,337,500	–
Deposit for future stock subscription (Notes 18 and 21)	–	284,300,651	1,056,068,456
Net cash provided by (used in) financing activities	(14,754,129)	(185,871,335)	170,562,936
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(84,472)	(18,021)	669,312
NET DECREASE IN CASH	(20,738,025)	(430,616,418)	(86,451,938)
CASH AT BEGINNING OF YEAR	41,787,422	472,403,840	558,855,778
CASH AT END OF YEAR (Note 6)	P21,049,397	P41,787,422	P472,403,840

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

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

The 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 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 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. On August 1, 2019, the junket agreement between TSLC and PAGCOR expired and was no longer renewed (see Note 2).

Status of Operations

Gaming 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 months and imposed community quarantines. The Office of the President issued several directives for the classification of each of the cities and municipalities in different levels of community quarantine between March 13, 2020 to date.

Philippine Amusement Gaming Corporation (PAGCOR) issued a memorandum dated March 15, 2020 to suspend all gaming operations in Metro Manila. On June 16, 2020, the casino has resumed its operations as approved by PAGCOR at 30% capacity and eight-hour daily operations until July 3, 2020. On July 4, 2020, the casino operation moved to temporarily cease operations until August 20, 2020. On August 21, 2020, the casino has again resumed limited operation and subsequently, on November 23, 2020 it has been allowed to operate at 24-hours until re-imposition of enhanced community quarantine on March 29, 2021. Casino operations has been suspended from March 29, 2021 until April 30, 2021. On May 1, 2021, upon imposition of modified enhanced community quarantine in Metro Manila, PAGCOR and Inter-agency Task Force (IATF) have allowed the casino to resume 12 hours operations at 50% capacity and on an invitational basis only until May 31, 2021. On June 1, 2021, it has been downgraded to general community quarantine until August 5, 2021 hence, the casino can operate for 24 hours. On July 29, 2021, the IATF has again placed Metro Manila on enhanced community quarantine from August 6 to 20, 2021.

As of the date of the auditor's report, the Group has not yet resumed its full operation of the casino and is dependent on the quarantine classification put in place by IATF.

Hotel Operations

On June 7, 2020, the hotel resumed its operations after receiving the approval from the Department of Tourism (DOT). 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. DOT has not yet allowed the Group to accommodate leisure booking and is currently operating as a quarantine facility for returning overseas Filipino workers as booked by OWWA (Overseas Workers Welfare Administration).

For the years ended December 31, 2020, 2019 and 2018 the Group reported net losses of ₱589.0 million, ₱642.1 million, and ₱746.1 million, respectively, which resulted to capital deficiency amounting ₱182.9 million as at December 31, 2020. Furthermore, the Group's current liabilities exceeded its current assets by ₱423.4 million and ₱230.7 million as at December 31, 2020 and 2019, respectively.

These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as going concern.



Management will continue to carry out activities to pursue business opportunities related to its gaming, hotel, and rental operations. 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 to ensure compliance with PAGCOR's memorandum and directives. The Group is also exploring new business opportunities.

The Group's ability to continue as a going concern is dependent on the commitment to defer payment of advances from related party and stockholders, waiver of management service fees and extension of credit line facility by a local bank.

On July 23, 2021, the Group obtained the approval of its request from a local bank to defer its loan principal payments. Moreover, on July 30, 2021, a credit line facility was extended by a local bank to the Group (see Note 15). This is to ensure that the Group has adequate funds for its working capital needs and to meet its maturing obligations.

Authorization for the Issuance of the Consolidated Financial Statements

The consolidated financial statements as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 were approved and authorized for issuance by the Board of Directors (BOD) on August 4, 2021.

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.

In accordance with PAGCOR memorandum, bingo operation was temporarily suspended since March 13, 2020. As of August 4, 2021, the Group has not yet resumed its bingo operations.

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 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 is recorded as part of "Trade non-related parties" under "Receivables" in the consolidated statements of financial position as of December 31, 2020 and 2019 (see Note 7). The minimum guaranteed fee that is outstanding as of December 31, 2020 amounting to ₱17.0 million was collected in full in 2021.



- 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 "Trade non-related parties" under "Receivables" in the consolidated statement of financial position as of December 31, 2019 (see Note 7). In 2020, the administrative charge deposit was collected from PAGCOR.
- 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 "Trade non-related parties" under "Receivables" in the consolidated statement of financial position as of December 31, 2019 (see Note 7). In 2020, the cash bond was collected from PAGCOR.

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 expired. The junket agreement was no longer renewed.

In 2019, TSLC generated revenue of ₱0.8 million and presented as part of "Other revenue" in the consolidated statement of comprehensive income (nil in 2020 and 2018).

3. Basis of Preparation and Statement of Compliance

Basis of Preparation

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

Statement of Compliance

The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (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 for the adoption of new standards effective as at January 1, 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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

The amendments to PFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments may impact future periods should the Group enter into any business combinations.

The Group did not enter into any business combinations during the year.

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*

The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

The amendments did not have any material impact to 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 provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

The amendments did not have any material impact to the Group.

- Conceptual Framework for Financial Reporting issued on March 29, 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.



The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

The revised Conceptual Framework did not have any material impact to the Group.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted.

The amendments did not have any material impact to the Group.

Standards Issued but not yet Effective

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

Effective beginning on or after January 1, 2021

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Group shall also disclose information about:

- The about the nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and



- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition.

The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively, however, the Group is not required to restate prior periods.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments will apply when the Group sells its property and equipment in the future.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022.

The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.



- *Annual Improvements to PFRSs 2018-2020 Cycle*

- Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

- Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The Group is currently assessing its impact to the consolidated financial statements.

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

Effective beginning January 1, 2023

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right



- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- 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.

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

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiary, TSLC, 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 the Subsidiary

The financial statements of the subsidiary is prepared for the same reporting year using uniform accounting policies as those of the Group.



Functional and Presentation Currency

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

Current versus Noncurrent Classification

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

An asset is current when it is:

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

All other assets are classified as noncurrent.

A liability is current when:

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

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities. Retirement 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 of input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level of 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

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

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 fair value through other comprehensive income (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 solely payments of principal and interest (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 AC 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, receivables (excluding "advances from employees"), deposits (presented as part of "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).

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 statement of comprehensive income as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the consolidated statement 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, 2020 and 2019, the Group does not have financial assets at FVTPL.



Financial Assets at FVOCI

Debt Instruments

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

As of December 31, 2020 and 2019, the Group does not have debt instruments at FVOCI.

Equity instruments

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

As of December 31, 2020 and 2019, the Group does not have equity instruments at FVOCI.

Derecognition

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

- the rights to receive cash flows from the asset expires;
- 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; 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 or asset.

Impairment of Financial Assets

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance



is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Loss Allowance

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

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

The Group considers a financial asset in default when contractual payments are 90 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.

Classification of financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at FVTPL
- Financial liabilities at AC (loans and borrowings)

The Group's financial liabilities include accounts payable and other current liabilities (excluding "withholding taxes payable"), retention payable, interest payable and loans payable.

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.



Gains or losses on liabilities held for trading are recognized in the statement of profit or loss. Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied.

The Group has not designated any financial liability at FVTPL.

Financial liabilities at AC (loans and borrowings)

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at AC using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings, accounts payable and other current liabilities, interest payable, retention payables, and advances from stockholders.

Derecognition

A financial liability (or a part of a financial liability) is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability or a part of it are substantially modified, such an exchange or modification is treated as a derecognition of the original financial liability and the recognition of a new financial liability, and the difference in the respective carrying amounts is recognized in profit or loss in the consolidated statement of comprehensive income.

Exchange or modification of financial liabilities

The Group considers both qualitative and quantitative factors in assessing whether a modification of financial liabilities is substantial or not. The terms are considered substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial liability. However, under certain circumstances, modification or exchange of a financial liability may still be considered substantial, even where the present value of the cash flows under the new terms is less than 10% different from the present value of the remaining cash flows of the original financial liability. There may be situations where the modification of the financial liability is so fundamental that immediate derecognition of the original financial liability is appropriate (e.g., restructuring a financial liability to include an embedded equity component).

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. The difference between the carrying value of the original financial liability and the fair value of the new liability is recognized in profit or loss.

When the exchange or modification of the existing financial liability is not considered as substantial, the Group recalculates the gross carrying amount of the financial liability as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR and recognizes a modification gain or loss in profit or loss.



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 statement 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:

	<u>Useful Lives in Years</u>
Building	30
Machinery	10
Non-gaming equipment	5
Kitchen and bar equipment, computer software and hardware	3

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 statement 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.

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.

Advances to Contractors and Suppliers

Advances to contractors and suppliers are noninterest bearing down payments which are applied against progress billings by the contractors and suppliers. Advances to contractors and suppliers are presented under "Other noncurrent assets" in the consolidated statement of financial position.



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 Nonfinancial 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 statement 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, 2020 and 2019 are recognized under “Accounts payable and other current liabilities” in the consolidated financial statements.

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 statement 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

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 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.

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 insignificant portion of the hotel (classified as Property and Equipment) 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.

Operating Costs and Expenses

Costs and expenses are recognized in the consolidated statement 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 statement 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

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

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.

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.

Lease Modification.

Lease modification is defined as a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease e.g., addition or termination of the right to use one or more underlying assets, or the extension or shortening of the contractual lease term.

In case of a lease modification, the lessor shall account for any such modification by recognizing a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease. In case of change in lease



payments for an operating lease that does not meet the definition of a lease modification, the lessor shall account for any such change as a negative variable lease payment and recognize lower lease income.

Provisions

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

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

Earnings (Loss) Per Share

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

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

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

Segment Reporting

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

An operating segment is a component of an entity:

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

Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS requires the Group to make judgments, 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 report 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. Management believes that it will be able to generate positive cash flows and has obtained from its creditor banks the approval to defer loan payments and credit facilities. In making this judgment, the Group evaluates among other factors, existing and committed cash reserves, challenges imposed by the COVID-19 pandemic, current run-rate performance of the business as well as expected future performance based on internal models informed by competitive market dynamics and macroeconomic factors. Accordingly, the financial statements are prepared on a going concern basis since management has concrete plans with regards to the Group as disclosed in Note 1.

Evaluating Lease Commitments

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

Group as the Lessor - Operating Lease Commitments

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

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 and rental operations as of December 31, 2020 and 2019, 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).

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial years are discussed below.

Definition of Default and Credit-Impaired Financial Assets

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

- *Quantitative Criteria*

The borrower is more than 90 days past due on its contractual payments, which is consistent with the Group's definition of default.

- *Qualitative Criteria*

The borrower meets unlikelihood 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.

In light of COVID-19 pandemic, the Group reviewed the conduct of its impairment assessment and ECL methodology. The Group also reassessed the framework for macroeconomic overlay, incorporating pandemic scenarios to ensure that changes in economic conditions are captured in the ECL calculations.

Allowance for expected credit losses as of December 31, 2020 and 2019 amounted to ₱118.3 million and ₱110.4 million, respectively. The carrying amounts of receivables (including “Receivable arising from PTO related to gaming equipment – net of current portion” presented as part of “Other Noncurrent Assets”) for which the management believes to be recoverable amounted to ₱535.2 million and ₱629.9 million as at December 31, 2020 and 2019, respectively (see Notes 7 and 13).

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

The useful lives of each of the Group’s property and equipment and investment properties are estimated based on the period over which the assets are expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives of each asset are reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. It is possible, however, that future financial performance could be materially affected by changes in the amounts and timing of recorded expenses brought about by the changes in the factors mentioned above. A reduction in the estimated useful lives of any property and equipment and investment property would increase the recorded operating expenses and decrease noncurrent assets.

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



Impairment of Property and Equipment and Investment Properties

The Group determines whether its property and equipment and investment properties are impaired whenever events or changes in circumstances indicate that the carrying values of the assets may not be recoverable. The recoverable amount of an asset is the higher of its fair value less cost to sell and value in use. Recoverable amounts are estimated for an individual assets, or if possible, for the CGU to which the asset belongs, while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. 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 impact of COVID-19 outbreak in the industry or economic trends.

As a result of the continuing community quarantines and restricted travel, the Group's revenue from casino, hotel and restaurant operations continues to be adversely affected by the lower number of operating days and guests. In addition, the lessee's operations have not yet commenced due to the suspension of its construction activities in the Group's investment properties, brought about by the COVID-19 pandemic. These events and conditions are impairment indicators requiring the assessment of the recoverable amount of the property and equipment and investment properties.

The Group estimates the recoverable amount of the property and equipment and investment properties based on value in use. For property and equipment, value in use calculations uses pre-tax cash flow projections based on the prospective financial information using 5-year forecast. These pre-tax cash flow projections were approved by management. The cash flow projections assumed the potential revenue growth rate against the industry and the long-term growth rate against relevant economic and external data, which are adjusted to take into consideration the impact associated with the COVID -19 pandemic.

For investment properties, value in use calculations uses pre-tax cash flow projections based on the prospective financial information using 9-year forecast of cash flows relating to its lease contract. The cash flow projections assumed the potential revenue growth rate against the industry and the long-term growth rate against relevant economic and external data, which are adjusted to take into consideration the impact associated with the coronavirus pandemic.

The forecasted costs and expenses are based on the Group's historical performance and current market conditions.

Based on the Group's impairment testing, no impairment loss was recognized for the years ended December 31, 2020 and 2019. The net book values of the Group's property and equipment and investment properties amounted to ₱3,766.1 million and ₱744.6 million, respectively, as of December 31, 2020; and ₱4,002.1 million and ₱774.4 million, respectively, as of December 31, 2019 (see Notes 11 and 12).

Impairment of Input VAT

The determination of the Group's recoverability of Input VAT is based on the Group's assessment of its projected operating results taking into consideration the significant impact of COVID-19 pandemic in the industry. The Group assessed that the current portion of input VAT amounting to ₱10.9 million is recoverable within the next 12 months from the reporting date and non-current portion amounting to ₱440.8 million is recoverable for the years thereafter (see Note 9). No impairment loss was recognized as of and for the year ended December 31, 2020.



Retirement Benefits

The determination of the Group's obligation and cost for retirement benefits is dependent on the selection of certain assumptions used by the Group's actuary in calculating such amounts. Those assumptions, which include among others, discount rate and future salary increase rate, are described in Note 16 to the consolidated financial statements.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables and is modified accordingly with estimates of mortality improvements. Future salary increases, and retirement increases are based on expected future inflation rates.

Information on the Group's retirement benefits are presented in Note 16 to the consolidated financial statements.

6. Cash

	2020	2019
Cash on hand	₱1,910,295	₱7,322,729
Cash in banks	19,139,102	34,464,693
	₱21,049,397	₱41,787,422

Cash in banks generally earns interest at the respective bank deposit rates. Total interest income earned from cash in banks amounted to ₱0.1 million, ₱0.3 million and ₱0.5 million in 2020, 2019 and 2018, respectively.

7. Receivables

	2020	2019
Trade:		
Non-related parties	₱84,177,684	₱93,909,190
Related parties (Note 21)	418,347	513,923
Nontrade (Note 11)	125,681,357	125,681,357
Receivable arising from PTO related to:		
Gaming equipment (Note 17)	80,983,264	71,241,648
Gaming facility	27,839,504	55,343,119
Advances to employees	3,247,805	1,936,216
	322,347,961	348,625,453
Less: Allowance for ECL	118,264,139	110,381,917
	₱204,083,822	₱238,243,536

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 ECL

The following table shows the rollforward of the allowance for ECL on trade receivables from non-related parties and nontrade receivables as of December 31, 2020 and 2019:

	2020	2019
Balance at beginning of year	P110,381,917	P55,177,100
Provision (Note 24)	7,882,222	55,204,817
	P118,264,139	P110,381,917

8. Inventories

	2020	2019
At cost:		
Operating supplies	P15,784,488	P20,310,583
Food, beverage, and tobacco	4,421,866	4,850,665
	P20,206,354	P25,161,248

Operating supplies include cards, seals and dice.

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

9. Input VAT

	2020	2019
Input VAT- current	P10,931,369	P16,781,594
Noncurrent:		
Input VAT - noncurrent	427,061,029	404,985,744
Deferred input VAT	13,728,189	13,635,008
	440,789,218	418,620,752
	P451,720,587	P435,402,346

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

Deferred input VAT pertains to the VAT related to certain retention payable and noncurrent portion of input VAT related to acquisition of capital goods exceeding P1.0 million.



10. Other Current Assets

	2020	2019
Restricted cash (Note 15)	₱103,562,631	₱163,271,629
CWT	4,920,241	3,804,547
Deposits	4,191,787	3,480,320
Prepayments	1,398,995	4,941,395
Others	–	20,175
	₱114,073,654	₱175,518,066

Restricted cash are interest-bearing special bank accounts which are solely being used to maintain funding for loan quarterly payments in compliance with the requirements of the loan agreement (see Note 15). Total interest income earned from restricted cash amounted to ₱2.0 million, nil and nil in 2020, 2019 and 2018, respectively.

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.

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



11. Property and Equipment

	2020					
	Land	Building	Machinery	Non-gaming equipment	Kitchen and bar equipment, computer software and hardware	Total
Cost						
Balance at beginning of year	₱600,800,000	₱3,489,843,089	₱221,699,406	₱464,754,666	₱636,513,164	₱5,413,610,325
Additions	–	8,947,264	–	1,402,128	3,453,388	13,802,780
Balance at end of year	600,800,000	3,498,790,353	221,699,406	466,156,794	639,966,552	5,427,413,105
Accumulated depreciation						
Balance at beginning of year	–	417,459,176	76,342,833	302,716,169	615,005,330	1,411,523,508
Depreciation (Note 24)	–	119,517,332	23,803,494	93,955,934	12,492,266	249,769,026
Balance at end of year	–	536,976,508	100,146,327	396,672,103	627,497,596	1,661,292,534
Net book value	₱600,800,000	₱2,961,813,845	₱121,553,079	₱69,484,691	₱12,468,956	₱3,766,120,571
	2019					
	Land	Building	Machinery	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/Reclassification	–	(880,651,427)	–	–	(15,593,993)	(896,245,420)
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/Reclassification	–	(98,849,209)	–	–	(13,428,161)	(112,277,370)
Balance at end of year	–	417,459,176	76,342,833	302,716,169	615,005,330	1,411,523,508
Net book value	₱600,800,000	₱3,072,383,913	₱145,356,573	₱162,038,497	₱21,507,833	₱4,002,086,816



As of December 31, 2020 and 2019, land and building, presented as part of property and equipment and investment properties, with an aggregate carrying values of ₱4.3 billion and ₱4.4 billion were pledged as collateral for the loan facility, respectively (see Note 15).

The cost of fully depreciated property and equipment which are still in use amounted to ₱725.4 million and ₱613.7 million as of December 31, 2020 and 2019, respectively.

In 2019, the Parent Company sold kitchen and bar equipment which resulted to a gain of ₱13.4 million. Proceeds from sale of kitchen and bar equipment is recorded as part of “Nontrade receivables” in the consolidated statements of financial position as of December 31, 2020 and 2019, respectively (see Note 7).

As of December 31, 2020 and 2019, the Group has outstanding retention payable to its service providers related to renovation and improvements to the building amounting to ₱ 7.9 million and ₱8.8 million, respectively.

Impairment

As a result of the continuing community quarantines and restricted travel brought about by COVID-19 pandemic, the Group’s revenue from casino, hotel and restaurant operations continues to be adversely affected by the lower number of operating days and guests. These events and conditions are impairment indicators requiring the assessment of the recoverable amount of the property and equipment.

The Group estimates the recoverable amount of the property and equipment based on value in use. The value in use calculations uses pre-tax cash flow projections based on the prospective financial information using 5-year forecast. These pre-tax cash flow projections were approved by management. The cash flow projections assumed the potential revenue growth rate against the industry and the long-term growth rate against relevant economic and external data, which are adjusted to take into consideration the impact associated with the COVID -19 pandemic.

Based on the Group’s impairment testing on property and equipment, no impairment loss was recognized in 2020 and 2019 (see Note 5).

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:

	2020	2019
Cost	₱781,802,218	₱781,802,218
Accumulated depreciation	37,228,677	7,445,736
Net book value	₱744,573,541	₱774,356,482



Movement of accumulated depreciation:

	2020	2019
Beginning balance	₱7,445,736	₱-
Depreciation expense (Note 24)	29,782,941	7,445,736
Ending balance	₱37,228,677	₱7,445,736

No rental income was recognized in 2020 and 2019. Operating expenses related to the investment properties amounted to ₱8.0 million and ₱5.6 million in 2020 and 2019 respectively, which pertains mainly to real property taxes. There were no significant repairs and maintenance were made to maintain the Parent Company's investment properties in 2020 and 2019.

Impairment

As a result of the continuing community quarantines and restricted travel brought about by COVID-19 pandemic, the third-party lessee's operations have not yet commenced due to the suspension of its construction activities in the Group's investment properties. These events and conditions are impairment indicators requiring the assessment of the recoverable amount of the property and equipment and investment properties.

The Group estimates the recoverable amount of the investment properties based on value in use. Value in use calculations for investment properties uses pre-tax cash flow projections based on the prospective financial information using 9-year forecast of cash flow relating to its lease contract, taking into consideration the impact associated with the COVID-19 pandemic. The forecasted costs and expenses are based on the Group's historical performance and current market conditions.

Based on the Group's impairment testing on investment properties, no impairment loss was recognized in 2020.

13. Other Noncurrent Assets

	2020	2019
Receivable arising from PTO related to gaming equipment - net of current portion (Note 17)	₱331,107,901	₱391,670,199
Long-term deposits	6,267,386	6,964,000
Advances to contractors and suppliers	4,779,331	4,779,331
Operating equipment	1,906,434	885,274
	₱344,061,052	₱404,298,804

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



Movement in operating equipment are as follows:

	2020			
	Utensils	Linens	Uniforms	Total
Cost				
Balance at beginning of year	₱23,562,076	₱70,917,497	₱5,340,259	₱99,819,832
Additions	–	1,715,645	109,350	1,824,995
Balance at end of year	23,562,076	72,633,142	5,449,609	101,644,827
Accumulated amortization				
Balance at beginning of year	23,562,076	70,816,300	4,556,182	98,934,558
Amortization (Note 24)	–	327,536	476,299	803,835
Balance at end of year	23,562,076	71,143,836	5,032,481	99,738,393
Net book value	₱–	₱1,489,306	₱417,128	₱1,906,434

	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

14. Accounts Payable and Other Current Liabilities

	2020	2019
Accounts payable	₱364,244,546	₱331,217,937
Accrued expenses	155,934,953	103,806,949
Gaming liabilities	39,147,990	33,872,011
Contract liabilities	16,558,725	15,936,652
Advances from related parties (Note 21)	4,982,104	4,970,819
Taxes payable	3,962,415	5,184,976
Others	22,693,718	23,853,600
	₱607,524,451	₱518,842,944

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, real property tax, 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 loyalty programs.

Contract liabilities pertain to 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. The revenue recognized from prior year performance obligations amounted to ₱4.1 million and ₱4.5 million in 2020 and 2019, respectively.



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

	2020	2019
Principal	₱2,307,900,000	₱2,355,000,000
Less unamortized debt discount	(15,117,333)	(17,362,110)
	2,292,782,667	2,337,637,890
Less current portion of long-term debt	(138,039,293)	(185,287,516)
	₱2,154,743,374	₱2,152,350,374

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

	2020	2019
Balance at beginning of year	₱2,355,000,000	₱2,800,000,000
Payment	(47,100,000)	(2,800,000,000)
Drawdowns	-	2,355,000,000
Balance at end of year	₱2,307,900,000	₱2,355,000,000

The movements in the unamortized debt discount are as follows:

	2020	2019
Unamortized debt discount at beginning of year	₱17,362,110	₱13,490,413
Additions*	1,966,404	17,662,500
Amortization	(4,211,181)	(5,561,533)
Derecognition**	-	(8,229,270)
Unamortized debt discount at end of year	₱15,117,333	₱17,362,110

*This includes adjustments related to loan contract modification.

**Recorded as part of "Interest expense and other financing charges" in the 2019 consolidated statement of comprehensive income.

Future repayment of the principal as follows:

	2020	2019
Within one year	₱141,300,000	₱188,400,000
After one year but not more than five years	2,166,600,000	2,166,600,000
	₱2,307,900,000	₱2,355,000,000

In 2015, the Parent Company signed a 7-year loan agreement with a local bank for a ₱3.5 billion loan 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"). The proceeds from this 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 receiving proceeds of ₱2.5 billion, net of related debt issue cost of ₱30.0 million. Subsequently, 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. Debt issue costs for both loans include documentary stamp tax amounting to ₱17.5 million and upfront fees amounting to ₱17.5 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 part of “Interest expense and other financing charges” in the 2019 consolidated statement of comprehensive income.

In June 2020, in light of the COVID-19 pandemic, the bank provided a revised principal and interest payment scheme, which was accepted by the Parent Company. In August 2020, the bank approved further relief in relation to the terms of the loan. The Parent Company was provided with the following reliefs and agreed on the revised terms of the existing loan agreements with the bank:

- *Principal repayments and interest payment*
Quarterly principal repayment due in June 2020 was deferred to May 2021. Quarterly interest payment was changed to monthly payment starting June 2020 to February 2021 and shall revert to quarterly payments starting May 2021 coinciding with the principal repayment from May 2021 to November 2026.
- *Term loan covenants*
Debt Service Payment Account (DSPA) shall have no build-up on principal plus interest due until April 2021. The monthly buildup will resume starting May 2021 onwards equivalent to one-third of next principal plus interest due.

Debt Service Reserve Account (DSRA) requirement of equivalent to two quarters of principal plus interest shall be deferred to May 2021 onwards.

Restriction with respect to quarterly calculation of debt-equity ratio and debt service coverage ratio was waived and will resume on September 2021 based on June 30, 2021 interim financial statements.

In addition, quarterly principal and interest repayments starting May 2021 were further extended to July 2021 or a 60-day extension by virtue of Bayanihan to Heal as One Act (RA 11469).

Based on the Parent Company’s assessment, these modifications in the contractual cash flows are not substantial and therefore do not result in the derecognition of the affected financial liabilities.

Under the loan agreement, the Parent Company is required to maintain debt service accounts to fund the quarterly principal and interest payments of the loan in accordance with the loan agreement. The cash amounting to ₱103.6 million and ₱163.3 million as of December 31, 2020 and 2019, respectively, are presented under “Other current assets” as “Restricted cash” (see Note 10).



The related interest recognized from the loans amounted to ₱144.7 million and ₱153.4 million and ₱189.5 million in 2020, 2019 and 2018 respectively. Total interest paid amounted to ₱130.1 million ₱150.2 million and ₱185.5 million in 2020, 2019 and 2018, respectively.

The loan is secured by the Parent Company's land and building, classified as property and equipment and investment properties, with an aggregate carrying value of ₱4.3 billion and ₱4.4 billion as of December 31, 2020 and 2019, respectively (see Notes 11 and 12).

On July 23, 2021, the bank provided a further revised principal and interest payment scheme to the Parent Company, which the Parent Company accepted, due to the continuing COVID-19 situation affecting the Parent Company. Details are as follows:

- *Principal repayments*
Quarterly principal repayment due in July 2021 was deferred to January 2023. Accordingly, current portion of the loans payable amounting to ₱138.0 million as of December 31, 2020, will now be due in January 2023.
- *Term loan covenants*
DSPA shall have no build-up up to October 2022. The monthly build-up will resume starting November 2022 onwards equivalent to one-third of next debt service.

DSRA requirement of equivalent to two quarters of debt service starting July 2021.

Restriction with respect to quarterly calculation of debt-equity ratio and debt service coverage ratio is waived and will resume on 2023 based on 2022 consolidated financial statements.

Credit line facility

On July 30, 2021, a local bank provided the Parent Company with a credit line facility amounting to ₱400.0 million. The unused credit line as of August 4, 2021 amounted to ₱400.0 million.

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. In 2020, the Parent Company engaged an independent expert to perform actuarial valuation.

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):

	2020	2019
Current service cost	₱844,346	₱2,760,093
Interest cost	497,251	334,881
	₱1,341,597	₱3,094,974



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

	2020	2019
Balance at beginning of year	₱287,204	₱2,334,511
Actuarial gain (loss) recognized in other comprehensive income	7,712,363	(2,047,307)
	₱7,999,567	₱287,204

The movements in the retirement liability are as follows:

	2020	2019
Balance at beginning of year	₱9,544,160	₱4,401,879
Total retirement expense	1,341,597	3,094,974
Defined benefit loss (income) recognized in OCI	(7,712,363)	2,047,307
Balance at end of year	₱3,173,394	₱9,544,160

Movement in defined benefit obligation are as follows:

	2020	2019
Balance at beginning of year	₱9,544,160	₱4,401,879
Current service cost	844,346	2,760,093
Interest cost	497,251	334,881
Actuarial loss (gain) on:		
Changes in financial assumptions	123,239	2,990,709
Experience adjustments	(7,835,602)	(943,402)
Balance at end of year	₱3,173,394	₱9,544,160

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 as of January 1 are shown below:

	2020	2019
Discount rate	5.21%	7.61%
Salary increase rate	5.00%	5.00%

The latest actuarial valuation made for the plan was as of December 31, 2020.

As of December 31, 2020, discount rate and salary increase rate are 3.90% and 4.00%, respectively.

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, 2020 and 2019 are as follows:

	2020	2019
Less than one year	₱-	₱-
One to less than five years	736,026	345,712
Five to less than ten years	2,451,901	1,375,089
Ten years and above	25,897,525	26,468,627
	₱29,085,452	₱28,189,428

The average duration of the expected benefit payments as of December 31, 2020 and 2019 is 25.2 years and 26.07 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		
	(11.9%) (Actual + 100 basis points (bps))	(₱377,123)
	14.2% (Actual - 100 bps)	450,332
Salary increase rate		
	14.0% (Actual + 100 bps)	₱445,185
	(12.0%) (Actual - 10 bps)	(380,139)

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 ₱225.1 million in 2020, ₱556.9 million in 2019 and ₱413.4 million in 2018. 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 ₱72.1 million, ₱62.4 million and ₱47.5 million in 2020, 2019 and 2018, respectively. Accordingly, revenue share in gaming operations for the year ended December 31, 2020, 2019 and 2018, presented in the consolidated statements of comprehensive income, amounted to ₱153.0 million, ₱494.5 million and ₱365.9 million, respectively.

The details of the revenue share in gaming operations are as follows:

	2020	2019	2018
Revenue share from gaming operations related to:			
Gaming facility	₱106,629,088	₱444,672,706	₱322,178,581
Gaming equipment	46,340,995	49,875,474	43,693,744
	₱152,970,083	₱494,548,180	₱365,872,325

The future minimum collection related to the gaming equipment follows:

	2020	2019	2018
Within one year	₱120,429,069	₱116,483,591	₱100,557,388
After one year but not more than five years	364,869,513	408,454,727	402,229,553
More than five years	39,660,666	86,913,440	93,932,612
	524,959,248	611,851,758	596,719,553
Less: unamortized portion of discount	(112,868,083)	(148,939,911)	(157,363,158)
	412,091,165	462,911,847	439,356,395
Less: current portion (Note 7)	(80,983,264)	(71,241,648)	(57,122,087)
Noncurrent portion (Note 13)	₱331,107,901	₱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 monthly rental fee of ₱30,000 with escalation clause of 10% per annum. In April 2018, the same lease contract was amended to a basic monthly rent of ₱15,000 without escalation, exclusive of VAT. The contract has been renewed in 2020 and shall expire in December 31, 2021.
- 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. In 2020, due to the effects of the COVID-19 pandemic, the Parent Company has waived the basic rental payments and changed the percentage rental to 7% of dine-in sales valid from June 2020 to December 2020 and shall resume to original terms thereafter. The amendments have reduced the total rent income earned from the concessionaire by ₱1.1 million.

- 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. In 2020, due to the effects of the COVID-19 pandemic, the Parent Company has waived the common area charges and basic rental payments and changed the percentage rental to 1% of gross sales valid from June 2020 to December 2020 and is further extended until June 2021.
- 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. In 2020, due to the effects of the COVID-19 pandemic, the Parent Company has waived the basic rental payments valid from April 2020 to December 2020 and is further extended until June 2021.
- 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. On March 2020, due to the COVID-19 pandemic, its operations have been closed and its contract has been terminated.
- 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. The contract has been renewed in 2020 and shall expire in December 31, 2022.
- 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. On March 2020, due to the COVID-19 pandemic, its operations have been closed and its contract has been terminated.



- 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. On November 2019, the lease contract has been terminated.
- i. 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.
- j. 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.
- k. 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. On March 2020, due to the COVID-19 pandemic, its operations have been closed and its contract has been terminated.
- l. 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. In 2020, due to the effects of the COVID-19 pandemic, the Parent Company has waived the basic rental payments valid from March 2020 to December 2020 and shall resume to original agreement thereafter.
- m. 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. In 2020, conversion has been suspended indefinitely due to COVID-19 pandemic. No rental income was recognized in 2020 and 2019.

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

	2020	2019
Within one year	₱4,111,337	₱115,624,030
After one year but not more than five years	543,462,011	674,994,950
Five years onwards	784,635,314	789,166,369
	₱1,332,208,662	₱1,579,785,349



Rent income amounted to ₱12.1 million, ₱25.1 million and ₱27.4 million in 2020, 2019 and 2018, respectively. Interest expense on the security deposit amounted to ₱1.1 million, ₱0.3 million and nil in 2020, 2019 and 2018, respectively.

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.

Due to COVID-19 crisis, the service providers have waived fees pertaining to March to December 2020. Total service fees recognized in 2020, 2019 and 2018 under these agreements amounted to ₱6.3 million, ₱34.8 million and ₱31.6 million, respectively (see Note 24).

On June 30, 2021, the service providers have also agreed to waive fees for the whole year of 2021.

18. Deposit for Future Stock Subscription

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

As of August 4, 2021, the Parent Company is in the process of applying with the SEC (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 ₱26,110, ₱63,227 and ₱94,656 in 2020, 2019 and 2018, respectively.



As of December 31, 2020 and 2019, no deferred tax assets were recognized as management believes that the Group may not have sufficient future taxable income from its hotel and rental 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, 2020 and 2019, net unrecognized deferred tax assets from its operations other than gaming are composed of the following:

	2020	2019
Deferred tax assets:		
Net operating loss carry over (NOLCO)	₱583,041,155	₱654,878,841
Allowance for ECL	35,479,242	33,114,575
Unearned income	5,975,748	4,149,324
Customer deposits	1,315,592	1,339,244
Retirement liability	744,675	1,948,749
	626,556,412	695,430,733
Deferred tax liabilities:		
Deferred rent income	920,367	888,515
Unrealized foreign exchange gain - net	170,046	195,388
Unrealized gain on loan modification	268,113	-
	1,358,526	1,083,903
Deferred tax assets - net	₱625,197,886	₱694,346,830

As of December 31, 2020, the details of NOLCO is as follows:

NOLCO

On September 30, 2020, the BIR issued Revenue Regulations (RR) No. 25-2020 implementing Section 4 of "Bayanihan to Recover As One Act" which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five consecutive taxable years immediately following the year of such loss.

As of December 31, 2020, the Group has incurred NOLCO before taxable year 2020 which can be claimed as deduction from the regular taxable income for the next three consecutive taxable years, as follows:

Year Incurred	Beginning Balance	Incurred	Expired	Ending Balance	Available Until
2017	₱762,029,320	₱-	(₱762,029,320)	₱-	2020
2018	701,678,755	-	-	701,678,755	2021
2019	719,221,396	-	-	719,221,396	2022
	₱2,182,929,471	₱-	(₱762,029,320)	₱1,420,900,151	

As of December 31, 2020, the Group has incurred NOLCO in taxable year 2020 which can be claimed as deduction from the regular taxable income for the next five consecutive taxable years pursuant to the Bayanihan to Recover As One Act, as follows:

Year Incurred	Beginning Balance	Incurred	Expired	Ending Balance	Available Until
2020	₱-	₱522,570,365	₱-	₱522,570,365	2025



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 follows:

	2020	2019	2018
Benefit from income tax based on accounting income before income tax	(₱176,685,935)	(₱192,608,912)	(₱223,789,677)
Additions to (reductions in) income tax resulting from tax effects of:			
Expired NOLCO	228,608,796	121,794,713	17,263,101
Movement in unrecognized deferred tax assets	(69,148,944)	113,699,070	208,863,490
Loss (income) from gaming operations exempt from income tax	17,926,129	(51,618,609)	(4,427,264)
Nondeductible expenses (nontaxable income) and others	(58,602)	8,828,652	2,232,402
Interest income subjected to final tax	(615,334)	(31,687)	(47,396)
Provision for income tax	₱26,110	₱63,227	₱94,656

Impact of RA No. 11534 or CREATE Act

President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax (CIT) and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Group:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25%.
- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 for financial reporting purposes.

Applying the provisions of the CREATE Act, the Group would have been subjected to lower regular corporate income tax rate of 27.5% effective July 1, 2020.

- Based on the provisions of Revenue Regulations (RR) No. 05-2021 dated April 8, 2021 issued by the BIR, the prorated CIT rate of the Group for CY2020 is 27.5%. This has no impact to the Group's provision for current income tax and income tax payable as of December 31, 2020 as the Group is in net operating loss position amounting to ₱522.6 million.
- The Group does not recognize deferred tax assets as of December 31, 2020. This is not expected to impact the consolidated financial statements in 2021.



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:

Party	Amount/Volume			Receivable (Payable)		Financial Statements Account	Terms	Conditions
	2020	2019	2018	2020	2019			
Stockholder								
Manila Jockey Club, Inc. (MJCI)								
Deposit for future stock subscription (Note 18)	₱-	₱84,000,000	₱84,979,217	(₱321,233,646)	(₱321,233,646)	Deposit for future stock subscription	Non-interest bearing	Unsecured, unguaranteed
Advances ^(a) (Note 14)	(11,285)	-	-	(4,982,104)	(4,970,819)	Advances from related parties	Non-interest bearing; due and demandable	Unsecured, unguaranteed
Commission from the off-track betting ^(b) (Note 7)	(41,389)	105,701	167,932	418,347	459,736	Receivable	Non-interest bearing; due and demandable	Unsecured, unguaranteed
Various Shareholders								
Deposit for future stock subscription (Note 18)	-	200,300,651	971,089,239	(2,105,268,102)	(2,105,268,102)	Deposit for future stock subscription	Non-interest bearing	Unsecured, unguaranteed
Advances from stockholders ^(c)	102,704,215	343,581,012	-	(446,285,227)	(343,581,012)	Advances from stockholders	Interest-bearing and non-interest bearing	Unsecured, unguaranteed
Interest payable on advances from stockholders ^(c)	13,534,528	1,623,611	-	(15,158,139)	(1,623,611)	Interest payable	Non-interest bearing;	Unsecured, unguaranteed



Party	Amount/Volume			Receivable (Payable)		Financial Statements Account	Terms	Conditions
	2020	2019	2018	2020	2019			
<i>Affiliate</i> Manila Cockers Club, Inc. (MCI)								
Commission from the off-track betting (d), (e) (Note 7)	₱-	₱2,899,564	₱4,367,699	₱-	₱54,187	Receivable	Noninterest bearing; due and demandable	Unsecured, unimpaired
				2,426,501,748	2,426,501,748	Deposit for future stock subscription		
				4,982,104	4,970,819	Advances from related parties		
				418,347	513,923	Receivable		
				446,285,227	343,581,012	Advances from stockholders		
				15,158,139	1,623,611	Interest payable		

^(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. The payable amount is gross of discount on non-interest bearing advances from shareholders amounting to ₱9,970,642 and nil in 2020 and 2019, respectively.

^(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 ₱26.5 million, ₱35.1 million, and ₱33.5 million as of December 31, 2020, 2019 and 2018, respectively. The compensations are short-term employee benefits.

The Group has no standard arrangement with regard to the remuneration of its directors. In 2020, 2019 and 2018, the BOD received directors' fees aggregating to ₱0.9 million, ₱0.7 million and ₱0.7 million respectively (Note 24).

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, 433 and 434 equity holders for the years 2020, 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 August 4, 2021, the stock rights offering is still pending approval of SEC.



23. Basic/Diluted Loss Per Share

	2020	2019	2018
Net loss	₱588,979,225	₱642,092,932	₱746,060,247
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	₱0.186	₱0.202	₱0.235

The Group has no potential dilutive common shares as of December 31, 2020, 2019 and 2018. Therefore, the basic and diluted loss per share are the same as of those dates.

24. Operating Costs and Expenses

	2020	2019	2018
Depreciation and amortization (Notes 11, 12 and 13)	₱280,355,802	₱431,056,540	₱514,951,145
Salaries and wages	64,716,520	85,845,771	63,922,922
Utilities	57,545,363	93,983,063	93,705,878
Taxes and licenses	51,388,603	44,141,254	35,158,649
Repairs and maintenance	40,398,581	44,659,054	40,390,203
Contracted services	31,727,740	89,438,862	73,607,692
Security services	20,028,847	41,985,517	36,478,069
Advertising and marketing	18,437,847	32,639,466	31,289,095
Food, beverage, and tobacco	13,462,213	44,379,030	31,044,175
Hotel room and supplies	11,885,174	22,146,015	15,262,456
Insurance	8,302,163	6,415,174	6,425,422
Provision for ECL (Note 7)	7,882,222	55,204,817	55,177,100
Professional fees	7,811,520	12,444,111	13,898,503
Communication	7,268,015	7,385,551	7,270,000
Service fee (Note 17)	6,253,571	34,780,715	31,631,071
Transportation and travel	6,140,923	7,688,775	6,573,515
Gaming fees (Note 2)	5,688,253	53,999,160	65,820,131
Banquet expenses	4,254,816	21,171,297	22,607,167
Entertainment	2,693,856	13,949,007	11,694,686
Rent	1,561,643	2,977,415	2,531,601
Meetings and conferences	1,401,096	1,533,809	1,402,898
Supplies	1,359,687	3,787,909	3,518,538
Commission	1,352,842	1,926,430	3,148,816
Retirement (Note 16)	1,341,597	3,094,974	4,287,775
Directors' fees (Note 21)	867,000	675,000	680,000
Others	10,263,139	42,257,896	7,161,956
	₱664,389,033	₱1,199,566,612	₱1,179,639,463



25. Operating Segment Information

The Group has two operating segments in 2020, 2019, and 2018. Gaming segment pertains to casino operations while non-gaming pertains to hotel operations. Management monitors the operating results of its operating segments for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net income or loss and is measured consistently with the total comprehensive loss on the consolidated financial statements. The Group's asset-producing revenues are located in the Philippines (i.e., one geographical location). Therefore, geographical segment information is no longer presented.

Segment Revenue and Expenses

The segment results for the years ended December 31, 2020, 2019 and 2018 are as follows:

	2020		
	Gaming	Non-gaming	Total
Revenue	₱161,885,244	₱59,473,593	₱221,358,837
Operating costs and expenses	(219,872,160)	(444,516,873)	(664,389,033)
Other expenses - net	–	(145,922,919)	(145,922,919)
Provision for income tax	–	(26,110)	(26,110)
Net loss	(₱57,986,916)	(₱530,992,309)	(₱588,979,225)

	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)

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, 2020 and 2019 are as follows:

	2020		
	Gaming	Non-gaming	Total
Assets	₱1,417,480,295	4,248,408,683	₱5,665,888,978
Liabilities	300,097,400	5,548,680,430	5,848,777,830
Capital expenditures	564,253	13,238,527	13,802,780
Interest income	–	2,138,149	2,138,149
Depreciation and amortization	73,614,690	206,741,112	280,355,802



	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

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

The Group's consolidated financial instruments comprise of cash, receivables (excluding "advances from employees"), deposits (presented as part of "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, 2020 and 2019 as follows:

	2020	2019
At amortized cost/loans and receivables:		
Cash in banks* (Note 6)	₱19,139,102	₱34,464,693
Receivables** (Note 7)	200,836,017	236,307,320
Deposits (Note 10)	4,191,787	3,480,320
Long-term deposits (Note 13)	6,267,386	6,964,000
Receivable arising from PTO related to gaming equipment - net of current portion (Note 13)	331,107,901	391,670,199
	₱561,542,193	₱672,886,532

*Excluding cash on hand amounting to ₱1,910,295 and ₱7,322,729 as of December 31, 2020 and, 2019, respectively.

**Excluding advances to employees amounting to ₱3,247,805 and ₱1,936,216 as of December 31, 2020 and, 2019, respectively



If modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the financial instrument and are amortized over the remaining term of the modified financial instrument.

Reclassifications of Financial Instruments

The Group reclassifies its financial instruments when, and only when, there is a change in the business model for managing the financial instruments. 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 instruments.

Offsetting of Financial Instruments

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

Cash

Cash in the consolidated statement of financial position comprises 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.

VAT

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

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statement 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 statement 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 statement of financial position.

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.

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 "Other current assets" in the consolidated statement of financial position. CWT is stated at its estimated NRV.



As of December 31, 2020 and 2019, the aging analysis of receivables is as follows:

2020	Total	Neither past due nor impaired	Past due but not impaired					Impaired
			Less than 30 days past due	31 to 60 days past due	61 to 90 days past due	91 to 180 days past due	More than 180 days past due	
Trade:								
Non-related parties	₱84,177,684	₱19,504,043	₱2,213,768	₱502,416	₱1,712,900	₱-	₱52,362,335	₱7,882,222
Related parties	418,347	418,347	-	-	-	-	-	-
Nontrade	125,681,357	-	-	-	-	-	15,299,440	110,381,917
Receivable arising from PTO	439,930,669	439,690,546	-	155,357	-	-	84,766	-
	₱650,208,057	₱459,612,936	₱2,213,768	₱657,773	₱1,712,900	₱-	₱67,746,541	₱118,264,139

2019	Total	Neither past due nor impaired	Past due but not impaired					Impaired
			Less than 30 days past due	31 to 60 days past due	61 to 90 days past due	91 to 180 days past due	More than 180 days past due	
Trade:								
Non-related parties	₱93,909,190	₱36,132,819	₱2,381,127	₱2,382,493	₱2,282,574	₱6,465,856	₱44,264,321	₱-
Related parties	513,923	513,923	-	-	-	-	-	-
Nontrade	125,681,357	15,299,440	-	-	-	-	-	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

The table below shows the credit quality of the Group's neither past due nor impaired receivables as of December 31, 2020 and 2019, based on the Group's experience with its debtor's ability to pay:

	2020			
	Grade A	Grade B	Grade C	Total
Trade:				
Non-related parties	₱17,889,544	₱376,746	₱1,237,753	₱19,504,043
Related parties	418,347	-	-	418,347
Receivable arising from PTO	439,690,546	-	-	439,690,546
	₱457,998,437	₱376,746	₱1,237,753	₱459,612,936

	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
Nontrade	-	-	-	-
Receivable arising from PTO	518,129,515	-	-	518,129,515
	₱565,691,452	₱580,964	₱3,803,281	₱570,075,697

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.

On July 23, 2021, the bank provided a revised principal and interest payment scheme to the Parent Company, which the Parent Company accepted, due to the continuing COVID-19 situation affecting the Parent Company (see Note 15).

On July 30, 2021, a local bank provided the Parent Company with a credit line facility amounting to ₱400.0 million. The unused credit line as of August 4, 2021 amounted to ₱400.0 million (see Note 15)

The tables below summarize the maturity profile of the Group's financial liabilities as at December 31, 2020 and 2019 based on contractual undiscounted payments.

	2020			
	Due and Demandable	Less than 1 year	1 year or above	Total
Loans payable*	₱–	₱276,209,870	₱2,504,005,465	₱2,780,215,335
Accounts payable and other current liabilities**	4,982,104	584,730,740	–	589,712,844
Retention payable	7,934,014	–	–	7,934,014
Interest payable	–	40,233,541	–	40,233,541
Advances from stockholders*	–	–	503,333,315	503,333,315
	₱12,916,118	₱901,174,151	₱3,007,338,780	₱3,921,429,049

*Including interest payable

**Excluding contract liabilities and withholding taxes payable amounting to ₱16,558,725 and ₱1,252,882, respectively.

	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	–	15,216,781	–	15,216,781
Advances from stockholders*	–	–	383,378,660	383,378,660
	₱13,766,497	₱839,406,441	₱3,025,630,580	₱3,878,803,518

*Including interest payable

**Excluding contract liabilities and withholding taxes payable amounting to ₱15,936,652 and ₱1,755,667, respectively.

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

	2020			
	Due and Demandable	Less than 1 year	1 year or above	Total
At amortized cost:				
Cash	₱21,049,397	₱–	₱–	₱21,049,397
Receivables	80,371,200	120,464,817	331,107,901	531,943,918
Deposits	–	4,191,787	–	4,191,787
Long-term deposits	–	–	6,267,386	6,267,386
	₱101,420,597	₱124,656,604	₱337,375,287	₱563,452,488



	2019			Total
	Due and Demandable	Less than 1 year	1 year or above	
Loans and receivables:				
Cash	₱41,787,422	₱-	₱-	₱41,787,422
Receivables	57,901,821	175,405,498	394,670,200	627,977,519
Deposits	72,000	3,408,320	-	3,480,320
Long-term deposits	-	-	6,964,000	6,964,000
	₱99,761,243	₱178,813,818	₱401,634,200	₱680,209,261

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, 2019	Cash flows	Others*	December 31, 2020
Loans payable	₱2,337,637,890	(₱47,100,000)	₱2,244,777	₱2,292,782,667
Advances from stockholders	343,581,012	102,704,215	(9,970,642)	436,314,585
Restricted cash	(163,271,629)	59,708,998	-	(103,562,631)
Interest payable	15,216,781	(130,067,342)	155,084,102	40,233,541
Total liabilities from financing activities	₱2,533,164,054	(₱14,754,129)	₱147,358,237	₱2,665,768,162

*Others include accrual of interest from interest-bearing loans, discount on non-interest bearing advances from stockholders and accretion of loans payable.

	December 31, 2018	Cash flows	Others*	December 31, 2019
Loans payable	₱2,786,509,587	(₱462,622,500)	₱13,750,803	₱2,337,637,890
Advances from stockholders	-	343,581,012	-	343,581,012
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)	187,109,773	15,216,781
Total liabilities from financing activities	₱4,944,636,561	(₱185,831,335)	₱200,860,576	₱4,959,665,802

*Others include accrual of interest from interest-bearing loans and advances from stockholders, other financing charges and accretion of loans payable.

Fair Value Measurement

The carrying values of cash, 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:

	2020		2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Receivable arising from PTO related to gaming equipment	₱412,091,165	₱498,257,876	₱462,911,847	₱594,195,697
Long-term deposits	6,267,386	6,267,386	6,964,000	6,964,000
	₱418,358,551	₱504,525,262	₱469,875,847	₱601,159,697
Financial Liabilities				
Advances from stockholders	₱446,285,227	₱446,285,227	₱343,581,012	₱343,581,012
Loans payable	2,292,782,667	2,292,782,667	2,337,637,890	2,337,637,890
	₱2,739,067,894	₱2,739,067,894	₱2,681,218,902	₱2,681,218,902



As of December 31, 2020 and 2019, the Group's financial assets and liabilities are measured at fair value under the Level 2 hierarchy. There were no financial instruments carried at fair value as of December 31, 2020 and 2019.

As of December 31, 2020, the aggregate fair value of the Parent Company's investment property amounted to ₱1.3 billion. The Group estimates the recoverable amount of the investment property based on value in use. Value in use calculations use pre-tax cash flow projections based on the prospective financial information using 9 year forecast of cash flows relating to its lease contract. The cash flow projections assumed the potential revenue growth rate against the industry and the long-term growth rate against relevant economic and external data, which are adjusted to take into consideration the impact associated with the coronavirus pandemic. These fair values was classified as Level 3 in 2020 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 ₱2.2 billion and ₱2.8 billion as its capital as of December 31, 2020 and 2019, 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. On August 2020, due to COVID-19 crisis, the bank has granted the Parent Company waiver for quarterly calculation of debt-to-equity ratio until September 2021. In July 2021, this was further deferred to 2023 (see Note 15).

In computing the debt-to-equity ratio, the 'deposits for future stock subscription' formed part of the total shareholders' equity, 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:

	2020	2019
Total current assets	₱370,344,596	₱497,491,866
Total current liabilities	793,731,299	728,142,919
Current ratio	0.47	0.68
Total liabilities, excluding deposit for future stock subscription	3,422,276,082	₱3,271,974,962
Total equity	2,243,612,896	2,824,879,758
Debt-to-equity ratio	1.53	1.16



The Group'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 from July 2021 to January 2023 and obtained a credit line amounting to ₱400.0 million.

28. Subsequent Events

- a. On July 23, 2021, the Group obtained the approval of its creditor bank to amend the principal repayments, loan covenants and the waiver of restrictions with respect to quarterly calculation of debt-equity and debt service coverage ratio (see Note 15). This event is considered as non-adjusting and will affect the current and noncurrent classification of the loans payable in the 2021 consolidated financial statements.
- b. On July 30, 2021, the Group obtained the approval of its credit line facility amounting to ₱400.0 million (see Note 15).



Annex "C"
Supplementary Schedules

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 its subsidiary (the Group) as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, included in this Form 17-A, and have issued our report thereon dated August 4, 2021. 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 basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Jaime F. del Rosario
Partner
CPA Certificate No. 56915
SEC Accreditation No. 0076-AR-5 (Group A),
April 30, 2019, valid until April 29, 2022
Tax Identification No. 102-096-009
BIR Accreditation No. 08-001998-072-2020,
November 27, 2020, valid until November 26, 2023
PTR No. 8534239, January 4, 2021, Makati City

August 4, 2021



INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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 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) as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, and have issued our report thereon dated August 4, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Jaime F. del Rosario
Partner
CPA Certificate No. 56915
SEC Accreditation No. 0076-AR-5 (Group A),
April 30, 2019, valid until April 29, 2022
Tax Identification No. 102-096-009
BIR Accreditation No. 08-001998-072-2020,
November 27, 2020, valid until November 26, 2023
PTR No. 8534239, January 4, 2021, Makati City

August 4, 2021



MJC INVESTMENTS CORPORATION

SCHEDULE A: FINANCIAL ASSETS

December 31, 2020

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*	N/A	N/A	₱ 19,139,102	N/A	N/A
Receivables**	N/A	N/A	200,836,017	N/A	N/A
Deposits***	N/A	N/A	4,191,787	N/A	N/A
Long-term deposits	N/A	N/A	6,267,386	N/A	N/A
Receivable arising from PTO related to gaming equipment - net of current portion	N/A	N/A	331,107,901	N/A	N/A
TOTAL			₱561,542,193		

*Excluding cash on hand amounting to ₱ 1,910,295 December 31, 2020.

**Excluding advances to employees amounting to ₱ 3,247,805 as of December 31, 2020.

***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, 2020

Name and designation of Debtor	Balance at beginning of period	Additions	Deductions		Current	Not Current	Balance at End of period
			Amounts Collected	Others			
Manila Jockey Club, Inc.	₱459,736	-	-	(₱41,389)	₱ 418,347	₱-	₱ 418,347
Manila Cockers Club, Inc.	54,187	-	(54,187)	-	-	-	-
Advances to Employee	1,936,216	5,788,292	(4,476,703)	-	3,247,805	-	3,247,805
TOTAL	₱2,450,139	₱5,788,292	(₱4,530,890)	(₱41,389)	₱3,666,152	₱-	₱3,666,152

MJC INVESTMENTS CORPORATION

SCHEDULE C: AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING CONSOLIDATION OF FS

December 31, 2020

Name and Designation of Debtor	Balance at the Beginning of Period	Additions	Deductions			Current	Not Current	Balance at End of period
			Amounts Collected	Amounts Written Off	Others			
Trafalgar Square Leisure Corporation	₱118,742,900	₱--	₱4,301,282	₱-		₱114,441,618	₱-	₱114,441,618
TOTAL	₱118,742,900	₱--	₱4,301,282	₱-		₱114,441,618	₱-	₱114,441,618

MJC INVESTMENTS CORPORATION

SCHEDULE D: LONG TERM DEBT

December 31, 2020

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	₱2,307,900,000	₱ 138,039,293	₱ 2,154,743,374
TOTAL	₱2,307,900,000	₱ 138,039,293	₱ 2,154,743,374

MJC INVESTMENTS CORPORATION
SCHEDULE E: INDEBTEDNESS TO RELATED PARTIES
(LONG TERM LOANS FROM RELATED COMPANIES)

December 31, 2020

Name of Related Party	Balance at beginning of period	Balance at End of Period
Advances from Stockholders	₱343,581,012	₱436,314,585
Total	₱343,581,012	₱436,314,585

MJC INVESTMENTS CORPORATION
SCHEDULE F: GUARANTEES OF SECURITIES OF OTHER ISSUERS
December 31, 2020

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
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NOT APPLICABLE

MJC INVESTMENTS CORPORATION

SCHEDULE G: CAPITAL STOCK

December 31, 2020

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	26,671,438	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, 2020

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

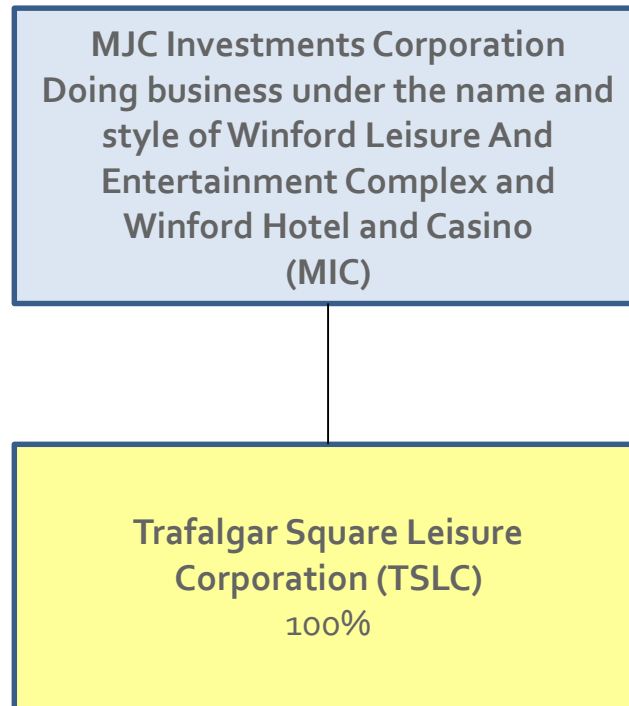
December 31, 2020

NOT APPLICABLE

MJC INVESTMENTS CORPORATION

SCHEDULE J: MAP OF AFFILIATES

December 31, 2020



MJC INVESTMENTS CORPORATION
SCHEDULE K: Financial Soundness Indicators
 December 31, 2020

	2020	2019
Liquidity ratios		
Current ratio ^(a)	0.47	0.68
Interest rate coverage ratio ^(b)	(1.08)	N/A
Solvency ratios		
Debt to equity ratio ^(c)	(14.92)	6.73
Asset to equity ratio ^(d)	(30.98)	15.30
Profitability ratio		
EBITDA margin ^(e)	(0.71)	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 1014
Location of Operations	MJC Drive corner Consuelo Streets, San Lazaro Tourism and Business Park, Brgy. 350 Zone 035, Sta Cruz Manila 1014
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	Aside from the Company, below subsidiary is included in this report: <ul style="list-style-type: none"> - Trafalgar Square Leisure Corporation
Business Model, including Primary Activities, Brands, Products, and Services	<p>MJC Investment Corporation (MJIC) 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.</p> <p>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.</p> <p>MJIC 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.</p>
Reporting Period	Year Ended December 31, 2020
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.	Supply Chain Management
17.	Significant Impacts on Local Communities
18.	Customer Management
19.	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) <i>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</i>	223,943,208	PhP
Direct economic value distributed:		
a. Operating costs <i>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)</i>	222,314,893	PhP
b. Employee wages and benefits <i>Salaries and wages and contract services presented in the Operating Costs and Expenses</i>	96,444,260	PhP
c. Dividends given to stockholders and interest payments to loan providers <i>Pertains to Total Interest Expenses reported in 2020</i>	148,507,290	PhP
d. Taxes given to government <i>Pertains to Remittances to PAGCOR, BIR, LGU and other government agencies (Taxes and Licenses plus Gaming Fees presented in the Operating Costs and Expenses)</i>	57,076,856	PhP
e. Investments to community (e.g. donations, CSR) <i>Pertains to Donations and Cost Related to Community Services</i>	315,000	PhP

What is the impact and where does it occur? What is the organization's involvement in the impact?	<ul style="list-style-type: none"> 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.
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What are the Risks Identified?	In March, 2020, WMRC operations were indefinitely suspended due to the COVID-19 pandemic and the implementation of enhanced community quarantine (ECQ) that followed. In compliance with directives issued by the government, the hotel and casino were temporarily closed to the public, while a skeletal workforce was implemented by WMRC management for the safety of its personnel. Other identified risks include a reduced number of bettors as a result of the TRAIN Law; illegal betting or “bookies”; the presence of product substitutes, such as casinos and online gambling; a decline in race horse population; and online betting fraud and cyber theft.
Which stakeholders are affected?	Stockholders; SMEs; OTB Operators; Employees; Local Government Units (“LGUs”); Landowners; Government Regulators (SEC, PSE)
Management Approach	To address the COVID-19 threat, WMRC management embarked on a comprehensive mission to thoroughly disinfect the entire property by engaging the services of a reputable third party, as well as tightening and enhancing overall health and safety protocols. This major endeavor was accompanied by an internal and external communications campaign anchored on a coined marketing slogan, #SafetyWins, and posted throughout the entire property, WMRC website, social media pages, and press releases in local dailies. Other management approaches include the institution of technological advancements to promote betting to existing and potential customers; rationalizing of operations; rightsizing of the Company; strengthening of cyber security and information management; and strengthening of the internal control process.

What are the Opportunities Identified?	With WMRC temporarily closed to leisure guests, other opportunities to create new revenue streams were identified. WMRC focused on an opportunity to tap both loyal patrons and potential new clients staying at home during quarantine. When ECQ was downgraded to GCQ in Q2, 2020, WMRC saw an opportunity to leverage on renewed foot traffic in the property by expanding its food and beverage services. Other opportunities include the use of social media platforms to promote the businesses of the Company; and the presence of e-commerce facilities that enhance betting transactions.
Which stakeholders are affected?	Stockholders; SMEs; Employees, National and Local Governments, Travel Agencies, Suppliers, Event Organizers

Management Approach	A WMRC-branded food delivery/catering service dubbed “Winford on Wheels”, which offers luxury meals at inexpensive prices and delivered for free anywhere in Metro Manila, was launched in Q3, 2020. Later in the year, al fresco and executive dining services were introduced in the property to cater to walk-in guests, while strictly adhering to IATF guidelines. Other approaches taken by management include improved and developed strategies (i.e. aggressive marketing and business expansion) to be more competitive; technological upgrades and retooling; and the introduction and development of new product lines.
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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 to SMEs and revenue generation for the Government. The Company regard its suppliers as key allies in advancing its sustainability program.
Which stakeholders are affected?	Suppliers; SMEs; Government
Management Approach	Utilizing local vendors’ benefits not just our company in terms of cost and efficiency, but also the businesses and individuals with whom we do business. Locally sourced goods and services may result in both profit and cost savings. The Company shall continue its procurement spending on local suppliers.

What are the Risks Identified?	<ul style="list-style-type: none"> • Reliability and quality control • Limited sources
Which stakeholders are affected?	Company; Suppliers; Government
Management Approach	<ul style="list-style-type: none"> • Continuous supplier accreditation • Expand supplier base

What are the Opportunities Identified?	<ul style="list-style-type: none"> • New market network • Development of product substitutes
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Which stakeholders are affected?	Suppliers; SMEs; Government
Management Approach	The Company pledges to keep developing its material management, which involves 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?	<p>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.</p> <p>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.</p>
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Which stakeholders are affected?	Employees; Directors and Management; Business Partner
Management Approach	The Company will make an active effort to provide anti-corruption training to its employees, directors, and management, as well as to convey anti-corruption policies and procedures to its business partners.

What are the Risks Identified?	Fraud and Game-fixing
Which stakeholders are affected?	Company; Officers; Suppliers; Customers
Management Approach	The Company shall enforce strict implementation of administrative and criminal sanctions.

What are the Opportunities Identified?	<ul style="list-style-type: none"> • Maintain the Company's integrity • Ensure customer satisfaction
Which stakeholders are affected?	Customers; Company 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	GJ
Energy consumption (diesel)	204	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)	3,832,194	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: <ul style="list-style-type: none"> (a) Energy reduction consumption campaigns among its employees during lean hours; (b) Conversion and use of energy efficient lighting for efficient energy consumption; and (c) Better programming of corporate shuttle service for the employees.
What are the Opportunities Identified?	<ul style="list-style-type: none"> • Conversion to renewable and energy-efficient systems • Installation of energy-efficient generator
Which stakeholders are affected?	Employees; Community
Management Approach	The Company shall continue with compliance with government standards and regulations

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 will make an effort to save water resources by implementing water recycling and reuse programs.

What are the Risks Identified?	Wastage of water use
Which stakeholders are affected?	Company
Management Approach	Implement a scheme to conserve water and repair leaks in the pipes.

What are the Opportunities Identified?	Proper water usage
Which stakeholders are affected?	Company
Management Approach	Implement a public awareness campaign to promote the efficient use of water resources.

Environmental impact management

Air Emissions

GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	10,0000	Tonnes CO ₂ e
Energy indirect (Scope 2) GHG Emissions	12,000	Tonnes CO ₂ e
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; Community
Management Approach	Implement an energy-saving program to reduce energy consumption.

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. Implement an energy-saving program to reduce energy consumption. Preventive maintenance of equipment on an annual basis to reduce the likelihood of an 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	94,500	kg
Reusable	30,000	kg
Recyclable	20,000	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; Community
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; Community
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; Community
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?	<p>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.</p> <p>The investment in human capital will allow the Company to achieve its goals and objectives.</p>
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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 rate = (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	<p>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.</p> <p>Because its business operates in a trusting environment, the Company will not tolerate fraudulent or dishonest behavior from its employees or in dealings with other stakeholders.</p>
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What are the Risks Identified?	With COVID-19 posing a serious threat to the health and safety of all WMRC employees and agency staff, management faced various risks ranging from increased attrition, operational inefficiency, and potential acts of dishonesty fueled by the desperate need of its personnel to survive the pandemic.
Management Approach	WMRC management addressed this risk by retaining 100 percent of all regular employees throughout its temporary closure brought about by the pandemic. This was achieved by implementing a reduced work week schedule in order to keep attrition to a minimum, while allowing the Company to compensate for reduced revenue by slashing its OPEX commensurately.

What are the Opportunities Identified?	<ul style="list-style-type: none"> • Efficiency in its operations • Improvement of organizational demographics
Management Approach	<ul style="list-style-type: none"> • 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 – ave. of 40 hours/year	180	hours
b. Male employees – ave. of 40 hours/year	396	hours
Average training hours provided to employees		
a. Female employees	4	hours/employee
b. Male employees	180	hours

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.
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Management Approach	<ul style="list-style-type: none"> • Conduct of regular training needs analysis to all employees • Establishment of career development and succession planning policy

What are the Risks Identified?	<ul style="list-style-type: none"> • Resignation of trained employees • Lack of proper training and evaluation may result in error, mistakes, inefficiency
Management Approach	<ul style="list-style-type: none"> • 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?	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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.
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Management Approach	<ul style="list-style-type: none"> • Creation of Labor Management Committee; • Employee empowerment by involving them in various engagement activities
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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	<ul style="list-style-type: none"> • 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	8	Man-hours
No. of work-related injuries	26	#
No. of work-related fatalities	0	#
No. of work related ill-health	56	#
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?	<p>Bullying/Sexual Harassment Affects Job Performance</p> <p>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:</p> <ul style="list-style-type: none"> • Reduce productivity • Create a hostile work environment • Promote absenteeism • Impact worker's compensation claims • Result in costly, and possibly embarrassing legal issues
Management Approach	<p>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.</p> <p>Also, prevention is more cost-effective than intervention or mediation.</p> <p>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.</p>

What are the Risks Identified?	Other costly effects on the employer include:
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	<ul style="list-style-type: none"> • 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	<p>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.</p> <p>Also, prevention is more cost-effective than intervention or mediation.</p> <p>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.</p>

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)	Gift Giving Project, Brigada Eskwela, and other CSR activities

Customer Management

Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction	8.7	Yes. Agoda.Com 2020 Customer Review Awards

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 in comparison to life balance, and as a result, it will see a decrease in patronage. Similarly, LGUs aren't always pleased with the	Comply with government restrictions and reassess future practicability and viability in light of new strategies and technologies.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
		business relationships established under the provisions of the franchise agreement	

** None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.*