ANNEX "A"

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COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

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

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

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

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

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
446	6/29	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Joemar Onnagan	joemar.onnagan@winfordmanila.com	528-2300 (loc. 1132)	0917-899-1717

CONTACT PERSON's ADDRESS

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

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

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

MJC INVESTMENTS CORP.

WINFORD HOTEL & CASINO, MJC Drive cor. Consuelo St. Sta. Cruz Manila
Tel. No. 02-528-23-00

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS[1]

The management of **MJC INVESTMENTS CORPORATION**[2] is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years[3] ended December 31, 2017, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the **MJC INVESTMENTS CORPORATION**'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 **MJC INVESTMENTS CORPORATION** or to cease operations, or has no realistic alternative to do so.

The Board of Directors is responsible for overseeing the **MJC INVESTMENTS CORPORATION**'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 or members.

SyCip Gorres Velayo & Co.,[4] the independent auditors appointed by the stockholders, has audited the financial statements of the **MJC INVESTMENTS CORPORATION** in accordance with Philippine Standards on Auditing, and in their report to the members, has expressed their opinion on the fairness of presentation upon completion of such audit.

ALFONSO R. REYNO JR.
Chairman of the Board, CEO and President

JOSE ALVARO D. RUBIO
Chief Financial Officer

Signed this 12th day of April 2018

SUBSCRIBED AND SWORN TO before me this 30 APR 2018 at PASIG CITY affiant exhibiting to me his / her Conpetent evidence of Identity.

DOC. NO. 247;
PAGE NO. 51;
BOOK NO. VI;
SERIES OF 2018;

CHINO PAOLO Z. ROXAS
NOTARY PUBLIC
APPOINTMENT NO. 138 (2017-2018)
UNTIL DECEMBER 31, 2018
PTR NO. 2516057 / 1-5-17 / PASIG CITY
IBP NO. 1060502 / 1-7-17 / MAKATI CITY
CITIES OF PASIG, SAN JUAN AND PATEROS
ROLL OF ATTORNEY NO. 57018

[1] SMR for public companies required to be notarized.
[2] Use short name consistent with the short name used in the financial statements.
[3] Use "period" if either period presented is less than one year.
[4] Only the auditor(s) of the current period need(s) to be indicated (in cases where comparative financial statements were audited by another auditor).

MJC INVESTMENTS CORP.
WINFORD HOTEL & CASINO, MJC Drive cor. Consuelo St. Sta. Cruz Manila
Tel. No. 02-528-23-00

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The Management of **MJC INVESTMENTS CORPORATION** is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2017. Management is likewise responsible for all information and representations contained in the financial statements accompanying the (Annual Income Tax Return or Annual Information Return) covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2017 and the accompanying Annual Income Tax Return are in accordance with the books and records of **MJC INVESTMENTS CORPORATION**, complete and correct in all material respects. Management likewise affirms that:

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

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

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

ALFONSO R. REYNO JR.
Chairman of the Board, CEO and President

JOSE ALVARO D. RUBIO
Chief Financial Officer

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Signed this 12th day of April 2018

SUBSCRIBED AND SWORN TO before me this 3 0 APR 2018 at PASIG CITY affiant exhibiting to me his / her Competent evidence of Identity.

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SGV
Building a better working world

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

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

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of MJC INVESTMENTS CORPORATION Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino (Formerly MJC Investments Corporation) (the Company), which comprise the parent company statements of financial position as at December 31, 2017 and 2016, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for each of the three years in the period ended December 31, 2017, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017 and 2016, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2017 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 30 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 (Formerly MJC Investments Corporation). The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

SYCIP GORRES VELAYO & CO.

Adeline D. Lumbres
Partner
CPA Certificate No. 0107241
SEC Accreditation No. 1555-A (Group A),
April 14, 2016, valid until April 14, 2019
Tax Identification No. 224-024-746
BIR Accreditation No. 08-001998-118-2016,
February 15, 2016, valid until February 14, 2019
PTR No. 6621279, January 9, 2018, Makati City

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April 20, 2018

MJC INVESTMENTS CORPORATION
Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino
(Formerly MJC Investments Corporation)
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents (Note 7)	**₱557,814,245**	₱67,158,220
Receivables (Note 8)	**234,710,411**	212,071,173
Inventories (Note 9)	**28,268,696**	21,308,091
Current portion of input value-added tax (VAT) (Note 10)	**24,774,189**	387,795,739
Prepayments and other current assets (Note 11)	**104,728,924**	124,535,406
Total Current Assets	**950,296,465**	812,868,629
Noncurrent Assets		
Investment in a subsidiary (Note 1)	**20,000,000**	20,000,000
Property and equipment (Notes 12 and 15)	**5,630,294,191**	5,753,914,917
Input VAT - net of current portion (Note 10)	**337,794,085**	25,883,288
Other noncurrent assets (Note 13)	**61,843,994**	93,802,623
Total Noncurrent Assets	**6,049,932,270**	5,893,600,828
	₱7,000,228,735	₱6,706,469,457
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 14)	**₱310,834,481**	₱287,391,812
Retention payable (Note 27)	**279,174,193**	349,373,245
Interest payable (Notes 15 and 27)	**19,055,836**	19,055,836
Current portion of loans payable (Note 15)	**692,879,656**	–
Total Current Liabilities	**1,301,944,166**	655,820,893
Noncurrent Liabilities		
Loans payable - net of current portion (Note 15)	**2,786,527,326**	3,471,974,747
Deposit for future stock subscription (Note 18)	**1,086,132,641**	–
Retirement liability (Note 16)	**1,760,049**	812,718
Other noncurrent liabilities	**3,821,020**	1,722,579
Total Noncurrent Liabilities	**3,878,241,036**	3,474,510,044
Total Liabilities	**5,180,185,202**	4,130,330,937
Equity		
Capital stock (Note 22)	**3,174,405,821**	3,174,405,821
Deficit	**(1,355,050,854)**	(598,267,301)
Actuarial gains on retirement liability (Note 16)	**688,566**	–
Total Equity	**1,820,043,533**	2,576,138,520
	₱7,000,228,735	₱6,706,469,457

See accompanying Notes to Parent Company Financial Statements.

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

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2017	2016	2015
REVENUE			
Revenue share in gaming operations (Note 17)	**₱283,196,090**	₱174,085,288	₱–
Hotel, food and beverage	**126,679,264**	28,318,755	–
Other revenue (Note 25)	**59,504,275**	18,241,113	–
	469,379,629	220,645,156	–
OPERATING COSTS AND EXPENSES (Note 24)	**(1,016,635,018)**	(521,725,909)	(43,280,046)
OPERATING LOSS	**(547,255,389)**	(301,080,753)	(43,280,046)
OTHER INCOME (EXPENSES)			
Interest expense (Note 15)	**(209,300,201)**	(128,180,135)	(14,499,279)
Interest income (Note 7)	**324,559**	1,200,782	4,627,775
Miscellaneous income (expenses) - net	**(498,270)**	(276,978)	139,884
	(209,473,912)	(127,256,331)	(9,731,620)
LOSS BEFORE INCOME TAX	**(756,729,301)**	(428,337,084)	(53,011,666)
PROVISION FOR INCOME TAX (Note 19)	**(54,252)**	(237,563)	(928,143)
NET LOSS	**(756,783,553)**	(428,574,647)	(53,939,809)
OTHER COMPREHENSIVE INCOME			
Item that will not be reclassified to profit or loss in subsequent periods:			
Remeasurement gain on defined benefit obligation (Note 16)	**688,566**	–	–
TOTAL COMPREHENSIVE LOSS	**(₱756,094,987)**	(₱428,574,647)	(₱53,939,809)
Basic/Diluted Loss Per Share (Note 23)	**₱0.24**	₱0.14	₱0.02

See accompanying Notes to Parent Company Financial Statements.

MJC INVESTMENTS CORPORATION

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

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015

	Capital Stock (Note 22)					
	Issued and subscribed	Subscription receivables	Net	Deficit	Actuarial gains on retirement liability (Note 16)	Total
BALANCES AT DECEMBER 31, 2016	**₱3,174,405,821**	**₱–**	**₱3,174,405,821**	**(₱598,267,301)**	**₱–**	**₱2,576,138,520**
Total comprehensive loss for the year	–	–	–	(756,783,553)	688,566	(756,094,987)
BALANCES AT DECEMBER 31, 2017	**₱3,174,405,821**	**₱–**	**₱3,174,405,821**	**(₱1,355,050,854)**	**₱688,566**	**₱1,820,043,533**
BALANCES AT DECEMBER 31, 2015	₱3,174,405,821	(₱38,739,719)	₱3,135,666,102	(₱169,692,654)	₱–	₱2,965,973,448
Collection of subscriptions receivable	–	38,739,719	38,739,719	–	–	38,739,719
Total comprehensive loss for the year	–	–	–	(428,574,647)	–	(428,574,647)
BALANCES AT DECEMBER 31, 2016	₱3,174,405,821	₱–	₱3,174,405,821	(₱598,267,301)	₱–	₱2,576,138,520
BALANCES AT DECEMBER 31, 2014	₱2,500,614,159	(₱105,548,554)	₱2,395,065,605	(₱112,383,887)	₱–	₱2,282,681,718
Subscription of capital stock	673,791,662	–	673,791,662	–	–	673,791,662
Collection of subscriptions receivable	–	66,808,835	66,808,835	–	–	66,808,835
Transaction costs on issuance of capital stock (Note 22)	–	–	–	(3,368,958)	–	(3,368,958)
Total comprehensive loss for the year	–	–	–	(53,939,809)	–	(53,939,809)
BALANCES AT DECEMBER 31, 2015	₱3,174,405,821	(₱38,739,719)	₱3,135,666,102	(₱169,692,654)	₱–	₱2,965,973,448

See accompanying Notes to Parent Company Financial Statements.

MJC INVESTMENTS CORPORATION
Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino
(Formerly MJC Investments Corporation)
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax	**(₱756,729,301)**	(₱428,337,084)	(₱53,011,666)
Adjustments for:			
Depreciation and amortization (Notes 12, 13 and 24)	**517,395,349**	242,171,350	650,533
Interest expense (Note 15)	**209,300,201**	128,180,135	14,499,279
Unrealized foreign exchange loss	**406,081**	92,219	
Interest income (Note 7)	**(324,559)**	(1,200,782)	(4,627,775)
Gain on sale of disposal of transportation equipment (Note 12)	**–**	(137,054)	–
Operating loss before working capital changes	**(29,952,229)**	(59,231,216)	(42,489,629)
Decrease (increase) in:			
Receivables (Note 8)	**(22,639,238)**	(100,136,052)	(333,132,773)
Inventories (Note 9)	**(6,960,605)**	(17,369,951)	(44,744,841)
Input VAT	**51,110,753**	(55,158,352)	(151,792,810)
Prepayment and other current assets (Note 11)	**(41,561,781)**	311,631	(6,902,099)
Increase (decrease) in:			
Accounts payable and other current liabilities (Note 14)	**23,442,669**	(121,626,612)	252,771,070
Other noncurrent liabilities	**2,098,441**	1,722,579	–
Retirement benefit expense (Notes 16 and 24)	**1,635,897**	812,718	–
Retention payable	**(70,199,052)**	147,212,285	147,190,256
Net cash used in operations	**(93,025,145)**	(203,462,970)	(179,100,826)
Income taxes paid	**(54,252)**	(240,881)	(930,825)
Interest received	**324,559**	1,200,782	4,627,775
Net cash flows used in operating activities	**(92,754,838)**	(202,503,069)	(175,403,876)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment (Note 12)	**(361,109,115)**	(1,963,613,223)	(2,083,771,542)
Decrease in advances to contractors and suppliers (Note 11)	**61,368,263**	357,617,555	–
Increase in other noncurrent assets (Note 13)	**(706,879)**	(96,645,762)	–
Payment of accounts payable for construction costs (Notes 12 and 29)	**–**	(165,703,369)	–
Acquisition of a subsidiary (Note 1)	**–**	(20,000,000)	–
Proceeds from disposal of transportation equipment	**–**	650,000	–
Net cash flows used in investing activities	**(300,447,731)**	(1,887,694,799)	(2,083,771,542)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from of deposit for future stock subscription (Note 18)	**1,086,132,641**	–	–
Payment of interest (Note 15)	**(201,867,966)**	(116,648,832)	–
Proceeds from availment of loans (Note 15)	**–**	995,000,000	2,470,000,000
Collection of subscriptions receivable (Note 22)	**–**	38,739,719	66,808,835
Proceeds from subscription of capital stock (Note 22)	**–**	–	673,791,662
Transaction costs on issuance of capital stock (Note 22)	**–**	–	(3,368,958)
Advances received from a related party	**–**	–	1,317,166
Net cash flows provided by financing activities	**884,264,675**	917,090,887	3,208,548,705
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(406,081)**	(92,219)	–
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**490,656,025**	(1,173,199,200)	949,373,287
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**67,158,220**	1,240,357,420	290,984,133
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	**₱557,814,245**	₱67,158,220	₱1,240,357,420

See accompanying Notes to Parent Company Financial Statements.

MJC INVESTMENTS CORPORATION
Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino
(Formerly MJC Investments Corporation)
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 (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 following are the series of changes in corporate name of the Parent Company and their effective dates of change as approved by the Philippine Securities and Exchange Commission (SEC):

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

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

On January 19, 2010, the SEC approved the amendment of the Parent Company's primary purpose from engaging in mining operation to that of an investment holding company, which is to acquire by purchase, lease or otherwise, lands or interest in lands and realty, and to own, hold, improve or develop said land or real estate so acquired, and to build or cause to be built on any lands owned, held, occupied or acquired, buildings, facilities, and other structures with their appurtenances, for residential, commercial, mixed-use, leisure, gaming, amusement and entertainment purposes.

On March 18, 2010, the Parent Company was granted a permit to operate (PTO) by the Philippine Amusement and Gaming Corporation (PAGCOR) for the establishment, maintenance and operation of a casino, PAGCOR San Lazaro, within the San Lazaro Tourism and Business Park in Sta. Cruz, Manila. The permit shall be for a period of ten (10) years, commencing on January 6, 2016, the date of actual operation of PAGCOR San Lazaro. On November 25, 2015, the Board of Directors of PAGCOR approved the guidelines that shall govern the implementation of the PTO which also extended the term of the PTO to fifteen (15) years commencing form the start of commercial operation 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 it with the SEC. The authorized and subscribed capital stock of TSLC is ₱20.0 million with a par value of one peso per share. TSLC's primary purpose is to establish, engage, operate and manage, gaming enterprises, amusement, entertainment and recreation centers, as well as providing services including but not limited to business process outsourcing services to foreign clients, support solutions, such as back office technology support, call or contact center activities, data entry and encoding, data management, general human resource functions, business planning, accounts receivable management, general financial support services, customer support services and customer relationship management, sales support and other industry specific purposes, and to companies and operations, and other clients, and to do any and all things necessary for or conducive to the attainment of such purposes, including, articles of merchandise necessary or desirable in its operations, the provision of professional, consulting and other related services, and the licensing of application, software and other solutions required or related to the above services. The principal place of business of TSLC is at Winford Hotel and Casino, MJC Drive, Sta. Cruz, Manila. On May 16, 2016, TSLC was granted the authority by PAGCOR to bring in pre-register foreign players to play in designated gaming rooms within PAGCOR San Lazaro (see Note 2).

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

Authorization for the Issuance of Parent Company Financial Statements
The parent company financial statements were approved and authorized for issuance by the Board of Directors (BOD) on April 20, 2018.

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, as embodied in the provisions of the PTO.

As the operator of PAGCOR San Lazaro, the Parent Company shall undertake the following:

a) Shoulder the cost of designing and furnishing the PAGCOR San Lazaro;
b) Shoulder the cost of maintaining PAGCOR San Lazaro, including the required major and minor repairs to the gaming facility;
c) Acquire, install, maintain and upgrade to keep abreast with the worldwide industry of casino gaming the following to be used for the operation of PAGCOR San Lazaro, as provided and deemed necessary by PAGCOR:
    - At least ten (10) gaming tables, table layout, chairs and other equipment, and paraphernalia. The number of tables maybe adjusted subject to PAGCOR's approval;
    - A minimum of two hundred (200) new slot machines and an online tokenless system of linking and networking all slot machines. The Parent Company shall on its account train the technical personnel of PAGCOR for the operation, repair and maintenance of the slot machine networking system and shall ensure the transfer of appropriate and necessary technology, for this purpose;
    - Playing cards and playing chips, the design of which shall be separate and distinct from PAGCOR's playing cards and chips;
    - Surveillance equipment and paraphernalia; and

- All other capital expenditures such as treasury vaults, furniture and other office equipment and paraphernalia, and other pre-operating requirements, necessary for the operation of PAGCOR San Lazaro.

d) Shoulder any illegitimate slot credit/payout of payers which may arise due to malfunction or error in the slot machine online tokenless system provided by the Parent Company for the operations of PAGCOR San Lazaro;

e) Bear the cost of maintenance and minor repairs of the equipment, furniture and fixtures installed at PAGCOR San Lazaro, and shall be responsible for replacing such equipment, furniture and fixtures, which are deemed to be beyond repair. The Parent Company shall also make available to PAGCOR, at any time of the day, repair and maintenance services, to address the immediate needs of PAGCOR San Lazaro;

f) Shoulder the costs of all shipping and freight charges, as well as the covering marine insurance, relative to all the gaming and non-gaming equipment, furnishing and fixtures to be brought into the Philippines to be installed at PAGCOR San Lazaro;

g) Shoulder the cost of insurance for loss or damaged gaming equipment, slot machines or other gaming paraphernalia, and the network system, due to force majeure including but not limited to fire, typhoons, and other incidents and calamities;

h) Shoulder any restoration that maybe required by the building owner after cessation of the casino operation;

i) Provide the required cash capital for PAGCOR San Lazaro;

j) Shoulder and provide for other operating expenses necessary in the operation of the casino including but not limited to space rental, utilities expenses;

k) Secure all necessary local permits required for the renovation of PAGCOR San Lazaro;

l) Provide hotel accommodation for PAGCOR San Lazaro's guests;

m) Provide required communication facilities at the casino offices and gaming areas;

n) Hold PAGCOR free and harmless from third party claims for injuries and damages suffered within the premises resulting from, or occasioned by any faulty construction, non-maintenance or any defect that pertains to the building, structural integrity or of the PAGCOR casino premises, and to indemnify and hold PAGCOR harmless from and against costs of defending any such action suit or proceedings including legal fees and other legal expenses incurred in relation to such third party claims.

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

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

Upon revocation or termination of the agreement for PAGCOR to manage PAGCOR San Lazaro and if the same is without fault of the Parent Company or PAGCOR, PAGCOR shall surrender to the Parent Company PAGCOR San Lazaro's premises, furnishing and equipment without delay subject to proper accounting and auditing of liabilities of PAGCOR and the Parent Company.

Should PAGCOR unreasonably delay or unjustifiably fail to immediately surrender said contributions, the Parent Company shall have the right to take possession of PAGCOR San Lazaro's premises, furnishing and equipment from PAGCOR. This is without prejudice to PAGCOR's right to take possession of the properties from the Parent Company and apply the same for payment or satisfaction of its claims against the Parent Company.

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

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

b. *Traditional Bingo Operation*

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 monthly to PAGCOR 15% of the total gross receipt from sale of bingo tickets and cards, including electronically stored bingo cards played through an electronic device, instant game tickets and bingo game variant cards (presented as "Gaming fees" under "Operating costs and expenses").

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

3. Basis of Preparation and Statement of Compliance

Basis of Preparation

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

Statement of Compliance

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

4. Summary of Changes in Accounting Policies and Disclosures

New and Amended Standards and Interpretation

The Parent Company applied for the first time certain pronouncements, which are effective for annual periods beginning on or after January 1, 2017.

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

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

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

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

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

  The Parent Company has provided the required information in Note 27 to the parent company financial statements. As allowed under the transition provisions of the standard, the Parent Company did not present comparative information for the year ended December 31, 2016.

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

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

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

Standards Issued But Not Yet Effective

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

Effective beginning on or after January 1, 2018

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

  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

- PFRS 9, *Financial Instruments*

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

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

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

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

- PFRS 15, *Revenue from Contracts with Customers*

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

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

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

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

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

  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

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

  The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Effective beginning on or after January 1, 2019

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

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

- PFRS 16, *Leases*

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

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

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

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

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

  The Parent Company is currently assessing the impact of adopting PFRS 16.

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

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

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

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

  The interpretation specifically addresses the following:

  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities

- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

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

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

Deferred effectivity

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

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

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

5. Summary of Significant Accounting and Financial Reporting Policies

Current versus Noncurrent Classification

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

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

All other assets are classified as noncurrent.

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

The Parent Company classifies all other liabilities as noncurrent.

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

Fair Value Measurement
The Parent Company measures financial instruments at each reporting date. Additional fair value related disclosures including fair values of financial instruments measured at amortized cost are disclosed in Note 27.

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 by the Parent Company.

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

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, recognized the use of relevant observable inputs and recognized the use of unobservable inputs.

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

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

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

Cash and Cash Equivalents
Cash and cash equivalents in the parent company statements of financial position comprise cash on hand and in banks and on short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

Financial Assets and Liabilities

Date of Recognition

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

Initial and Subsequent Recognition of Financial Instruments

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

The Parent Company classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. Financial liabilities are classified as financial liabilities at fair value through profit or loss or other financial liabilities. The classification depends on the purpose for which the instruments were acquired or liabilities incurred and whether they are quoted in an active market. Management determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this classification at every balance sheet date. The Parent Company has no financial assets or liabilities at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets as of December 31, 2017 and 2016.

Determination of Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either i) in the principal market for the asset or liability; or ii) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Parent Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The Parent Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

"Day 1" Profit

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

Loans and Receivables

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

This category includes cash in banks, cash equivalents and receivables. The carrying values and fair values of loans and receivables are disclosed in Notes 7, 8, and 27 to the parent company financial statements.

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

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

This category includes accounts payable and other current liabilities, retention payable, interest payable, loans payable (current and non-current portion) and deposit for future stock subscription as of December 31, 2017 and 2016.

Impairment of Financial Assets
The Parent Company assesses, at each balance sheet date, whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Objective evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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

decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the parent company statements of comprehensive income to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Derecognition of Financial Assets and Liabilities

Financial Assets

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

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

When the Parent Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Parent Company's continuing involvement in the asset.

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

Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged, canceled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the parent company statements of comprehensive income.

Offsetting of Financial Instruments

Financial assets and liabilities are offset and the net amount is reported in the parent company statement of financial position if, and only if, there is currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Parent Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Parent Company and all of the counterparties.

Inventories

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

Prepayments

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

Advances to Contractors and Suppliers

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

Creditable Withholding Taxes (CWT)

CWT represents the amount of tax withheld by counterparties from the 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 the "Prepayment and other current assets" account in the parent company statements of financial position. CWT is stated at its estimated NRV.

Investment in a Subsidiary

The Parent Company's investment in subsidiary is accounted for under the cost method and are carried at cost less accumulated provisions for impairment losses, if any. A subsidiary is an entity over which the Parent Company has control. Control is achieved when the Parent Company 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 Parent Company controls an investee if, and only if, the Parent Company 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
- 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 Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company 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
- The Parent Company's voting rights and potential voting rights

Property and Equipment

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

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

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

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

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

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

Borrowing Costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Operating Equipment
Operating equipment (shown as part of "Other noncurrent assets" account) includes linens uniforms, and utensils, which are carried at cost. Bulk purchases of items of operating equipment with expected usage period of beyond 1 year are classified as noncurrent assets and are amortized over three years.

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

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

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 balance sheet. These are measured at cost and are reclassified to capital stock upon issuance of shares.

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

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

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

Capital Stock
Capital stock is measured at par value for all shares issued. When the 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
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Parent Company and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Parent Company assesses its revenue arrangements against specific criteria to determine whether it is acting as principal or agent.

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

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.

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

Revenue from Bingo Operations
Revenue from bingo operations represents net sales from the conduct of bingo operations. Net sales is defined as the total gross receipts from sale of bingo tickets and cards and daubers less prizes/winnings. This is included at "Other revenue" in the parent company statements of comprehensive income.

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

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

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

Point Loyalty Program
The 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 activity and such points can be redeemed for goods and services. The Parent Company recognized the award points as a separately identifiable component of the initial sale transaction by allocating the fair value of the consideration received between the award points and the other components of the sale such that the award points are initially recognized as deferred income at their fair value. Revenue from the award points is recognized when the points is redeemed. The amount of revenue is based on the number of points redeemed relative to the total number expected to be redeemed.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Leases

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

Parent Company as a Lessee

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

Parent Company as a Lessor

Leases in which the Parent Company does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income. Contingent rents are recognized as revenue in the period in which they are earned.

VAT

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

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

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

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

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

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

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

Segment Reporting
For management purposes, the Parent Company is organized and managed separately according to the nature of the business. These operating businesses are the basis upon which the Parent Company reports its segment information presented in Note 26.

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

6. Significant Accounting Judgments, Estimates and Assumptions

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

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

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

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

Parent Company as the Lessor - Operating Lease Commitments
The Parent Company has entered into various operating lease agreements as a lessor. The Parent Company has determined that it has retained substantially all the risks and benefits of ownership of the assets. The ownership of the asset is not transferred to the lessee by the end of the lease term, the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable, and, the lease term is not for the major part of the asset's economic life. Accordingly, the lease is accounted for as an operating lease (see Note 17).

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

From its hotel operations as of December 31, 2017 and 2016, no deferred tax assets were recognized as management believes that the Parent Company may not have sufficient future taxable income against which the deferred tax asset may be applied (see Note 19).

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

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

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

There were no changes in the estimated useful lives of property and equipment in 2017, 2016 and 2015. The carrying value of property and equipment as of December 31, 2017 and 2016 are disclosed in Note 12 to the parent company financial statements.

Recoverability of Input VAT
The Parent Company assesses the recoverability of input VAT based on the estimated sale of services subject to VAT. Management has assessed that the recognized input VAT are recoverable. The carrying amounts of input VAT as of December 31, 2017 and 2016 are disclosed in Note 10 to the parent company financial statements.

7. Cash and Cash Equivalents

This account consists of:

	2017	2016
Cash on hand	**₱4,598,279**	₱2,859,930
Cash in banks	**553,215,966**	57,653,854
Cash equivalents	**–**	6,644,436
	₱557,814,245	₱67,158,220

Cash in banks generally earns interest at the respective bank deposit rates. Cash equivalents are short-term deposits made for varying periods of up to three months and earn interest at the respective short-term deposit rates. Interest income earned from cash in banks and short-term deposits amounted to ₱0.3 million in 2017, ₱1.2 million in 2016 and ₱4.6 million in 2015.

8. Receivables

This account consists of:

	2017	2016
Trade:		
Non-related parties	**₱24,421,046**	₱7,737,111
Related parties (Note 21)	**394,300**	86,071
Nontrade	**110,326,482**	111,602,553
Advances to related parties (Note 21)	**53,664,747**	74,186,804
Receivable from PAGCOR	**45,019,839**	18,246,057
Advances to employees (Note 21)	**883,997**	212,577
	₱234,710,411	₱212,071,173

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

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

Receivable from PAGCOR pertains to the outstanding balance of Parent Company's revenue share in gaming operations after deducting the players' winnings and prizes, 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 PTO.

9. Inventories

This account consists of:

	2017	2016
At cost:		
Operating supplies	**₱24,945,725**	₱18,116,614
Food, beverage and tobacco	**3,322,971**	3,191,477
	₱28,268,696	₱21,308,091

Operating supplies include cards, seals and dice.

No allowance for inventory obsolescence was recognized in 2017 and 2016.

10. Input VAT

Input VAT pertains mainly to the Parent Company's purchase of goods and services amounting to ₱345.9 million and ₱387.8 million as of December 31, 2017 and 2016, respectively, which can be claimed as credit against the future output VAT liabilities without prescription.

Deferred input VAT amounting to ₱16.7 million and ₱25.9 million as of December 31, 2017 and 2016, respectively, pertains to the VAT related to certain retention payable and noncurrent portion of input VAT related to acquisition of capital goods exceeding ₱1.0 million.

11. Prepayment and Other Current Assets

This account consists of:

	2017	2016
Advances to contractors and suppliers	**₱62,750,524**	₱124,118,787
Prepaid taxes	**29,598,205**	–
Deposits	**7,488,371**	375,000
Prepayments	**3,881,956**	–
CWT	**1,009,868**	41,619
	₱104,728,924	₱124,535,406

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

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

12. Property and Equipment

This account consists of:

2017

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

2016

	Land	Building	Machinery	Gaming equipment	Non-gaming equipment	Kitchen and bar equipment, computer software and hardware	Construction in progress	Total
Cost								
Balance at beginning of year	₱600,800,000	₱–	₱–	₱203,095,681	₱102,527,807	₱152,601,300	₱2,799,184,871	₱3,858,209,659
Additions	–	234,685,850	2,521,448	107,072,824	83,304,270	27,401,147	1,674,331,053	2,129,316,592
Reclassifications	–	3,639,225,813	187,498,231	62,374	238,864,367	407,865,139	(4,473,515,924)	–
Disposal	–	–	–	–	(1,025,892)	–	–	(1,025,892)
Balance at end of year	600,800,000	3,873,911,663	190,019,679	310,230,879	423,670,552	587,867,586	–	5,986,500,359
Accumulated depreciation								
Balance at beginning of year	–	–	–	–	732,238	442,679	–	1,174,917
Depreciation (Note 24)	–	93,440,349	1,562,485	35,778,249	33,058,145	68,084,243	–	231,923,471
Disposal	–	–	–	–	(512,946)	–	–	(512,946)
Balance at end of year	–	93,440,349	1,562,485	35,778,249	33,277,437	68,526,922	–	232,585,442
Net book value	₱600,800,000	₱3,780,471,314	₱188,457,194	₱274,452,630	₱390,393,115	₱519,340,664	₱–	₱5,753,914,917

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

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

The amount of borrowing cost capitalized for the year ended December 31, 2017 and 2016 was nil and ₱63.9 million, respectively (see Note 15). The rate used to determine the amount of borrowing cost eligible for capitalization was 6.1%.

Gain on sale of non-gaming equipment amounted to nil in 2017, ₱0.1 million in 2016 and nil in 2015.

13. Other Noncurrent Assets

This account consists of:

	2017	2016
Operating equipment	**₱55,682,994**	₱86,826,374
Long-term deposits (Note 27)	**6,161,000**	6,976,249
	₱61,843,994	₱93,802,623

Movements in operating equipment are as follows:

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

	2016			
	Utensils	Linens	Uniform	Total
Cost				
Balance at beginning of year	₱–	₱–	₱–	₱–
Additions	23,562,076	69,952,228	3,559,949	97,074,253
Balance at end of year	23,562,076	69,952,228	3,559,949	97,074,253
Accumulated amortization				
Balance at beginning of year	–	–	–	–
Amortization (Note 24)	4,883,688	5,175,753	188,438	10,247,879
Balance at end of year	4,883,688	5,175,753	188,438	10,247,879
Net Book Value	₱18,678,388	₱64,776,475	₱3,371,511	₱86,826,374

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

14. Accounts Payable and Other Current Liabilities

This account consists of:

	2017	2016
Accounts payable	**₱213,104,250**	₱264,484,809
Accrued expenses	**53,817,707**	11,291,676
Gaming liabilities	**19,344,013**	–
Unearned income	**5,294,198**	1,669,510
Advances from related parties (Note 21)	**4,970,819**	4,970,819
Withholding tax payable	**2,259,155**	2,335,136
Others	**12,044,339**	2,639,862
	₱310,834,481	₱287,391,812

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

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

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

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

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

Others include statutory liabilities and other various individually insignificant items.

15. Loans Payable

This account consists of:

	2017	2016
Principal	**₱3,500,000,000**	₱3,500,000,000
Less unamortized debt discount	**(20,593,018)**	(28,025,253)
	3,479,406,982	3,471,974,747
Less current portion of long term debt*	**(692,879,656)**	–
	₱2,786,527,326	₱3,471,974,747

**Net of unamortized debt discount of ₱7.1 million and nil as of December 31, 2017 and 2016, respectively.*

The movements in unamortized debt discount follow:

	2017	2016
Unamortized debt discount at beginning of year	**₱28,025,253**	₱24,548,140
Additions	**–**	10,000,000
Less: amortization*	**(7,432,235)**	(6,522,887)
Unamortized debt discount at end of year	**₱20,593,018**	₱28,025,253

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

Future repayment of the principal as follows:

	2017	2016
Within one year	**₱700,000,000**	₱–
After one year but not more than five years	**2,800,000,000**	3,500,000,000
	₱3,500,000,000	₱3,500,000,000

In 2015, the Parent Company signed a 7-year loan agreement with a local bank for a ₱3.5 billion loan facility with an interest rate of 7-year Philippine Dealing System Treasury Reference Rates - 2 (PDST-R2) plus 125 basis points at drawdown date, plus gross receipts tax. Interest on the outstanding principal amount shall be paid on each quarterly interest payment date. The proceeds from the loan was initially availed of to fund the acquisition of gaming system and equipment, hotel furnitures and equipment and permanent working capital of the Parent Company. In November 2015, the Parent Company drew ₱2.5 billion from the loan facility, receiving proceeds of ₱2.5 billion, net of related debt issue cost of ₱30.0 million. The debt issue cost includes documentary stamp tax amounting to ₱12.5 million and upfront fees amounting to ₱17.5 million.

In April 2016, the Parent Company drew the remaining ₱1.0 billion from the loan facility, receiving proceeds of ₱995.0 million, net of documentary stamp tax amounting ₱5.0 million. Both loans will mature on November 27, 2022.

The related interest recognized amounted to ₱209.3 million and ₱128.2 million in 2017 and 2016, respectively. Total interest paid amounted to ₱201.9 million and ₱116.6 million in 2017 and 2016, respectively. Capitalized borrowing cost in relation to the construction of the building amounted to ₱63.9 million in 2016 (see Note 12).

The loan is secured by the Parent Company's land and building with an aggregate carrying values of ₱4.5 billion and ₱4.4 billion as of December 31, 2017 and 2016, respectively (see Note 12).

Loan covenants

The loan imposes certain restrictions with respect to corporate reorganization, debt to equity ratio, disposition of all or substantial part of the Parent Company's assets, declaration or payments of dividends to its shareholders (other than dividends payable solely in share of capital stock) and payments of loans or advances from its shareholders, affiliates, subsidiaries or related entities when the Parent Company is in default. As of December 31, 2017 and 2016, the Parent Company has complied with the loan covenants.

16. Retirement Benefits

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

The table below summarizes the components of retirement cost recognized in the parent company statements of comprehensive income:

	2017	2016
Current service cost	**₱1,588,272**	₱812,718
Net interest cost	**47,625**	–
	₱1,635,897	₱812,718

The components of remeasurements in the parent company statements of comprehensive income are as follows:

	2017	2016
Actuarial gain in defined benefit obligation	**₱–**	₱–
Remeasurement gain in plan asset	**688,566**	–
	₱688,566	₱–

The movements in the retirement liability are as follows:

	2017	2016
Balance at beginning of year	**₱812,718**	₱–
Total retirement benefits expense for the year	**1,635,897**	812,718
Defined benefit income recognized in OCI	**(688,566)**	–
Balance at end of year	**₱1,760,049**	₱812,718

Movement in defined benefit obligation are as follows:

	2017	2016
Balance at beginning of year	**₱812,718**	₱–
Current service cost	**1,588,272**	812,718
Interest cost	**47,625**	–
Actuarial loss (gain) on:		
Experience adjustments	**87,942**	–
Change in demographic assumptions	**(1,277,912)**	–
Changes in financial assumptions	**501,404**	–
Balance at end of year	**₱1,760,049**	₱812,718

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

	2017	2016
Discount rate	**5.80%**	5.86%
Salary Increase rate	**5.00%**	3.00%
Mortality rate	**2017 PICM**	–
Disability rate	**1952 Disability Study, Period 2, Benefit 5**	–
Turnover rate	**A scale ranging from 9% at age 18 to 0% at age 60**	A scale ranging from 7.5% at age 19 to 0% at age 45

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, 2017 and 2016 are as follows:

	2017	2016
Less than one year	**₱–**	₱–
One to less than five years	**755,226**	–
Five to less than 10 years	**309,837**	1,050,071
10 to less than 15 years	**10,126,839**	–
15 to less than 20 years	**17,587,343**	–
20 years and above	**57,056,448**	–
	₱85,835,693	₱1,050,071

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

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

		Effect on retirement liability
Discount rate		
	6.80% (Actual + 1.00%)	₱1,502,165
	5.80% (Actual)	1,760,049
	4.80% (Actual - 1.00%)	2,076,861
Salary increase rate		
	6.00% (Actual + 1.00%)	₱2,085,186
	5.00% (Actual)	1,760,049
	4.00% (Actual - 1.00%)	1,491,552

17. Significant Commitments

Accounting treatment for the PTO
As discussed in Note 1 and 2, the Parent Company was granted a PTO by PAGCOR. In the accounting treatment of the provisions of the PTO, management uses judgment in assessing the risk and rewards related to the use of specific assets. Based on the applicable accounting standards, the arrangement entered into by the Parent Company with PAGCOR is similar to an arrangement that entitles another party to a right to use specific assets.

Under this arrangement, the Parent Company allowed PAGCOR, the following:
a. The use of certain floors in its building as gaming facility, and
b. The use of slot machines and gaming tables ("Gaming equipment").

Based on applicable accounting standards, the Parent Company retained substantially the risks and rewards of the gaming facilities and gaming equipment. Accordingly, as of December 31, 2017, the Parent Company continues to recognize these assets in the parent company statements of financial position. The income received from PAGCOR for the use of these assets amounted to ₱283.2 million and ₱174.1 million in December 31, 2017 and 2016 respectively, are presented as "Revenue share in gaming operations" in the parent company statements of comprehensive income.

Operating Lease Commitment – the Parent Company as Lessor
a. The Parent Company entered into a lease contract with CBTC Bank (Philippines) Corp. to lease a space in Winford Hotel, Ground floor with an area of 3 square meter (sqm.). The lease term is for a period of one year commencing on February 1, 2016 and expiring on January 31, 2017 and was subsequently renewed. The contract is renewed on January 31, 2018. The monthly payment amounts to ₱30,000, inclusive of electrical consumption but exclusive of VAT. The terms of the contract also states that rental payment shall escalate by 10% per annum.

b. The Parent Company 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 January 1, 2016, commencement of operations of the lessee, unless sooner terminated in accordance with the termination clause. Rental rates shall be ₱600 per sqm. per month exclusive of VAT plus 10% of gross sales for the period commencing from the execution of the lease agreement until completion of all hotel rooms and ₱600 per sqm. per month exclusive of VAT plus 7% of gross sales upon completion of all the hotel rooms. The contract also states that base rent shall escalate at a rate to be agreed by both parties.

c. The Parent Company entered into a lease contract with Golden Arches Development Corporation to lease a space in Winford Hotel and Casino with an area of 406.14 sqm. The lease term is upon execution of the lease agreement until 10 years after the rental commencement date, November 21, 2016, unless sooner terminated in accordance with termination clause. Rental rate is the higher between base rental rate of ₱750 per sqm. per month, exclusive of VAT or a percentage rental rate of 5% of gross sales, exclusive of VAT, whichever is higher. The lessee will pay an additional ₱13.78 for the common use service area. The contract also states that base rent shall escalate at a rate to be agreed by both parties.

d. The Parent Company entered into a lease contract with Philippine Seven Corporation for five years commencing July 7, 2016 to lease an area of 45.09 sqm. for a basic rent of ₱1,300 per sqm. plus a percentage of gross sales (1.5% of gross sales) or minimum guaranteed rent (₱1,500 per sqm. per month), whichever is higher.

Rent escalation shall separately apply to both basic rent and minimum guaranteed rent.

e. The Parent Company entered into an agreement of lease with SM Kenko Sauna Corporation for ten years commencing September 18, 2016 to lease a 390 sqm. area of Winford Hotel and Casino to be used for spa and salon services. Rental rates shall be ₱650 per sqm. per month exclusive of VAT plus a percentage rental which is 10% of gross revenue from the operations. Rent shall escalate by 7.5% per annum commencing upon lapse of the first 2 years of lease.

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

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

h. The Parent Company entered into a lease contract with Maybank Philippines Inc.to lease a space in Winford Hotel and Casino, second floor with an area of 3 sqm. The lease term is for a period of two years commencing on December 1, 2016 and expiring on November 30, 2018. The monthly payment amounts to ₱30,000, inclusive of electrical consumption but exclusive of VAT.

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

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

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

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

Rent income amounted to ₱ 22.3 million and ₱ 2.8 million in 2017 and 2016, respectively (see Note 25).

Operating Lease Commitment – the Parent Company as Lessee

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

Rent expense amounted to nil, ₱4.6 million, and ₱3.5 million in 2017, 2016 and 2015, 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. 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.

Total service fees recognized in 2017 and 2016 under these agreements amounted to ₱25.7 million and ₱17.4 million, respectively (see Note 24).

Others

As discussed in Note 2, the Parent Company was granted by PAGCOR the right to operate the traditional bingo operations.

18. Deposit for Future Stock Subscription

The Parent Company presented the deposit amounting to ₱1.1 billion and nil as "Deposit for future stock subscription" under noncurrent liability in the parent company statements of financial position as of December 31, 2017 and 2016, respectively, in accordance with FRB No. 6 as issued by the SEC. These deposits shall be applied on the Parent Company's future stock rights offering (see Note 22).

19. Income Taxes

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

The provision for income tax consists of the following:

	2017	2016	2015
Current:			
Final	**₱54,252**	₱237,563	₱924,825
Minimum corporate income tax (MCIT)	**–**	–	3,318
	₱54,252	₱237,563	₱928,143

As of December 31, 2017 and 2016, no deferred tax assets were recognized as management believes that the Parent Company may not have sufficient future taxable income from its hotel operations against which the deferred tax assets may be applied.

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

As of December 31, 2017 and 2016, the net unrecognized deferred tax assets from the hotel operations are composed of the following:

	2017	2016
Deferred tax assets:		
Net operating loss carry over (NOLCO)	**₱367,663,292**	₱148,670,519
Unearned income	**1,588,259**	500,853
Customer deposits	**1,218,681**	516,774
Service charge payable	**1,106,325**	–
Retirement liability	**547,601**	243,815
Unrealized foreign exchange loss	**303,540**	40,252
Amortization of long-term deposit	**64,274**	128,547
MCIT	**3,318**	9,318
	372,495,290	150,110,078
Deferred tax liabilities:		
Deferred rent income	**529,304**	–
Unrealized foreign exchange gain	**181,716**	–
	711,020	–
Deferred tax assets - net	**₱371,784,270**	₱150,110,078

As of December 31, 2017, the details of NOLCO and MCIT are as follows:

NOLCO

Year Incurred	Beginning Balance	Incurred	Expired	Ending Balance	Available Until
2014	₱32,053,407	₱–	₱32,053,407	₱–	2017
2015	57,532,611	–	–	57,532,611	2018
2016	405,982,377	–	–	405,982,377	2019
2017	–	762,029,320	–	762,029,320	2020
	₱495,568,395	₱762,029,320	₱32,053,407	₱1,225,544,308	

MCIT

Year Incurred	Beginning Balance	Incurred	Expired	Ending Balance	Available Until
2014	₱6,000	₱–	₱6,000	₱–	2017
2015	3,318	–	–	3,318	2018
	₱9,318	₱–	₱6,000	₱3,318	

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

	2017	2016	2015
Benefit from income tax based on accounting income before income tax	**(₱227,018,790)**	(₱128,501,125)	(₱15,903,500)
Additions to (reductions in) income tax resulting from tax effects of:			
Movement in unrecognized deferred tax assets	**221,674,192**	111,176,534	17,263,101
Expired NOLCO and MCIT	**9,622,022**	12,048,420	–
Income from gaming operations exempt from income tax	**(7,066,562)**	(5,632,300)	–
Nondeductible expenses and others	**2,869,874**	11,535,324	32,049
Interest income subjected to final tax	**(26,484)**	(389,290)	(463,507)
Provision for income tax	**₱54,252**	₱237,563	₱928,143

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.

<u>Transactions with Related Parties</u>

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

			2017		2016			
Entity	Relationship	Nature	**Amount**	**Receivable (Payable)**	Amount	Receivable (Payable)	Terms	Condition
TSLC	Subsidiary	Advances[(a)] (Note 8)	**₱24,477,943**	**₱53,664,747**	₱127,303,173	₱74,186,804	Noninterest-bearing; payable upon call	Unsecured, unimpaired
Manila Jockey Club, Inc. (MJCI)	Stockholder	Deposit for future stock subscription (Note 18)	**152,254,429**	**(152,254,429)**	–	–	Noninterest-bearing	Unsecured, unguaranteed
		Advances[(b)] (Note 14)	**–**	**(4,970,819)**	873,853	(4,970,819)	Noninterest-bearing; due and demandable	Unsecured, unguaranteed
		Commission from the off-track betting[(c)] (Note 8)	**293,962**	**304,099**	10,137	10,137	Noninterest-bearing; due and demandable	Unsecured, unimpaired
Various Shareholders	Stockholder	Deposit for future stock subscription (Note 18)	**933,878,212**	**(933,878,212)**	–	–	Noninterest-bearing	Unsecured, unguaranteed
Manilacockers Club, Inc (MCI)	Affiliate	Commission from the off-track betting[(d)] (Note 8)	**701,543**	**90,201**	75,934	75,934	Noninterest-bearing; due and demandable	Unsecured, unimpaired

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

<u>Key Management Personnel</u>

Total key management personnel compensation of the Parent Company amounted to ₱13.2 million, ₱11.2 million, and ₱16.7 million as of December 31, 2017, 2016 and 2015, respectively.

The Parent Company has no standard arrangement with regard to the remuneration of its directors. In 2017, 2016 and 2015, the BOD received directors' fees aggregating ₱0.8 million, ₱0.6 million and ₱0.4 million respectively (see Note 24).

The Parent Company's advances to its employees amounted to ₱0.9 million and ₱0.2 million as of December 31, 2017 and 2016, respectively (see Note 8).

22. Equity

<u>Capital Stock</u>

Details of capital stock are as follows:

	2017		2016		2015	
	Number of shares	**Amount**	Number of shares	Amount	Number of shares	Amount
Common shares – ₱1 par value						
Authorized – 5,000,000,000 shares						
Issued and subscribed shares	**3,174,405,821**	**₱3,174,405,821**	3,174,405,821	₱3,174,405,821	2,500,614,159	₱2,500,614,159
Additional subscription during the year	**–**	**–**	–	–	673,791,662	673,791,662
Subscriptions receivable	**–**	**–**	–	–	–	(38,739,719)
Total issued and outstanding and subscribed capital (held by 446, 443 and 444 equity holders in 2017, 2016 and 2015, respectively)	**3,174,405,821**	**₱3,174,405,821**	3,174,405,821	₱3,174,405,821	3,174,405,821	₱3,135,666,102

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

In 2010 and 2013, the Parent Company received series of additional subscription aggregating 83,652,958 shares from shareholders in which ₱20.9 million were paid up. In 2015, ₱24.0 million of the subscription receivable was paid by the shareholder while the remaining balance amounting to ₱38.7 million was collected on May 30, 2016.

On January 14, 2015, the Parent Company received from a group of strategic investors the amount of ₱673.8 million, representing full payment of the subscription of 673,791,662 shares to be taken from the unsubscribed portion of the authorized capital stock at a subscription price of ₱1.0 per share. The related documentary stamp tax on the issuance of capital stock amounting to ₱3.4 million was charged to "Deficit" in the parent company statements of changes in equity.

On April 12, 2018, the BOD approved the conduct of a stock rights offering in order to raise additional capital for its debt servicing requirements. 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 (1) rights share for every two (2) common shares held as of record date (see Note 18).

23. Basic/Diluted Loss Per Share

	2017	2016	2015
Net loss for the year	**₱756,783,553**	₱428,574,647	₱53,939,809
Divided by weighted average number of outstanding common shares	**3,174,405,821**	3,174,405,821	3,146,331,168
Basic/diluted losses per share	**₱0.24**	₱0.14	₱0.02

The Parent Company has no potential dilutive common shares as of December 31, 2017, 2016 and 2015. Therefore, the basic and diluted loss per share are the same as of those dates.

24. Operating Costs and Expenses

This account consists of:

	2017	2016	2015
Cost of Operations			
Depreciation and amortization (Notes 12 and 13)	**₱391,337,316**	₱140,441,197	₱–
Utilities	**73,581,243**	56,118,764	–
Advertising and marketing	**34,686,161**	3,047,507	–
Contracted services	**30,661,961**	26,708,758	–
Salaries and wages	**29,551,731**	34,259,451	–
Service fee (Note 17)	**25,740,714**	17,385,900	–
Food, beverage, and tobacco	**21,000,605**	6,912,332	–

(Forward)

	2017	2016	2015
Gaming fees (Note 2)	**₱16,755,105**	₱8,210,403	₱–
Hotel room and supplies	**16,523,870**	6,075,570	–
Banquet expenses	**16,241,552**	2,931,745	–
Entertainment	**12,691,651**	2,242,280	–
Professional fees	**7,234,228**	9,545,332	–
Commission	**3,754,417**	376,053	–
Supplies	**2,086,360**	1,219,059	–
Transportation	**1,553,402**	1,446,416	–
Communication	**1,402,487**	5,381,984	–
Retirement (Note 16)	**1,339,800**	665,616	–
Security services	**540,553**	542,399	–
Repairs and maintenance	**341,959**	25,384	–
Meetings and conferences	**210,268**	188,618	–
Others	**37,650,796**	3,432,162	–
	724,886,179	327,156,930	–
Operating Expenses			
Depreciation and amortization (Notes 12 and 13)	**126,058,033**	101,730,153	650,533
Repairs and maintenance	**32,651,482**	1,626,099	–
Contracted services	**28,306,363**	24,656,863	385,791
Security services	**26,947,926**	27,039,965	–
Salaries and wages	**21,251,429**	6,238,711	23,221,602
Utilities	**12,984,925**	9,903,311	4,617,872
Insurance	**6,414,645**	2,150,766	35,328
Communication	**5,828,667**	949,762	573,898
Rent	**4,151,117**	4,610,654	3,492,289
Taxes and licenses	**3,675,868**	5,767,596	496,453
Professional fees	**3,015,950**	1,684,470	6,763,212
Advertising and marketing	**2,985,992**	3,492,113	–
Meetings and conferences	**1,479,090**	1,326,799	563,400
Directors' fees (Note 21)	**776,000**	553,000	449,000
Transportation and travel	**698,683**	650,563	353,881
Retirement (Note 16)	**296,097**	147,102	–
Entertainment	**193,529**	44,075	–
Representation	**155,275**	1,203,731	106,830
Supplies	**52,386**	30,609	152,906
Others	**13,825,382**	762,637	1,417,051
	291,748,839	194,568,979	43,280,046
	₱1,016,635,018	₱521,725,909	₱43,280,046

25. Other Revenue

This account consists of:

	2017	2016	2015
Revenue from bingo operations	**₱25,940,208**	₱14,052,800	₱–
Rent income (Note 17)	**22,274,636**	2,839,601	–
Miscellaneous	**11,289,431**	1,348,712	–
	₱59,504,275	₱18,241,113	₱–

Revenue from bingo operations pertain to gross sales of bingo tickets and cards and daubers less prizes/winnings.

Rent income pertains to the revenues from the lessees of the hotel and casino.

Miscellaneous revenue pertains to tobacco sales, laundry services, parking fees and charges for utilities consumed by lessee.

26. Operating Segment Information

The Parent Company has two operating segments in 2017 and 2016 and only one operating segment in 2015. Gaming segment pertains to casino operations while non-gaming pertains to hotel operations. Management monitors the operating results of its operating segment 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 income on the 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, 2017, 2016 and 2015 are as follows:

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

		2016	
	Gaming	Non-gaming	Total
Revenue	₱188,138,088	₱32,507,068	₱220,645,156
Operating costs and expenses	(162,383,823)	(359,342,086)	(521,725,909)
Other expenses - net	(14,344)	(127,241,987)	(127,256,331)
Provision from income tax	–	(237,563)	(237,563)
Net income (loss)	₱25,739,921	(₱454,314,568)	(₱428,574,647)

		2015	
	Gaming	Non-gaming	Total
Operating costs and expenses	₱–	(₱43,280,046)	(₱43,280,046)
Other expenses - net	–	(9,731,620)	(9,731,620)
Provision from income tax	–	(928,143)	(928,143)
Net loss	₱–	(₱53,939,809)	(₱53,939,809)

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, 2017 and 2016 are as follows:

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

	2016		
	Gaming	Non-gaming	Total
Assets	₱1,638,198,699	₱5,068,270,758	₱6,706,469,457
Liabilities	159,365,765	3,970,965,172	4,130,330,937
Capital expenditures	485,589,917	1,643,726,675	2,129,316,592
Interest income	–	1,200,782	1,200,782
Depreciation and amortization	68,953,579	173,217,771	242,171,350

27. **Financial Risk Management Objectives and Policies and Fair Value Measurement**

The Parent Company's financial instruments comprise of cash and cash equivalents, receivables (excluding advances to contractors and suppliers), deposits (presented as part of "Other current assets" in the parent company financial statements), accounts payable and other current liabilities (excluding statutory payables) and loans payable. The main purpose of these financial instruments is to finance the 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, 2017 and 2016 as follows:

	2017	2016
Loans and receivables:		
Cash and cash equivalents* (Note 7)	**₱553,215,966**	₱64,298,290
Receivables (Note 8)	**234,710,411**	212,071,173
Long-term deposits (Note 13)	**6,161,000**	6,976,249
	₱794,087,377	₱283,345,712

**Excluding cash on hand amounting to ₱4,598,279 and ₱2,859,930 for the years ended December 31, 2017 and 2016, respectively.*

As of December 31, 2017 and 2016, the aging analysis of receivables is as follows:

2017	Total	Neither past due nor impaired	Past due but not impaired: Less than 30 days past due	31 to 60 days past due	61 to 90 days past due	91 to 180 days past due	More than 180 days past due	Impaired
Trade:								
Non-related parties	₱24,421,046	₱12,542,226	₱2,203,084	₱2,347,663	₱2,465,559	₱1,695,201	₱3,167,313	₱–
Related parties	394,300	394,300	–	–	–	–	–	–
Nontrade	110,326,482	55,435	–	–	–	–	110,271,047	–
Advances to related parties	53,664,747	53,664,747	–	–	–	–	–	–
Receivable from PAGCOR	45,019,839	44,112,866	–	599,500	6,000	18,000	283,473	–
Advances to employees	883,997	883,997	–	–	–	–	–	–
	₱234,710,411	₱111,653,571	₱2,203,084	₱2,947,163	₱2,471,559	₱1,713,201	₱113,721,833	₱–

2016	Total	Neither past due nor impaired	Past due but not impaired: Less than 30 days past due	31 to 60 days past due	61 to 90 days past due	91 to 180 days past due	More than 180 days past due	Impaired
Trade:								
Non-related parties	₱7,737,111	₱4,484,383	₱1,269,417	₱1,983,311	₱–	₱–	₱–	₱–
Related parties	86,071	86,071	–	–	–	–	–	–
Nontrade	111,602,553	–	–	–	–	–	111,602,553	–
Advances to related parties	74,186,804	74,186,804	–	–	–	–	–	–
Receivable from PAGCOR	18,246,057	18,246,057	–	–	–	–	–	–
Advances to employees	212,577	212,577	–	–	–	–	–	–
	₱212,071,173	₱97,215,892	₱1,269,417	₱1,983,311	₱–	₱–	₱111,602,553	₱–

The table below shows the credit quality of the Parent Company's neither past due nor impaired receivables as of December 31, 2017 and 2016, based on the Parent Company's experience with its debtor's ability to pay:

	2017			
	Grade A	Grade B	Grade C	Total
Trade:				
Non-related parties	₱4,509,547	₱2,198,162	₱5,834,517	₱12,542,226
Related parties	394,300	–	–	394,300
Advances to related parties	53,664,747	–	–	53,664,747
Receivable from PAGCOR	44,112,866	–	–	44,112,866
Advances to employees	883,997	–	–	883,997
Nontrade	55,435	–	–	55,435
	₱103,620,892	₱2,198,162	₱5,834,517	₱111,653,571

	2016			
	Grade A	Grade B	Grade C	Total
Trade:				
Non-related parties	₱2,584,076	₱741,619	₱1,158,688	₱4,484,383
Related parties	86,071	–	–	86,071
Advances to related parties	74,186,804	–	–	74,186,804
Receivable from PAGCOR	18,246,057	–	–	18,246,057
Advances to employees	212,577	–	–	212,577
	₱95,315,585	₱741,619	₱1,158,688	₱97,215,892

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

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

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

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

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

The tables below summarize the maturity profile of the Parent Company's financial liabilities as at December 31, 2017 and 2016 based on contractual undiscounted payments:

	2017			
	Due and Demandable	**Less than 1 year**	**1 year or above**	**Total**
Loans payable*	**₱–**	**₱901,879,770**	**₱3,127,760,382**	**₱4,029,640,152**
Accounts payable and other current liabilities**	**112,185,117**	**196,390,209**	**–**	**308,575,326**
Retention payable	**279,174,193**	**–**	**–**	**279,174,193**
Interest payable	**–**	**19,055,836**	**–**	**19,055,836**
	₱391,359,310	**₱1,117,325,815**	**₱3,127,760,382**	**₱4,636,445,507**

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

	2016			
	Due and Demandable	Less than 1 year	1 year or above	Total
Loans payable*	₱–	₱–	₱4,212,351,992	₱4,212,351,992
Accounts payable and other current liabilities**	4,970,819	280,085,857	–	285,056,676
Retention payable	–	349,373,245	–	349,373,245
Interest payable	–	19,055,836	–	19,055,836
	₱4,970,819	₱648,514,938	₱4,212,351,992	₱4,865,837,749

**Including interest.*
***Excluding withholding taxes payable amounting to ₱2,335,136.*

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

	2017			
	Due and Demandable	**Less than 1 year**	**1 year or above**	**Total**
Loans and receivables:				
Cash and cash equivalents*	**₱553,215,966**	**₱–**	**₱–**	**₱553,215,966**
Receivables	**123,056,840**	**111,653,571**	**–**	**234,710,411**
Long-term deposits	**–**	**–**	**6,161,000**	**6,161,000**
	₱676,272,806	**₱111,653,571**	**₱6,161,000**	**₱794,087,377**

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

	2016			
	Due and Demandable	Less than 1 year	1 year or above	Total
Loans and receivables:				
Cash and cash equivalents*	₱64,298,290	₱–	₱–	₱64,298,290
Receivables	114,855,281	97,215,892	–	212,071,173
Long-term deposits	–	–	6,976,249	6,976,249
	₱179,153,571	₱97,215,892	₱6,976,249	₱283,345,712

**Excluding cash on hand amounting to ₱2,859,930.*

Changes in liabilities arising from financing activities

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

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

Fair Value Measurement

The carrying values of cash and cash equivalents (excluding cash on hand), receivables (excluding advances to contractors and suppliers), 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 value of long-term deposits and loans payable was based on the present value of estimated future cash flows using interest rates that approximate the interest rates prevailing at the reporting date. The carrying values and fair value of loans payable and long-term deposits are as follows:

	2017		2016	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets				
Long-term deposits	**₱6,161,000**	**₱6,161,000**	₱6,976,249	₱6,976,249
Financial Liabilities				
Loans payable	**₱3,479,406,982**	**₱3,620,808,095**	₱3,471,974,747	₱3,729,639,356

As of December 31, 2017 and 2016, 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, 2017 and 2016.

28. 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 obligations and maximize stockholders' value. The Parent Company considers its total equity, including deposit for future subscription, amounting to ₱2.9 billion and ₱2.6 billion as its capital as of December 31, 2017 and 2016, respectively.

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

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

In computing the debt-to-equity ratio, the deposits' for future stock subscription' formed part of the Consolidated Net Worth, as these 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:

	2017	2016
Total current asset	**₱950,296,465**	₱812,868,629
Total current liabilities	**1,301,944,166**	655,820,893
Current ratio	**0.73**	1.24
Total liabilities, excluding deposit for future stock subscription	**₱4,094,052,561**	₱4,130,330,937
Total equity	**2,906,176,174**	2,576,138,520
Debt-to-equity ratio	**1.41**	1.60

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

29. Note to Parent Company Statements of Cash Flows

Noncash investing activity for the years ended December 31, 2017, 2016 and 2015 pertains to the construction of building on account amounting to ₱101.8 million in 2017 and capitalized borrowing cost amounting to ₱63.9 million in 2016.

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

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

The Parent Company also reported and/or paid the following types of taxes for the year ended December 31, 2017.

a. The Parent Company has VAT output tax declaration of ₱17.4 million in 2017 based on the amount reflected in the revenue from hotel, food and beverage and other income arising from sale of tobacco amounting to ₱144.7 million.

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

   The following table shows the sources of input VAT claimed:

Balance at beginning of the year	₱387,810,401
Purchases of:	
Goods other than for resale	6,914,320
Services lodged under other accounts	30,270,084
Claims for tax credit/refund and other adjustments	(79,996,134)
Balance at end of the year	₱344,998,671

b. Other taxes and licenses

   Details consist of the following:

National	
PSE listing fee	₱1,384,344
Documentary stamp taxes	909,230
Public performance license	111,449
Custom duties and taxes	25,000
Optical Media Board license	3,550
Trademark fees	3,224
BIR registration	850
	2,437,647
Local	
Real property tax	861,987
Business permit	299,703
PEZA permit	65,215
Sanitary permit	5,000
Barangay clearance certificate	1,225
Hotel permit	1,000
Notarial services	50
Others	4,041
	1,238,221
Total	₱3,675,868

   The Parent Company incurred franchise tax amounting to ₱18,442,999 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 2017 are as follows:

Expanded withholding taxes	₱18,535,520
Withholding taxes on compensation	8,661,974
Final withholding tax	8,067,974
Total	₱35,265,468

Tax Assessments or Tax Cases

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

ANNEX "B"

COVER SHEET

for

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

SEC Registration Number

	0	0	0	0	0	1	0	0	2	0

COMPANY NAME

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

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

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

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

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
446	6/29	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Joemar Onnagan	joemar.onnagan@winfordmanila.com	528-2300 (loc. 1132)	0917-899-1717

CONTACT PERSON's ADDRESS

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

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

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

MJC INVESTMENTS CORP.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of MJC Investments Corporation and its Subsidiary is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the year ended December 31, 2017, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of 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 Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company'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 or members.

SyCip, Gorres, Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standard on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

Atty. Alfonso R. Reyno Jr.
Chairman/CEO/President
Philippine Passport No. EB8[illegible]

Jose Alvaro D. Rubio
Chief Finance Officer
TIN 109-933-904

Signed this 12th day of April 2018

SUBSCRIBED AND SWORN TO before me this 30 APR 2018 at PASIG CITY affiant exhibiting to me his / her Conpetent evidence of Identity.

DOC. NO. 246 ;
PAGE NO. 51 ;
BOOK NO. VI ;
SERIES OF 2018 ;

[illegible]
NOTARY PUBLIC
APPOINTMENT NO. 138 (2017-2018)
UNTIL DECEMBER 31, 2018
PTR NO. 2516057 / 1-5-17 / PASIG CITY
IBP NO. 1060502 / 1-7-17 / MAKATI CITY
CITIES OF PASIG, SAN JUAN AND PATEROS
ROLL OF ATTORNEY NO. 57018

SGV
Building a better working world

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

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

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of MJC INVESTMENTS CORPORATION Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino (Formerly MJC Investments Corporation) and Subsidiary (the Group), which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, 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, 2017, 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, 2017 and 2016, and of its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2017 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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

APR 30 2018

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.

Reassessment of Permit to Operate granted by PAGCOR

As discussed in Notes 1 and 2 to the consolidated financial statements, the Group was granted a Permit to Operate by PAGCOR for the establishment, maintenance and operation of PAGCOR San Lazaro within the San Lazaro Tourism and Business Park in Sta. Cruz, Manila. The Permit to Operate shall be for a period of fifteen (15) years commencing on January 6, 2016, the date of actual operation of PAGCOR San Lazaro. The same agreement provides PAGCOR an exclusive and direct control to supervise and manage PAGCOR San Lazaro's casino operation, on account of PAGCOR's expertise, experience and competence in gaming operations. We considered this as a key audit matter because it requires management to exercise significant judgment in determining the accounting treatment.

Audit Response

We obtained an understanding of the terms and conditions of the Permit to Operate through inquiry with management and their legal counsels. We also reviewed and evaluated the accounting treatment based on the underlying relevant documents and applicable accounting standards.

Other Information

Management is responsible for the other information. The other information comprises the SEC Form 17-A for the year ended December 31, 2017 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) and Annual Report for the year ended December 31, 2017, 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 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 and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit 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 charge 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.

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- 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 group 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 Adeline D. Lumbres.

SYCIP GORRES VELAYO & CO.

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Adeline D. Lumbres

Adeline D. Lumbres
Partner
CPA Certificate No. 0107241
SEC Accreditation No. 1555-A (Group A),
April 14, 2016, valid until April 14, 2019
Tax Identification No. 224-024-746
BIR Accreditation No. 08-001998-118-2016,
February 15, 2016, valid until February 14, 2019
PTR No. 6621279, January 9, 2018, Makati City

April 20, 2018

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	
	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents (Note 7)	**₱558,855,778**	₱124,984,895
Receivables (Note 8)	**181,045,664**	137,884,968
Inventories (Note 9)	**28,268,696**	21,308,091
Current portion of input value-added tax (VAT) (Note 10)	**24,777,789**	387,795,739
Prepayments and other current assets (Note 11)	**104,971,061**	124,535,406
Total Current Assets	**897,918,988**	796,509,099
Noncurrent Assets		
Property and equipment (Notes 12 and 15)	**5,630,328,456**	5,753,968,763
Input VAT - net of current portion (Note 10)	**337,794,085**	25,883,288
Other noncurrent assets (Note 13)	**82,983,233**	115,049,638
Total Noncurrent Assets	**6,051,105,774**	5,894,901,689
	₱6,949,024,762	₱6,691,410,788
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 14)	**₱310,870,849**	₱290,121,862
Retention payable (Note 27)	**279,174,193**	349,373,245
Interest payable (Notes 15 and 27)	**19,055,836**	19,055,836
Current portion of loans payable (Note 15)	**692,879,656**	–
Total Current Liabilities	**1,301,980,534**	658,550,943
Noncurrent Liabilities		
Loans payable - net of current portion (Note 15)	**2,786,527,326**	3,471,974,747
Deposit for future stock subscription (Note 18)	**1,086,132,641**	–
Retirement liability (Note 16)	**1,760,049**	812,718
Other noncurrent liabilities	**3,821,020**	1,722,579
Total Noncurrent Liabilities	**3,878,241,036**	3,474,510,044
Total Liabilities	**5,180,221,570**	4,133,060,987
Equity		
Capital stock (Note 22)	**3,174,405,821**	3,174,405,821
Deficit	**(1,406,291,195)**	(616,056,020)
Actuarial gains on retirement liability (Note 16)	**688,566**	–
Total Equity	**1,768,803,192**	2,558,349,801
	₱6,949,024,762	₱6,691,410,788

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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		
	2017	2016	2015
REVENUE			
Revenue share in gaming operations (Note 17)	**₱283,196,090**	₱174,085,288	₱–
Hotel, food and beverage	**126,679,264**	28,318,755	–
Other revenue (Note 25)	**59,504,275**	19,642,633	–
	469,379,629	222,046,676	–
OPERATING COSTS AND EXPENSES (Note 24)	**(1,050,101,324)**	(541,001,557)	(43,280,046)
OPERATING LOSS	**(580,721,695)**	(318,954,881)	(43,280,046)
OTHER INCOME (EXPENSES)			
Interest expense (Note 15)	**(209,300,201)**	(128,180,135)	(14,499,279)
Interest income (Note 7)	**342,977**	1,307,544	4,627,775
Miscellaneous income (expenses) - net	**(498,320)**	(276,979)	139,884
	(209,455,544)	(127,149,570)	(9,731,620)
LOSS BEFORE INCOME TAX	**(790,177,239)**	(446,104,451)	(53,011,666)
PROVISION FOR INCOME TAX (Note 19)	**(57,936)**	(258,915)	(928,143)
NET LOSS	**(790,235,175)**	(446,363,366)	(53,939,809)
OTHER COMPREHENSIVE INCOME			
Item that will not be reclassified to profit or loss in subsequent periods:			
Remeasurement gain on defined benefit obligation (Note 16)	**688,566**	–	–
TOTAL COMPREHENSIVE LOSS	**(₱789,546,609)**	(₱446,363,366)	(₱53,939,809)
Basic/Diluted Loss Per Share (Note 23)	**₱0.25**	₱0.14	₱0.02

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, 2017, 2016 AND 2015

	Capital Stock (Note 22)					
	Issued and subscribed	Subscription receivables	Net	Deficit	Actuarial gains on retirement liability (Note 16)	Total
BALANCES AT DECEMBER 31, 2016	**₱3,174,405,821**	**₱–**	**₱3,174,405,821**	**(₱616,056,020)**	**₱–**	**₱2,558,349,801**
Total comprehensive loss for the year	–	–	–	**(790,235,175)**	**688,566**	**(789,546,609)**
BALANCES AT DECEMBER 31, 2017	**₱3,174,405,821**	**₱–**	**₱3,174,405,821**	**(₱1,406,291,195)**	**₱688,566**	**₱1,768,803,192**
BALANCES AT DECEMBER 31, 2015	₱3,174,405,821	(₱38,739,719)	₱3,135,666,102	(₱169,692,654)	₱–	₱2,965,973,448
Collection of subscriptions receivable	–	38,739,719	38,739,719	–	–	38,739,719
Total comprehensive loss for the year	–	–	–	(446,363,366)	–	(446,363,366)
BALANCES AT DECEMBER 31, 2016	₱3,174,405,821	₱–	₱3,174,405,821	(₱616,056,020)	₱–	₱2,558,349,801
BALANCES AT DECEMBER 31, 2014	₱2,500,614,159	(₱105,548,554)	₱2,395,065,605	(₱112,383,887)	₱–	₱2,282,681,718
Subscription of capital stock	673,791,662	–	673,791,662	–	–	673,791,662
Collection of subscriptions receivable	–	66,808,835	66,808,835	–	–	66,808,835
Transaction costs on issuance of capital stock (Note 22)	–	–	–	(3,368,958)	–	(3,368,958)
Total comprehensive loss for the year	–	–	–	(53,939,809)	–	(53,939,809)
BALANCES AT DECEMBER 31, 2015	₱3,174,405,821	(₱38,739,719)	₱3,135,666,102	(₱169,692,654)	₱–	₱2,965,973,448

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		
	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax	**(₱790,177,239)**	(₱446,104,451)	(₱53,011,666)
Adjustments for:			
Depreciation and amortization (Notes 12, 13 and 24)	**517,522,706**	242,194,560	650,533
Interest expense (Note 15)	**209,300,201**	128,180,135	14,499,279
Unrealized foreign exchange loss	**406,081**	92,219	–
Interest income (Note 7)	**(342,977)**	(1,307,544)	(4,627,775)
Gain on sale of disposal of transportation equipment (Note 12)	–	(137,054)	–
Operating loss before working capital changes	**(63,291,228)**	(77,082,135)	(42,489,629)
Decrease (increase) in:			
Receivables (Note 8)	**(43,160,696)**	(25,949,847)	(333,132,773)
Inventories (Note 9)	**(6,960,605)**	(17,369,951)	(44,744,841)
Input VAT	**51,107,153**	(55,158,352)	(151,792,810)
Prepayment and other current assets (Note 11)	**(41,803,918)**	311,631	(6,902,099)
Increase (decrease) in:			
Accounts payable and other current liabilities (Note 14)	**20,748,987**	(118,896,561)	252,771,070
Other noncurrent liabilities	**2,098,441**	1,722,579	–
Retirement benefit expense (Notes 16 and 24)	**1,635,897**	812,718	–
Retention payable	**(70,199,052)**	147,212,285	147,190,256
Net cash used in operations	**(149,825,021)**	(144,397,633)	(179,100,826)
Income taxes paid	**(57,936)**	(262,233)	(930,825)
Interest received	**342,977**	1,307,544	4,627,775
Net cash flows used in operating activities	**(149,539,980)**	(143,352,322)	(175,403,876)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment (Note 12)	**(361,109,115)**	(1,963,671,966)	(2,083,771,542)
Decrease in advances to contractors and suppliers (Note 11)	**61,368,263**	357,617,555	–
Increase in other noncurrent assets (Note 13)	**(706,879)**	(117,911,092)	–
Payment of accounts payable for construction costs (Notes 12 and 29)	–	(165,703,369)	–
Proceeds from disposal of transportation equipment	–	650,000	–
Net cash flows used in investing activities	**(300,447,731)**	(1,889,018,872)	(2,083,771,542)
CASH FLOWS FROM FINANCING ACTIVITIES			
Collections of deposit for future stock subscription (Note 18)	**1,086,132,641**	–	–
Payment of interest (Note 15)	**(201,867,966)**	(116,648,831)	–
Proceeds from availment of loans (Note 15)	–	995,000,000	2,470,000,000
Collection of subscriptions receivable (Note 22)	–	38,739,719	66,808,835
Proceeds from subscription of capital stock (Note 22)	–	–	673,791,662
Transaction costs on issuance of capital stock (Note 22)	–	–	(3,368,958)
Advances received from a related party	–	–	1,317,166
Net cash flows provided by financing activities	**884,264,675**	917,090,888	3,208,548,705
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(406,081)**	(92,219)	–
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**433,870,883**	(1,115,372,525)	949,373,287
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**124,984,895**	1,240,357,420	290,984,133
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	**₱558,855,778**	₱124,984,895	₱1,240,357,420

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

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

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

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

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

On January 19, 2010, the SEC approved the amendment of the Parent Company's primary purpose from engaging in mining operation to that of an investment holding company, which is to acquire by purchase, lease or otherwise, lands or interest in lands and realty, and to own, hold, improve or develop said land or real estate so acquired, and to build or cause to be built on any lands owned, held, occupied or acquired, buildings, facilities, and other structures with their appurtenances, for residential, commercial, mixed-use, leisure, gaming, amusement and entertainment purposes.

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

On April 21, 2016, the Parent Company incorporated its wholly owned subsidiary, TSLC, in the Philippines and registered it with the SEC. The authorized and subscribed capital stock of TSLC is ₱20.0 million with a par value of one peso per share. TSLC's primary purpose is to establish, engage, operate and manage, gaming enterprises, amusement, entertainment and recreation centers, as well as providing services including but not limited to business process outsourcing services to foreign clients, support solutions, such as back office technology support, call or contact center activities, data entry and encoding, data management, general human resource functions, business planning, accounts receivable management, general financial support services, customer support services and customer relationship management, sales support and other industry specific purposes, and to companies and operations, and other clients, and to do any and all things necessary for or conducive to the attainment of such purposes, including, articles of merchandise necessary or desirable in its operations, the provision of professional, consulting and other related services, and the licensing of application, software and other solutions required or related to the above services. The principal place of business of TSLC is at Winford Hotel and Casino, MJC Drive, Sta. Cruz, Manila. On May 16, 2016, TSLC was granted the authority by PAGCOR to bring in pre-registered foreign players to play in designated junket gaming areas within PAGCOR San Lazaro (see Note 2).

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

Authorization for the Issuance of Consolidated financial statements
The consolidated financial statements were approved and authorized for issuance by the Board of Directors (BOD) on April 20, 2018.

2. Agreements with PAGCOR

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

a. PTO granted to the Parent Company

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

As the operator of PAGCOR San Lazaro, the Parent Company shall undertake the following:

a) Shoulder the cost of designing and furnishing the PAGCOR San Lazaro;
b) Shoulder the cost of maintaining PAGCOR San Lazaro, including the required major and minor repairs to the gaming facility;
c) Acquire, install, maintain and upgrade to keep abreast with the worldwide industry of casino gaming the following to be used for the operation of PAGCOR San Lazaro, as provided and deemed necessary by PAGCOR:
    - At least ten (10) gaming tables, table layout, chairs and other equipment, and paraphernalia. The number of tables maybe adjusted subject to PAGCOR's approval;
    - A minimum of two hundred (200) new slot machines and an online tokenless system of linking and networking all slot machines. The Parent Company shall on its account train the technical personnel of PAGCOR for the operation, repair and maintenance of the slot machine networking system and shall ensure the transfer of appropriate and necessary technology, for this purpose;
    - Playing cards and playing chips, the design of which shall be separate and distinct from PAGCOR's playing cards and chips;
    - Surveillance equipment and paraphernalia; and
    - All other capital expenditures such as treasury vaults, furniture and other office equipment and paraphernalia, and other pre-operating requirements, necessary for the operation of PAGCOR San Lazaro.

d) Shoulder any illegitimate slot credit/payout of payers which may arise due to malfunction or error in the slot machine online tokenless system provided by the Parent Company for the operations of PAGCOR San Lazaro;
e) Bear the cost of maintenance and minor repairs of the equipment, furniture and fixtures installed at PAGCOR San Lazaro, and shall be responsible for replacing such equipment, furniture and fixtures, which are deemed to be beyond repair. The Parent Company shall also make available to PAGCOR, at any time of the day, repair and maintenance services, to address the immediate needs of PAGCOR San Lazaro;
f) Shoulder the costs of all shipping and freight charges, as well as the covering marine insurance, relative to all the gaming and non-gaming equipment, furnishing and fixtures to be brought into the Philippines to be installed at PAGCOR San Lazaro;
g) Shoulder the cost of insurance for loss or damaged gaming equipment, slot machines or other gaming paraphernalia, and the network system, due to force majeure including but not limited to fire, typhoons, and other incidents and calamities;
h) Shoulder any restoration that maybe required by the building owner after cessation of the casino operation;
i) Provide the required cash capital for PAGCOR San Lazaro;
j) Shoulder and provide for other operating expenses necessary in the operation of the casino including but not limited to space rental, utilities expenses;
k) Secure all necessary local permits required for the renovation of PAGCOR San Lazaro;
l) Provide hotel accommodation for PAGCOR San Lazaro's guests;
m) Provide required communication facilities at the casino offices and gaming areas;
n) Hold PAGCOR free and harmless from third party claims for injuries and damages suffered within the premises resulting from, or occasioned by any faulty construction, non-maintenance or any defect that pertains to the building, structural integrity or of the PAGCOR casino premises, and to indemnify and hold PAGCOR harmless from and against costs of defending any such action suit or proceedings including legal fees and other legal expenses incurred in relation to such third party claims.

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

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

Upon revocation or termination of the agreement for PAGCOR to manage PAGCOR San Lazaro and if the same is without fault of the Parent Company or PAGCOR, PAGCOR shall surrender to the Parent Company PAGCOR San Lazaro's premises, furnishing and equipment without delay subject to proper accounting and auditing of liabilities of PAGCOR and the Parent Company.

Should PAGCOR unreasonably delay or unjustifiably fail to immediately surrender said contributions, the Parent Company shall have the right to take possession of PAGCOR San Lazaro's premises, furnishing and equipment from PAGCOR. This is without prejudice to PAGCOR's right to take possession of the properties from the Parent Company and apply the same for payment or satisfaction of its claims against the Parent Company.

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

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

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

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

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

In consideration of the grant by PAGCOR, the TSLC shall pay PAGCOR higher of (a) monthly Minimum Guarantee Fee of US$10,000 per table or (b) ten percent (10%) of the monthly gross winnings generated from the junket gaming operations. The Group shall bear all salaries and other benefits in full of the junket monitoring personnel of PAGCOR who will be assigned to monitor the junket gaming operations. These expenses are presented as part of "Gaming fees" recorded under "Operating costs and expenses" (see Note 24). In addition to the monthly fee, the TSLC shall remit five percent (5%) of the Monthly Gross Winnings of the Junket Gaming Operations to PAGCOR as Franchise Tax.

For the years ended December 31, 2017, 2016, and 2015, TSLC generated revenue of nil, ₱1.4 million, and nil, respectively (presented as part of "Miscellaneous revenue") (see Note 25).

The TSLC shall also deposit to PAGCOR the following:
a) an amount equivalent to six (6) months of the Minimum Guarantee Fee of the Table Gaming Mix in the Junket Gaming Operation ("gaming deposit") prior to the actual operation of the junket tables amounting to ₱17.0 million, which are recorded as part of "Long-term deposits" under "Other noncurrent assets" in the consolidated statements of financial position (see Note 13).
b) an administrative charge deposit in the amount equivalent to six months manpower cost of PAGCOR's Monitoring Team for the Junket Gaming Operation prior to the actual operation amounting to ₱2.9 million, which shall be made to cover TSLC's share in the cost of salaries

and benefits of PAGCOR personnel assigned at the junket area in case the junket operations are suspended for reasons other than force majeure or fortuitous event. The Administrative Charge Deposit is recorded as part of the "Long-term deposits" under Other Noncurrent Assets in the consolidated statements of financial position (see Note 13).

c) a cash bond in the amount of ₱1.0 million upon execution of the Junket Agreement in favor of PAGCOR to ensure and secure TSLC's compliance with the terms and conditions of the agreement and PAGCOR's pre-operating requirements (see Note 13).

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

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

3. Basis of Preparation and Statement of Compliance

Basis of Preparation

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

Statement of Compliance

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

4. Summary of Changes in Accounting Policies and Disclosures

New and Amended Standards and Interpretation

The Group applied for the first time certain pronouncements, which are effective for annual periods beginning on or after January 1, 2017.

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

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

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

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

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

  The Group has provided the required information in Note 27 to the consolidated financial statements. As allowed under the transition provisions of the standard, the Group did not present comparative information for the year ended December 31, 2016.

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

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

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

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

Effective beginning on or after January 1, 2018

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

  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

- PFRS 9, *Financial Instruments*

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

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

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

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

- PFRS 15, *Revenue from Contracts with Customers*

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

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

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

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

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

  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

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

  The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Effective beginning on or after January 1, 2019

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

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

- PFRS 16, *Leases*

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

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

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

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

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

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

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

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

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

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

  The interpretation specifically addresses the following:

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

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

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

Deferred effectivity

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

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

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

5. Summary of Significant Accounting and Financial Reporting Policies

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiary where the parent has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:
- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiary
Subsidiary is an entity controlled by the Parent Company. Subsidiary is consolidated from the date of acquisition or incorporation, being the date on which the Group obtains control, and continue to be consolidated until the date such control ceases.

Transactions Eliminated on Consolidation
All intragroup transactions and balances including income and expenses, and unrealized gains and losses are eliminated in full.

Accounting Policies of Subsidiaries
The financial statements of subsidiary are prepared for the same reporting year using uniform accounting policies as those of the Parent Company.

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

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

An asset is current when it is:
- expected to be realized or intended to be sold or consumed in the normal operating cycle;

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

All other assets are classified as noncurrent.

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

The Group classifies all other liabilities as noncurrent.

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

Fair Value Measurement
The Group measures financial instruments at each reporting date. Additional fair value related disclosures including fair values of financial instruments measured at amortized cost are disclosed in Note 27.

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

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

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

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

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

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

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

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

- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of financial position comprise of cash on hand and in banks and on short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

Financial Assets and Liabilities

Date of Recognition

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

Initial and Subsequent Recognition of Financial Instruments

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

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. Financial liabilities are classified as financial liabilities at fair value through profit or loss or other financial liabilities. The classification depends on the purpose for which the instruments were acquired or liabilities incurred and whether they are quoted in an active market. Management determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this classification at every balance sheet date. The Group has no financial assets or liabilities at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets as of December 31, 2017 and 2016.

Determination of Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either i) in the principal market for the asset or liability; or ii) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

"Day 1" Profit

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

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

This category includes cash in banks and receivables. The carrying values and fair values of loans and receivables are disclosed in Notes 7, 8, and 27 to the consolidated financial statements.

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

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

This category includes accounts payable and other current liabilities, retention payable, interest payable, loans payable (current and noncurrent portion) and deposit for future stock subscription as of December 31, 2017 and 2016.

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

Assets Carried at Amortized Cost
If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of loss shall be charged to current operations. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of

the asset. Loans and receivables together with the associated allowance are written off at each balance sheet date when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. The Group first assesses whether an objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statements of comprehensive income to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Derecognition of Financial Assets and Liabilities

Financial Assets

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

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

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset.

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

Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged, canceled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statements of comprehensive income.

Offsetting of Financial Instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

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

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

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

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

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

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

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

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

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

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

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Operating Equipment

Operating equipment (shown as part of "Other noncurrent assets" account) includes linens uniforms, and utensils, which are carried at cost. Bulk purchases of items of operating equipment with expected usage period of beyond 1 year are classified as noncurrent assets and are amortized over three years.

Impairment of Non-financial Assets

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

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

Retention Payable

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

Deposit for Future Stock Subscription

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

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

- The unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract;
- There is a BOD approval on the proposed increase in authorized capital stock (for which a deposit was received by the corporation);

- There is stockholders' approval of said proposed increase; and
- The application for the approval of the proposed increase has been presented for filing or filed with the Commission.

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

Capital Stock

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

Deficit

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

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria to determine whether it is acting as principal or agent.

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

Revenue Share in Gaming Operations

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

Hotel, Food and Beverage

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

Revenue from Bingo Operations

Revenue from bingo operations represents net sales from the conduct of bingo operations. Net sales is defined as the total gross receipts from sale of bingo tickets and cards and daubers less prizes/winnings. This is included at "Other revenue" in the consolidated statements of comprehensive income.

Rental Income

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

Other Revenue

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Retirement Benefits Cost

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

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

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

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

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

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

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

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

Parent Company as a Lessor
Leases in which the Parent Company does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income. Contingent rents are recognized as revenue in the period in which they are earned.

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

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

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

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

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

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

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

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

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 26.

An operating segment is a component of an entity:

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

6. Significant Accounting Judgments, Estimates and Assumptions

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

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

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

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

Parent Company as the Lessor - Operating Lease Commitments
The Parent Company has entered into various operating lease agreements as a lessor. The Parent Company has determined that it has retained substantially all the risks and benefits of ownership of the

assets. The ownership of the asset is not transferred to the lessee by the end of the lease term, the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable, and, the lease term is not for the major part of the asset's economic life. Accordingly, the lease is accounted for as an operating lease (see Note 17).

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

From its hotel operations as of December 31, 2017 and 2016, no deferred tax assets were recognized as management believes that the Group may not have sufficient future taxable income against which the deferred tax asset may be applied (see Note 19).

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

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

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

There were no changes in the estimated useful lives of property and equipment in 2017, 2016 and 2015. The carrying value of property and equipment as of December 31, 2017 and 2016 are disclosed in Note 12 to the consolidated financial statements.

Recoverability of Input VAT
The Group assesses the recoverability of input VAT based on the estimated sale of services subject to VAT. Management has assessed that the recognized input VAT are recoverable. The carrying amounts of input VAT as of December 31, 2017 and 2016 are disclosed in Note 10 to the consolidated financial statements.

7. Cash and Cash Equivalents

This account consists of:

	2017	2016
Cash on hand	**₱4,598,279**	₱7,859,930
Cash in banks	**554,257,499**	110,480,529
Cash equivalents	**–**	6,644,436
	₱558,855,778	₱124,984,895

Cash in banks generally earns interest at the respective bank deposit rates. Cash equivalents are short-term deposits made for varying periods of up to three months and earn interest at the respective short-term deposit rates. Total interest income earned from cash in banks and short-term deposits amounted to ₱0.3 million in 2017, ₱1.3 million in 2016 and ₱4.6 million in 2015.

8. Receivables

This account consists of:

	2017	2016
Trade:		
Non-related parties	**₱24,421,046**	₱7,737,111
Related parties (Note 21)	**394,300**	86,071
Nontrade	**110,326,482**	111,602,553
Receivable from PAGCOR	**45,019,839**	18,246,057
Advances to employees (Note 21)	**883,997**	213,176
	₱181,045,664	₱137,884,968

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

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

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

9. Inventories

This account consists of:

	2017	2016
At cost:		
Operating supplies	**₱24,945,725**	₱18,116,614
Food, beverage, and tobacco	**3,322,971**	3,191,477
	₱28,268,696	₱21,308,091

Operating supplies include cards, seals and dice.

No allowance for inventory obsolescence was recognized in 2017 and 2016.

10. Input VAT

Input VAT pertains mainly to the Group's purchase of goods and services amounting to ₱345.9 million and ₱387.8 million as of December 31, 2017 and 2016, respectively, which can be claimed as credit against the future output VAT liabilities without prescription.

Deferred input VAT amounting to ₱16.7 million and ₱25.9 million as of December 31, 2017 and 2016, respectively, pertains to the VAT related to certain retention payable and noncurrent portion of input VAT related to acquisition of capital goods exceeding ₱1.0 million.

11. Prepayments and Other Current Assets

This account consists of:

	2017	2016
Advances to contractors and suppliers	**₱62,750,524**	₱124,118,787
Prepaid taxes	**29,598,205**	–
Deposits	**7,488,371**	375,000
Prepayments	**4,124,093**	–
CWT	**1,009,868**	41,619
	₱104,971,061	₱124,535,406

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

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

12. Property and Equipment

This account consists of:

2017

	Land	Building	Machinery	Gaming equipment	Non-gaming equipment	Kitchen and bar equipment, computer software and hardware	Construction in progress	Total
Cost								
Balance at beginning of year	₱600,800,000	₱3,873,911,663	₱190,019,679	₱310,230,879	₱423,670,552	₱587,926,327	₱–	₱5,986,559,100
Additions	–	282,241,016	17,328,908	20,190,340	8,294,399	33,054,452	–	361,109,115
Disposal	–	–	–	–	–	(695,664)	–	(695,664)
Balance at end of year	600,800,000	4,156,152,679	207,348,587	330,421,219	431,964,951	620,285,115	–	6,346,972,551
Accumulated depreciation								
Balance at beginning of year	–	93,440,349	1,562,485	35,778,249	33,277,437	68,531,817	–	232,590,337
Depreciation (Note 24)	–	136,167,053	19,850,267	39,704,860	83,970,481	205,056,761	–	484,749,422
Disposal	–	–	–	–	–	(695,664)	–	(695,664)
Balance at end of year	–	229,607,402	21,412,752	75,483,109	117,247,918	272,892,914	–	716,644,095
Net book value	₱600,800,000	₱3,926,545,277	₱185,935,835	₱254,938,110	₱314,717,033	₱347,392,201	₱–	₱5,630,328,456

2016

	Land	Building	Machinery	Gaming equipment	Non-gaming equipment	Kitchen and bar equipment, computer software and hardware	Construction in progress	Total
Cost								
Balance at beginning of year	₱600,800,000	₱–	₱–	₱203,095,681	₱102,527,807	₱152,601,300	₱2,799,184,871	₱3,858,209,659
Additions	–	234,685,850	2,521,448	107,072,824	83,304,270	27,459,888	1,674,331,053	2,129,375,333
Reclassifications	–	3,639,225,813	187,498,231	62,374	238,864,367	407,865,139	(4,473,515,924)	–
Disposal	–	–	–	–	(1,025,892)	–	–	(1,025,892)
Balance at end of year	600,800,000	3,873,911,663	190,019,679	310,230,879	423,670,552	587,926,327	–	5,986,559,100
Accumulated depreciation								
Balance at beginning of year	–	–	–	–	732,238	442,679	–	1,174,917
Depreciation (Note 24)	–	93,440,349	1,562,485	35,778,249	33,058,145	68,089,138	–	231,928,366
Disposal	–	–	–	–	(512,946)	–	–	(512,946)
Balance at end of year	–	93,440,349	1,562,485	35,778,249	33,277,437	68,531,817	–	232,590,337
Net book value	₱600,800,000	₱3,780,471,314	₱188,457,194	₱274,452,630	₱390,393,115	₱519,394,510	₱–	₱5,753,968,763

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

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

The amount of borrowing cost capitalized for the year ended December 31, 2017 and 2016 was nil and ₱63.9 million, respectively (see Note 15). The rate used to determine the amount of borrowing cost eligible for capitalization was 6.1%.

Gain on sale of non-gaming equipment amounted to nil in 2017, ₱0.1 million in 2016 and nil in 2015.

13. Other Noncurrent Assets

This account consists of:

	2017	2016
Operating equipment	**₱55,880,233**	₱87,131,389
Long-term deposits (Note 27)	**27,103,000**	27,918,249
	₱82,983,233	₱115,049,638

Movements in operating equipment are as follows:

	2017			
	Utensils	**Linens**	**Uniforms**	**Total**
Cost				
Balance at beginning of year	**₱23,562,076**	**₱69,952,228**	**₱3,883,279**	**₱97,397,583**
Additions	**–**	**714,994**	**807,134**	**1,522,128**
Balance at end of year	**23,562,076**	**70,667,222**	**4,690,413**	**98,919,711**
Accumulated amortization				
Balance at beginning of year	**4,883,688**	**5,175,753**	**206,753**	**10,266,194**
Amortization (Note 24)	**7,854,025**	**23,582,061**	**1,337,198**	**32,773,284**
Balance at end of year	**12,737,713**	**28,757,814**	**1,543,951**	**43,039,478**
Net book value	**₱10,824,363**	**₱41,909,408**	**₱3,146,462**	**₱55,880,233**

	2016			
	Utensils	Linens	Uniforms	Total
Cost				
Balance at beginning of year	₱–	₱–	₱–	₱–
Additions	23,562,076	69,952,228	3,883,279	97,397,583
Balance at end of year	23,562,076	69,952,228	3,883,279	97,397,583
Accumulated depreciation				
Balance at beginning of year	–	–	–	–
Amortization (Note 24)	4,883,688	5,175,753	206,753	10,266,194
Balance at end of year	4,883,688	5,175,753	206,753	10,266,194
Net book value	₱18,678,388	₱64,776,475	₱3,676,526	₱87,131,389

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

14. Accounts Payable and Other Current Liabilities

This account consists of:

	2017	2016
Accounts payable	**₱213,104,250**	₱267,176,320
Accrued expenses	**53,817,707**	11,377,579
Gaming liabilities	**19,344,013**	–
Unearned income	**5,294,198**	1,669,510
Advances from related parties (Note 21)	**4,970,819**	4,970,819
Withholding taxes payable	**2,259,155**	2,192,513
Others	**12,080,707**	2,735,121
	₱310,870,849	₱290,121,862

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

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

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

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

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

Others include statutory liabilities and other various individually insignificant items.

15. Loans Payable

This account consists of:

	2017	2016
Principal	**₱3,500,000,000**	₱3,500,000,000
Less unamortized debt discount	**(20,593,018)**	(28,025,253)
	3,479,406,982	3,471,974,747
Less current portion of long-term debt*	**(692,879,656)**	–
	₱2,786,527,326	₱3,471,974,747

**Net of unamortized debt discount of ₱7.1 million and nil as of December 31, 2017 and 2016, respectively.*

The movements in unamortized debt discount follow:

	2017	2016
Unamortized debt discount at beginning of year	**₱28,025,253**	₱24,548,140
Additions	**–**	10,000,000
Less: amortization*	**(7,432,235)**	(6,522,887)
Unamortized debt discount at end of year	**₱20,593,018**	₱28,025,253

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

Future repayment of the principal as follows:

	2017	2016
Within one year	**₱700,000,000**	₱–
After one year but not more than five years	**2,800,000,000**	3,500,000,000
	₱3,500,000,000	₱3,500,000,000

In 2015, the Parent Company signed a 7-year loan agreement with a local bank for a ₱3.5 billion loan facility with an interest rate of 7-year Philippine Dealing System Treasury Reference Rates - 2 (PDST-R2) plus 125 basis points at drawdown date, plus gross receipts tax. Interest on the outstanding principal amount shall be paid on each quarterly interest payment date. The proceeds from the loan was initially availed of to fund the acquisition of gaming system and equipment, hotel furnitures and equipment and permanent working capital of the Parent Company. In November 2015, the Parent Company drew ₱2.5 billion from the loan facility, receiving proceeds of ₱2.5 billion, net of related debt issue cost of ₱30.0 million. The debt issue cost includes documentary stamp tax amounting to ₱12.5 million and upfront fees amounting to ₱17.5 million.

In April 2016, the Parent Company drew the remaining ₱1.0 billion from the loan facility, receiving proceeds of ₱995.0 million, net of documentary stamp tax amounting ₱5.0 million. Both loans will mature on November 27, 2022.

The related interest recognized amounted to ₱209.3 million and ₱128.2 million in 2017 and 2016, respectively. Total interest paid amounted to ₱201.9 million and ₱116.6 million in 2017 and 2016, respectively. Capitalized borrowing cost in relation to the construction of the building amounted to ₱63.9 million in 2016 (see Note 12).

The loan is secured by the Parent Company's land and building with an aggregate carrying value of ₱4.5 billion and ₱4.4 billion as of December 31, 2017 and 2016, respectively (see Note 12).

Loan covenants

The loan imposes certain restrictions with respect to corporate reorganization, debt to equity ratio, disposition of all or substantial part of the Parent Company's assets, declaration or payments of dividends to its shareholders (other than dividends payable solely in share of capital stock) and payments of loans or advances from its shareholders, affiliates, subsidiaries or related entities when the Parent Company is in default. As of December 31, 2017 and 2016, the Parent Company has complied with the loan covenants.

16. Retirement Benefits

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

The table below summarizes the components of retirement cost recognized in the consolidated statements of comprehensive income:

	2017	2016
Current service cost	**₱1,588,272**	₱812,718
Net interest cost	**47,625**	–
	₱1,635,897	₱812,718

The components of remeasurements in the consolidated statements of comprehensive income are as follows:

	2017	2016
Actuarial gain due to liability experience	**₱688,566**	₱–
Gain on return on plan asset	–	–
	₱688,566	₱–

The movements in the retirement liability are as follows:

	2017	2016
Balance at beginning of year	**₱812,718**	₱–
Total retirement expense for the year	**1,635,897**	812,718
Defined benefit income recognized in OCI	**(688,566)**	–
Balance at end of year	**₱1,760,049**	₱812,718

Movement in defined benefit obligation are as follows:

	2017	2016
Balance at beginning of year	**₱812,718**	₱–
Current service cost	**1,588,272**	812,718
Interest cost	**47,625**	–
Actuarial loss (gain) on:		
Experience adjustments	**87,942**	–
Change in demographic assumptions	**(1,277,912)**	–
Changes in financial assumptions	**501,404**	–
Balance at end of year	**₱1,760,049**	₱812,718

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

	2017	2016
Discount rate	**5.80%**	5.86%
Salary Increase rate	**5.00%**	3.00%
Mortality rate	**2017 PICM**	–
Disability rate	**1952 Disability Study, Period 2, Benefit 5**	–
Turnover rate	**A scale ranging from 9% at age 18 to 0% at age 60**	A scale ranging from 7.5% at age 19 to 0% at age 45

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, 2017 and 2016 are as follows:

	2017	2016
Less than one year	**₱–**	₱–
One to less than five years	**755,226**	–
Five to less than 10 years	**309,837**	1,050,071
10 to less than 15 years	**10,126,839**	–
15 to less than 20 years	**17,587,343**	–
20 years and above	**57,056,448**	–
	₱85,835,693	₱1,050,071

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

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

		Effect on retirement liability
Discount rate		
	6.80% (Actual + 1.00%)	₱1,502,165
	5.80% (Actual)	1,760,049
	4.80% (Actual - 1.00%)	2,076,861
Salary increase rate		
	6.00% (Actual + 1.00%)	₱2,085,186
	5.00% (Actual)	1,760,049
	4.00% (Actual - 1.00%)	1,491,552

17. **Significant Commitments**

Accounting treatment for the PTO
As discussed in Notes 1 and 2, the Parent Company was granted a PTO by PAGCOR. In the accounting treatment of the provisions of the PTO, management uses judgment in assessing the risk and rewards related to the use of specific assets. Based on the applicable accounting standards, the arrangement entered into by the Parent Company with PAGCOR is similar to an arrangement that entitles another party to a right to use specific assets.

Under this arrangement, the Parent Company allowed PAGCOR, the following:
a. The use of certain floors in its building as gaming facility, and
b. The use of slot machines and gaming tables ("Gaming equipment").

Based on applicable accounting standards, the Group retained substantially the risks and rewards of the gaming facilities and gaming equipment. Accordingly, as of December 31, 2017 and 2016, the Parent Company continues to recognize these assets in the consolidated statements of financial position. The income received from PAGCOR for the use of these assets amounted to ₱283.2 million and ₱174.1 million in December 31, 2017 and 2016 respectively, are presented as "Revenue share in gaming operations" in the consolidated statements of comprehensive income.

Operating Lease Commitment – the Parent Company as Lessor
a. The Parent Company entered into a lease contract with CBTC Bank (Philippines) Corp. to lease a space in Winford Hotel, Ground floor with an area of 3 square meter (sqm.). The lease term is for a period of one year commencing on February 1, 2016 and expiring on January 31, 2017 and was subsequently renewed. The monthly payment amounts to ₱30,000, inclusive of electrical consumption but exclusive of VAT. The terms of the contract also states that rental payment shall escalate by 10% per annum.

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

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

d. The Parent Company entered into a lease contract with Philippine Seven Corporation for five years commencing July 7, 2016 to lease an area of 45.09 sqm. for a basic rent of ₱1,300 per sqm. plus a percentage of gross sales (1.5% of gross sales) or minimum guaranteed rent (₱1,500 per sqm. per month), whichever is higher.

   Rent escalation shall separately apply to both basic rent and minimum guaranteed rent.

e. The Parent Company also entered into an agreement of lease with SM Kenko Sauna Corporation (the lessee) to lease a 390 sqm. area of Winford Hotel and Casino to be used for spa and salon services. Rental rates shall be ₱650 per sqm. per month exclusive of VAT plus a percentage rental which is 10% of gross revenue from the operations. Rent shall escalate by 7.5% per annum commencing upon lapse of the first 2 years of lease.

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

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

h. The Parent Company entered into a lease contract with Maybank Philippines Inc.to lease a space in Winford Hotel and Casino, second floor with an area of 3 sqm. The lease term is for a period of two years commencing on December 1, 2016 and expiring on November 30, 2018. The monthly payment amounts to ₱30,000, inclusive of electrical consumption but exclusive of VAT.

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

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

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

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

Rent income amounted to ₱ 18.7 million and ₱ 2.8 million in 2017 and 2016, respectively (see Note 25).

Operating Lease Commitment – the Parent Company as Lessee

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

Rent expense amounted to nil, ₱4.6 million, and ₱3.5 million in 2017, 2016 and 2015, 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. 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.

Total service fees recognized in 2017 and 2016 under these agreements amounted to ₱25.7 million and ₱17.4 million, respectively (see Note 24).

Others

As discussed in Note 2, the Group was granted by PAGCOR the right to operate the traditional bingo and junket operations.

18. Deposit for Future Stock Subscription

The Group presented the deposit amounting to ₱1.1 billion and nil as "Deposit for future stock subscription" under noncurrent liability in the consolidated statements of financial position as of December 31, 2017 and 2016, respectively, in accordance with FRB No. 6 as issued by the SEC. These deposits shall be applied on the Parent Company's future stock rights offering (see Note 22).

19. Income Taxes

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

The provision for income tax consists of the following:

	2017	2016	2015
Current:			
Final	**₱57,936**	₱258,915	₱924,825
Minimum corporate income tax (MCIT)	**–**	–	3,318
	₱57,936	₱258,915	₱928,143

As of December 31, 2017 and 2016, no deferred tax assets were recognized as management believes that the Group may not have sufficient future taxable income from its hotel operations against which the deferred tax assets may be applied.

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

As of December 31, 2017 and 2016, net unrecognized deferred tax assets from its hotel operations are composed of the following:

	2017	2016
Deferred tax assets:		
Net operating loss carry over (NOLCO)	**₱367,663,292**	₱148,670,519
Unearned income	**1,588,259**	500,853
Customer deposits	**1,218,681**	516,774
Service charge payable	**1,106,325**	–
Retirement liability	**547,601**	243,815
Unrealized foreign exchange loss	**303,540**	40,252
Amortization of long term deposit	**64,274**	128,547
MCIT	**3,318**	9,318
	372,495,290	150,110,078
Deferred tax liabilities:		
Deferred rent income	**529,304**	–
Unrealized foreign exchange gain	**181,716**	–
	711,020	–
Deferred tax assets - net	**₱371,784,270**	₱150,110,078

As of December 31, 2017, the details of NOLCO and MCIT are as follows:

NOLCO

Year Incurred	Beginning Balance	Incurred	Expired	Ending Balance	Available Until
2014	₱32,053,407	₱–	₱32,053,407	₱–	2017
2015	57,532,611	–	–	57,532,611	2018
2016	405,982,377	–	–	405,982,377	2019
2017	–	762,029,320	–	762,029,320	2020
	₱495,568,395	₱762,029,320	₱32,053,407	₱1,225,544,308	

MCIT

Year Incurred	Beginning Balance	Incurred	Expired	Ending Balance	Available Until
2014	₱6,000	₱–	₱6,000	₱–	2017
2015	3,318	–	–	3,318	2018
	₱9,318	₱–	₱6,000	₱3,318	

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

	2017	2016	2015
Benefit from income tax based on accounting income before income tax	**(₱237,053,172)**	(₱133,133,619)	(₱15,903,500)
Additions to (reductions in) income tax resulting from tax effects of:			
Movement in unrecognized deferred tax assets	**221,674,192**	111,634,426	17,263,101
Expired NOLCO and MCIT	**9,622,022**	12,048,420	–
Income from gaming operations exempt from income tax	**2,973,345**	(728,253)	–
Nondeductible expenses and others	**2,869,874**	10,837,907	32,049
Interest income subjected to final tax	**(28,325)**	(399,966)	(463,507)
Provision for income tax	**₱57,936**	₱258,915	₱928,143

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:

Entity	Relationship	Nature	2017 Amount	2017 Receivable (Payable)	2016 Amount	2016 Receivable (Payable)	Terms	Condition
Manila Jockey Club, Inc. (MJCI)	Stockholder	Deposit for future stock subscription (Note 18)	**₱152,254,429**	**(₱152,254,429)**	₱–	₱–	Noninterest-bearing	Unsecured, unguaranteed
		Advances[a] (Note 14)	–	(4,970,819)	873,853	(4,970,819)	Noninterest-bearing; due and demandable	Unsecured, unguaranteed
		Commission from the off-track betting[b] (Note 8)	293,962	304,099	10,137	10,137	Noninterest-bearing; due and demandable	Unsecured, unimpaired
Various Shareholders	Stockholder	Deposit for future stock subscription (Note 18)	933,878,212	(933,878,212)	–	–	Noninterest-bearing	Unsecured, unguaranteed
Manilacockers Club, Inc. (MCI)	Affiliate	Commission from the off-track betting[c] (Note 8)	701,543	90,201	75,934	75,934	Noninterest-bearing; due and demandable	Unsecured, unimpaired

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

Key Management Personnel
Total key management personnel compensation of the Group amounted to ₱13.2 million, ₱11.2 million, and ₱16.7 million as of December 31, 2017, 2016 and 2015, respectively.

The Group has no standard arrangement with regard to the remuneration of its directors. In 2017, 2016 and 2015, the BOD received directors' fees aggregating ₱0.8 million, ₱0.6 million and ₱0.4 million respectively (Note 24).

The Group's advances to its employees amounted to ₱0.9 million and ₱0.2 million as of December 31, 2017 and 2016, respectively (see Note 8).

22. **Equity**

Capital Stock
Details of capital stock are as follows:

	2017 Number of shares	2017 Amount	2016 Number of shares	2016 Amount	2015 Number of shares	2015 Amount
Common shares – ₱1 par value						
Authorized – 5,000,000,000 shares						
Issued and subscribed shares	**3,174,405,821**	**₱3,174,405,821**	3,174,405,821	₱3,174,405,821	2,500,614,159	₱2,500,614,159
Additional subscription during the year	**-**	**-**	–	–	673,791,662	673,791,662
Subscriptions receivable	**-**	**-**	–	–	–	(38,739,719)
Total issued and outstanding and subscribed capital (held by 446, 443, and 444 equity holders in 2017, 2016, and 2015, respectively)	**3,174,405,821**	**₱3,174,405,821**	3,174,405,821	₱3,174,405,821	3,174,405,821	₱3,135,666,102

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

In 2010 and 2013, the Parent Company received series of additional subscription aggregating 83,652,958 shares from shareholders in which ₱20.9 million were paid up. In 2015, ₱24.0 million of the subscription receivable was paid by the shareholder while the remaining balance amounting to ₱38.7 million was collected on May 30, 2016.

On January 14, 2015, the Parent Company received from a group of strategic investors the amount of ₱673.8 million, representing full payment of the subscription of 673,791,662 shares to be taken from the unsubscribed portion of the authorized capital stock at a subscription price of ₱1.0 per share. The related documentary stamp tax on the issuance of capital stock amounting to ₱3.4 million was charged to "Deficit" in the consolidated statements of changes in equity.

On April 12, 2018, the BOD approved the conduct of a stock rights offering in order to raise additional capital for its debt servicing requirements. 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 (1) rights share for every two (2) common shares held as of record date (see Note 18).

23. Basic/Diluted Loss Per Share

	2017	2016	2015
Net loss for the year	**₱790,235,175**	₱446,363,366	₱53,939,809
Divided by weighted average number of outstanding common shares	**3,174,405,821**	3,174,405,821	3,146,331,168
Basic/diluted losses per share	**₱0.25**	₱0.14	₱0.02

The Group has no potential dilutive common shares as of December 31 2017, 2016 and 2015. Therefore, the basic and diluted loss per share are the same as of those dates.

24. Operating Costs and Expenses

This account consists of:

	2017	2016	2015
Cost of Operations			
Depreciation and amortization (Notes 12 and 13)	**₱391,464,673**	₱140,464,407	₱–
Utilities	**73,581,243**	56,118,764	–
Gaming fees (Note 2)	**48,131,185**	22,820,092	–
Advertising and marketing	**34,686,161**	3,047,507	–
Salaries and wages	**31,036,449**	37,775,585	–
Contracted services	**30,661,961**	26,708,758	–
Service fee (Note 17)	**25,740,714**	17,385,900	–
Food, beverage, and tobacco	**21,000,605**	6,912,332	–
Hotel room and supplies	**16,523,870**	6,075,570	–
Banquet expenses	**16,241,552**	2,931,745	–
Entertainment	**12,691,651**	2,242,280	–

(Forward)

	2017	2016	2015
Professional fees	**₱7,234,228**	₱9,545,332	₱–
Commission	**3,754,417**	376,053	–
Supplies	**2,088,360**	1,219,059	–
Transportation and Travel	**1,553,922**	1,446,416	–
Communication	**1,402,487**	5,381,984	–
Retirement (Note 16)	**1,339,800**	665,616	–
Security services	**540,553**	542,399	–
Repairs and maintenance	**341,959**	25,384	–
Meetings and conferences	**210,268**	188,618	–
Others	**37,650,796**	3,432,162	–
	757,876,854	345,305,963	–
Operating Expenses			
Depreciation and amortization (Notes 12 and 13)	**126,058,033**	101,730,153	650,533
Repairs and maintenance	**32,651,482**	1,626,099	–
Contracted services	**28,306,363**	24,656,863	385,791
Security services	**26,947,926**	27,039,965	–
Salaries and wages	**21,251,429**	6,238,711	23,221,602
Utilities	**12,984,925**	9,903,311	4,617,872
Insurance	**6,414,645**	2,150,766	35,328
Communication	**5,828,667**	949,762	573,898
Rent	**4,151,117**	4,610,654	3,492,289
Taxes and licenses	**3,710,892**	5,983,506	496,453
Professional fees	**3,045,950**	2,369,675	6,763,212
Advertising and marketing	**2,985,992**	3,492,113	–
Meetings and conferences	**1,479,090**	1,326,799	563,400
Directors' fees (Note 21)	**776,000**	553,000	449,000
Transportation and travel	**698,683**	650,563	353,881
Retirement (Note 16)	**296,097**	147,102	–
Entertainment	**193,529**	44,075	–
Representation	**155,275**	1,203,731	106,830
Supplies	**52,386**	30,609	152,906
Others	**14,235,989**	988,137	1,417,051
	292,224,470	195,695,594	43,280,046
	₱1,050,101,324	₱541,001,557	₱43,280,046

25. **Other Revenue**

This account consists of:

	2017	2016	2015
Revenue from bingo operations	**₱25,940,208**	₱14,052,800	₱–
Rent income (Note 17)	**18,650,247**	2,839,601	–
Miscellaneous (Note 2)	**14,913,820**	2,750,232	–
	₱59,504,275	₱19,642,633	₱–

Revenue from bingo operations pertains to gross sales of bingo tickets and cards and daubers less prizes/winnings.

Rent income pertains to the revenues from the lessees of the hotel and casino.

Miscellaneous revenue pertains to tobacco sales, laundry services, parking fees, charges for utilities consumed by lessee and income from junket operations.

26. Operating Segment Information

The Group has two operating segments in 2017 and 2016 and only one operating segment in 2015. 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, 2017, 2016 and 2015 are as follows:

	2017		
	Gaming	**Non-gaming**	**Total**
Revenue	**₱309,136,298**	**₱160,243,331**	**₱469,379,629**
Operating costs and expenses	**(319,025,935)**	**(731,075,389)**	**(1,050,101,324)**
Other expenses - net	**(3,094)**	**(209,452,450)**	**(209,455,544)**
Provision from income tax	**(3,684)**	**(54,252)**	**(57,936)**
Net loss	**(₱9,896,415)**	**(₱780,338,760)**	**(₱790,235,175)**

	2016		
	Gaming	Non-gaming	Total
Revenue	₱189,539,608	₱32,507,068	₱222,046,676
Operating costs and expenses	(181,659,471)	(359,342,086)	(541,001,557)
Other income (expenses) - net	92,417	(127,241,987)	(127,149,570)
Provision from income tax	(21,352)	(237,563)	(258,915)
Net income (loss)	₱7,951,202	(₱454,314,568)	(₱446,363,366)

	2015		
	Gaming	Non-gaming	Total
Operating costs and expenses	₱–	(₱43,280,046)	(₱43,280,046)
Other expenses - net	–	(9,731,620)	(9,731,620)
Provision from income tax	–	(928,143)	(928,143)
Net loss	₱–	(₱53,939,809)	(₱53,939,809)

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, 2017 and 2016 are as follows:

	2017		
	Gaming	**Non-gaming**	**Total**
Assets	**₱1,598,838,089**	**₱5,350,186,673**	**₱6,949,024,762**
Liabilities	**147,648,954**	**5,032,572,616**	**5,180,221,570**
Capital expenditures	**102,682,870**	**258,426,245**	**361,109,115**
Interest income	**18,418**	**324,559**	**342,977**
Depreciation and amortization	**144,555,123**	**372,967,583**	**517,522,706**

	2016		
	Gaming	Non-gaming	Total
Assets	₱1,623,140,030	₱5,068,270,758	₱6,691,410,788
Liabilities	162,095,815	3,970,965,172	4,133,060,987
Capital expenditures	485,648,658	1,643,726,675	2,129,375,333
Interest income	106,762	1,200,782	1,307,544
Depreciation and amortization	68,976,789	173,217,771	242,194,560

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

The Group's financial instruments comprise of cash and cash equivalents, receivables (excluding advances to contractors and suppliers), deposits/advances (presented as part of "Other current assets" in the consolidated financial statements), accounts payable and other current liabilities (excluding statutory payables) and loans payable. The main purpose of these financial instruments is to finance the Group's operations. The main risks arising from the use of these financial instruments include credit risk and liquidity risk. The Group's BOD reviews and approves the policies for managing these risks and these are summarized below.

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

The table below shows the maximum exposure to credit risk of the Group as at December 31, 2017 and 2016 as follows:

	2017	2016
Loans and receivables:		
Cash and cash equivalents* (Note 7)	**₱554,257,499**	₱117,124,965
Receivables (Note 8)	**181,045,664**	137,884,968
Long-term deposits (Note 13)	**27,103,000**	27,918,249
	₱762,406,163	₱282,928,182

**Excluding cash on hand amounting to ₱4,598,279 and ₱7,859,930 for the years ended December 31, 2017 and 2016, respectively.*

As of December 31, 2017 and 2016, the aging analysis of receivables is as follows:

2017	Total	Neither past due nor impaired	Past due but not impaired: Less than 30 days past due	31 to 60 days past due	61 to 90 days past due	91 to 180 days past due	More than 180 days past due	Impaired
Trade:								
Non-related parties	₱24,421,046	₱12,542,225	₱2,203,084	₱2,347,663	₱2,465,559	₱1,695,201	₱3,167,314	₱–
Related parties	394,300	394,300	–	–	–	–	–	–
Nontrade	110,326,482	55,435	–	–	–	–	110,271,047	–
Receivable from PAGCOR	45,019,839	44,112,866	599,500	–	6,000	18,000	283,473	–
Advances to employees	883,997	883,997	–	–	–	–	–	–
	₱181,045,664	₱57,988,823	₱2,802,584	₱2,347,663	₱2,471,559	₱1,713,201	₱113,721,834	₱–

2016	Total	Neither past due nor impaired	Past due but not impaired: Less than 30 days past due	31 to 60 days past due	61 to 90 days past due	91 to 180 days past due	More than 180 days past due	Impaired
Trade:								
Non-related parties	₱7,737,111	₱4,484,383	₱1,269,417	₱1,983,311	₱–	₱–	₱–	₱–
Related parties	86,071	86,071	–	–	–	–	–	–
Nontrade	111,602,553	–	–	–	–	–	111,602,553	–
Receivable from PAGCOR	18,246,057	18,246,057	–	–	–	–	–	–
Advances to employees	213,176	213,176	–	–	–	–	–	–
	₱137,884,968	₱23,029,687	₱1,269,417	₱1,983,311	₱–	₱–	₱111,602,553	₱–

The table below shows the credit quality of the Group's neither past due nor impaired receivables as of December 31, 2017 and 2016, based on the Group's experience with its debtor's ability to pay:

	2017: Grade A	Grade B	Grade C	Total
Trade:				
Non-related parties	₱4,509,546	₱2,198,162	₱5,834,517	₱12,542,225
Related parties	394,300	–	–	394,300
Receivable from PAGCOR	44,112,866	–	–	44,112,866
Advances to employees	883,997	–	–	883,997
Nontrade	55,435	–	–	55,435
	₱49,956,144	₱2,198,162	₱5,834,517	₱57,988,823

	2016: Grade A	Grade B	Grade C	Total
Trade:				
Non-related parties	₱2,584,076	₱741,619	₱1,158,688	₱4,484,383
Related parties	86,071	–	–	86,071
Receivable from PAGCOR	18,246,057	–	–	18,246,057
Advances to employees	213,176	–	–	213,176
	₱21,129,380	₱741,619	₱1,158,688	₱23,029,687

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

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

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

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

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

The tables below summarize the maturity profile of the Group's financial liabilities as at December 31, 2017 and 2016 based on contractual undiscounted payments.

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

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

	2016			
	Due and Demandable	Less than 1 year	1 year or above	Total
Loans payable*	₱–	₱–	₱4,212,351,992	₱4,212,351,992
Accounts payable and other current liabilities**	4,970,819	282,958,530	–	287,929,349
Retention payable	–	349,373,245	–	349,373,245
Interest payable	–	19,055,836	–	19,055,836
	₱4,970,819	₱651,387,611	₱4,212,351,992	₱4,868,710,422

**Including interest.*
***Excluding withholding taxes payable amounting to ₱2,192,513.*

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

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

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

	2016			
	Due and Demandable	Less than 1 year	1 year or above	Total
Loans and receivables:				
Cash and cash equivalents*	₱117,124,965	₱–	₱–	₱117,124,965
Receivables	114,855,281	23,029,687	–	137,884,968
Long-term deposits	–	–	27,918,249	27,918,249
	₱231,980,246	₱23,029,687	₱27,918,249	₱282,928,182

**Excluding cash on hand amounting to ₱7,859,930.*

Changes in liabilities arising from financing activities

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

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

Fair Value Measurement

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

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

	2017		2016	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets				
Long-term deposits	**₱27,103,000**	**₱27,103,000**	₱27,918,249	₱27,918,249
Financial Liabilities				
Loans payable	**₱3,479,406,982**	**₱3,620,808,095**	₱3,471,974,747	₱3,729,639,356

As of December 31, 2017 and 2016, 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, 2017 and 2016.

28. Working Capital and Capital Management

The primary objective of the Group's working capital and capital management is to ensure that the Group has sufficient funds in order to support its business, pay existing obligation and maximize stockholders' value. The Group considers its total equity, including deposit for future stock subscription, amounting to ₱2.8 billion and ₱2.6 billion as its capital as of December 31, 2017 and 2016, respectively.

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

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

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

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

	2017	2016
Total current assets	**₱897,918,988**	₱796,509,099
Total current liabilities	**1,301,980,534**	658,550,943
Current ratio	**0.69**	1.21
Total liabilities, excluding deposit for future stock subscription	**₱4,094,088,929**	₱4,133,060,987
Total equity	**2,854,935,833**	2,558,349,801
Debt-to-equity ratio	**1.43**	1.62

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

29. Note to Consolidated Statements of Cash Flows

Noncash investing activity for the years ended December 31, 2017 and 2016 pertains to the construction of building on account amounting to ₱101.8 million in 2017 and capitalized borrowing cost amounting to ₱63.9 million in 2016.

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Building a better working world

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

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

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the accompanying consolidated financial statements of MJC INVESTMENTS CORPORATION Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino (Formerly MJC Investments Corporation) and Subsidiary (the Group) as at December 31, 2017 and 2016 included in this Form 17-A and have issued our report thereon dated April 20, 2018. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to Consolidated Financial Statements and Supplementary Schedules are the responsibility of the management of the Group. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly states, in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Adeline D. Lumbres
Partner
CPA Certificate No. 0107241
SEC Accreditation No. 1555-A (Group A),
April 14, 2016, valid until April 14, 2019
Tax Identification No. 224-024-746
BIR Accreditation No. 08-001998-118-2016,
February 15, 2016, valid until February 14, 2019
PTR No. 6621279, January 9, 2018, Makati City

April 20, 2018

ANNEX "C"

MJC INVESTMENTS CORPORATION

SCHEDULE A: FINANCIAL ASSETS

December 31, 2017

Financial Assets	Name of Issuing entity and association of each	Number of shares or principal amount of bonds and notes	Amount shown in the Balance Sheet	Valued based on market quotation at balance sheet date	Income Received and Accrued
Cash and cash equivalents*	N/A	N/A	₱554,257,499	N/A	N/A
Receivables	N/A	N/A	181,045,664	N/A	N/A
Long-term deposit**	N/A	N/A	27,103,000	N/A	N/A
TOTAL			**₱762,406,163**		

**Excluding cash on hand amounting to ₱4,598,279 for the year ended December 31, 2017.*

***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, 2017

Name and designation of Debtor	Balance at beginning of period	Additions	Deductions		Current	Not Current	Balance at End of period
			Amounts Collected	Amounts Written Off			
Manila Jockey Club, Inc.	₱-10,137	₱293,962	₱-	₱-	₱304,099	₱-	₱304,099
Manilacockers Club, Inc.	75,934	701,543	(687,276)	-	90,201	-	90,201
Advances to Employee	213,176	1,581,061	(910,240)	-	883,997	-	883,997
TOTAL	₱299,247	₱2,576,566	(₱1,597,516)	₱-	₱1,278,297	₱-	₱1,278,297

MJC INVESTMENTS CORPORATION

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

December 31, 2017

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	₱74,186,804	₱24,477,943	₱45,000,000	₱-	₱-	₱53,664,747	₱-	₱53,664,747
TOTAL	₱74,186,804	₱24,477,943	₱45,000,000	₱-	₱-	₱53,664,747	₱-	₱53,664,747

MJC INVESTMENTS CORPORATION

SCHEDULE D: INTANGIBLE ASSETS(OTHER ASSETS)

December 31, 2017

Description	Beginning Balance	Additions at Cost	Charged to Costs and Expenses	Charged to Other Accounts	Other Changes Additions (Deductions)	Ending Balance

NOT APPLICABLE

MJC INVESTMENTS CORPORATION

SCHEDULE E: LONG TERM DEBT

December 31, 2017

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	N/A	₱692,879,656	₱2,786,527,326
TOTAL		**₱692,879,656**	**₱2,786,527,326**

MJC INVESTMENTS CORPORATION

SCHEDULE F: INDEBTEDNESS TO RELATED PARTIES
(LONG TERM LOANS FROM RELATED COMPANIES)

December 31, 2017

Name of Related Party	Balance at beginning of period	Balance at End of Period

NOT APPLICABLE

MJC INVESTMENTS CORPORATION

SCHEDULE G: GUARANTEES OF SECURITIES OF OTHER ISSUERS

December 31, 2017

Name of issuing entity issuing guaranteed by the company for which this statement is filed	Title of Issue of each class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by Person for which this Statement is Filed	Nature of Guarantee

NOT APPLICABLE

MJC INVESTMENTS CORPORATION

SCHEDULE H: CAPITAL STOCK

December 31, 2017

Title of Issue	No. of Shares Authorized	No. of shares issued and outstanding and shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by affiliates	Directors, Officers and Employees	Others
Common Stock	5,000,000,000	₱3,174,405,821	N/A	N/A	-	N/A
TOTAL	5,000,000,000	₱3,174,405,821			-	

MJC INVESTMENTS CORPORATION

SCHEDULE I: AMOUNTS PAYABLE TO RELATED PARTIES WHICH ARE ELIMINATED DURING CONSOLIDATION OF FS

December 31, 2017

Name of Creditor	Designation of Creditor	Balance at the Beginning of Period	Additions	Deductions		Current	Not Current	Balance at End of period
				Amounts Paid	Others			

NOT APPLICABLE

MJC INVESTMENTS CORPORATION

SCHEDULE J: PARENT COMPANY RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

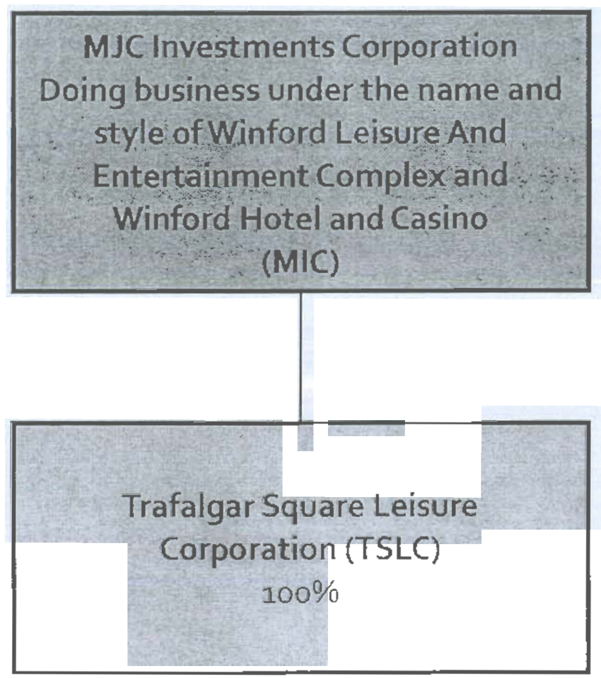
December 31, 2017

NOT APPLICABLE

MJC INVESTMENTS CORPORATION

SCHEDULE K: MAP OF AFFILIATES

December 31, 2017



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

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

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December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the accompanying basic financial statements of MJC INVESTMENTS CORPORATION Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino (Formerly MJC Investments Corporation) (the Company) as at and for the years ended December 31, 2017 and 2016 included in this Form 17-A and have issued our report thereon dated April 20, 2018. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of All Effective Standards and Interpretations as of December 31, 2017 is the responsibility of the management of the Company. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states, 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.

Adeline D. Lumbres

Adeline D. Lumbres
Partner
CPA Certificate No. 0107241
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April 14, 2016, valid until April 14, 2019
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February 15, 2016, valid until February 14, 2019
PTR No. 6621279, January 9, 2018, Makati City

April 20, 2018

MJC INVESTMENTS CORPORATION, INC.

SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS AS OF DECEMBER 31, 2017

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2017		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Borrowing Costs			✓
	Amendments to PFRS 1: Meaning of Effective PFRS			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Definition of Vesting Conditions			✓
	Amendment to PFRS 2: Share-based Payment, Classification and Measurement of Share-based Payment Transactions		Not early adopted	
PFRS 3 (Revised)	Business Combinations			✓
	Amendments to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendments to PFRS 3: Scope Exceptions for Joint Arrangements			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendment to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4		Not early adopted	
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendments to PFRS 5: Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2017		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
	Amendments to PFRS 7: Servicing Contracts			✓
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
PFRS 9	Financial Instruments		Not early adopted	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		Not early adopted	
PFRS 10	Consolidated Financial Statements			✓
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		Not early adopted	
	Amendments to PFRS 10: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendments to PFRS 12: Investment Entities			✓
	Amendments to PFRS 12: Applying the Consolidation Exception			✓
	Amendments to PFRS 12: Clarification of the Scope of the Standard			✓
PFRS 13	Fair Value Measurement (2013 Version)	✓		
	Amendments to PFRS 13: Short-term Receivables and Payables	✓		
	Amendments to PFRS 13: Portfolio Exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers		Not early adopted	
PFRS 16	Leases		Not early adopted	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income			✓
	Amendments to PAS 1: Clarification of the Requirements for Comparative Presentation	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendment to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2017		Adopted	Not Adopted	Not Applicable
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12: Deferred Tax: Recovery of Underlying Assets			✓
	Amendment to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of Servicing Equipment			✓
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓
	Amendment to PAS 16: Clarification of Acceptable Methods of Depreciation	✓		
	Amendment to PAS 16: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓
	Amendments to PAS 19: Regional market issue regarding discount rate			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendments to PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		Not early adopted	
	Amendments to PAS 28: Applying the Consolidation Exception			✓
	Amendment to PAS 28: Measuring an Associate or Joint Venture at Fair Value			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendment to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2017		Adopted	Not Adopted	Not Applicable
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Amendment to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities			✓
	Amendment to PAS 34: Disclosure of information 'Elsewhere in the Interim Financial Report'			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets			✓
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization			✓
	Amendments to PAS 38: Clarification of Acceptable Methods of Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property			✓
	Amendment to PAS 40: Investment Property			✓
	Amendment to PAS 40: Transfers of Investment Property		Not early adopted	
PAS 41	Agriculture			✓
	Amendment to PAS 41: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			✓
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			✓
IFRIC 8	*Scope of PFRS 2*			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2017		Adopted	Not Adopted	Not Applicable
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	*Interim Financial Reporting and Impairment*			✓
IFRIC 11	PFRS 2 - Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes	✓		
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for Construction of Real Estate			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
IFRIC 22	Foreign Currency Transactions and Consideration and Advance Consideration		Not early adopted	
IFRIC 23	Uncertainty Over Income Tax Treatments		Not early adopted	
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
SIC-12	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

COVER SHEET

10020
S.E.C. Registration Number

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

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

ATTY. LEMUEL M. SANTOS
Contact Person

632-7373
Company's Telephone Number

QUARTERLY REPORT
FOR THE PERIOD ENDED 31 MARCH 2018

12	31	17-Q	06	29
Month	*Day*	FORM TYPE	*Month*	*Day*
Fiscal Year			Annual Meeting	

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **March 31, 2018.**

2. Commission identification number **10020** 3. BIR Tax Identification No.**000-596-509**

4. Exact name of issuer as specified in its charter

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

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

6. **Holding Company**
Industry Classification Code:

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

1014
Postal Code

8. **528-2300**
Registrant's telephone number, including area code

9. ______
Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 4 and 8 of the RSA

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

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

Yes [X] No [ ]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Philippine Stock Exchange, Inc. **Common shares**

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Securities Regulation Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [X] No [ ]

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

Yes [X] No [ ]

PART I--FINANCIAL INFORMATION

Item 1.Financial Statements.

- Please see attached –

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

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

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

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

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

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

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

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

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

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

Current ratio is regarded as a measure of the Corporation's liquidity or its ability to meet maturing obligations. As of 31 March 2018, the current ratio decreased to 0.52 compared to 0.69 as of December 31, 2017. The outstanding payable in 2018 mostly consists of balances on project-related expenditures and current portion of loan payable. The Corporation has P0.52 current assets to support a P1.00 current liabilities.

The debt to equity ratio measures the riskiness of the Corporation's capital structure in terms of relationship between the funds supplied by the creditors (debt) and investors (equity). As of 31 March 2018, the debt to equity ratio has increased to 1.44 from 1.43 from December 31, 2017. The effect of high debt to equity ratio indicates higher risk, as debt holders may have higher claims on the Corporation's assets.

The asset-liability ratio, exhibits the relationship of the total assets of the Corporation with its total liabilities. As of March 31, 2018, the ratio has slight decreased to 1.32 from 1.34 on December 31, 2017. The result indicates that for every P1.00 of liability, the Corporation has P1.32 of assets.

Return on Assets is computed by dividing net income over total assets. This allows the Corporation to see how much the income is, per peso asset. As of March 31, 2018 the ratio of (3%) is the same as with December 31, 2017. This profitability ratio is not yet feasible to the Corporation.

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

There are no known events or uncertainties that will have a material impact on liquidity.

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

PART II—OTHER INFORMATION

There is no material information which had not been previously disclosed under SEC Form 17-C.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MJC INVESTMENTS CORPORATION
Issuer

Date: May 15, 2018

JOEMAR L. ONNAGAN
Director of Finance and Administration

LEMUEL M. SANTOS
Corporate Information Officer

MJC INVESTMENTS CORPORATION

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

MJC INVESTMENTS CORPORATION
Doing Business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

MJC INVESTMENTS CORPORATION

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Quarter Ended March 31, 2018 and Year ended December 31, 2017, 2016, and 2015

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

MJC INVESTMENTS CORPORATION
Doing Business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino
CONSOLIDATED STATEMENT OF CASH FLOW

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

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

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

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

In 2005, the SEC approved the extension of the parent company's corporate life for another fifty years starting July 2005.

On January 19, 2010, the SEC approved the amendment of the Parent Company's primary purpose from engaging in mining operation to that of an investment holding company, which is to acquire by purchase, lease or otherwise, lands or interest in lands and realty, and to own, hold, improve or develop said land or real estate so acquired, and to build or cause to be built on any lands owned, held, occupied or acquired, buildings, facilities, and other structures with their appurtenances, for residential, commercial, mixed-use, leisure, gaming, amusement and entertainment purposes.

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

On April 21, 2016, the Parent Company incorporated its wholly owned subsidiary, TSLC, in the Philippines and registered it with the SEC. The authorized and subscribed capital stock of TSLC is ₱20.0 million with a par value of one peso per share. TSLC's primary purpose is to establish, engage, operate and manage, gaming enterprises, amusement, entertainment and recreation centers, as well as providing services including but not limited to business process outsourcing services to foreign clients, support solutions, such as back office technology support, call or contact center activities, data entry and encoding, data management, general human resource functions, business planning, accounts receivable management, general financial support services, customer support services and customer relationship management, sales support and other industry specific purposes, and to companies and operations, and other clients, and to do any and all things necessary for or conducive to the attainment of such purposes, including, articles of merchandise necessary or desirable in its operations, the provision of professional, consulting and other related services, and the licensing of application, software and other solutions required or related to the above services. The principal place of business of TSLC is at Winford Hotel and Casino, MJC Drive, Sta. Cruz, Manila. On May 16, 2016, TSLC was granted the authority by PAGCOR to bring in pre-registered foreign players to play in designated junket gaming areas within PAGCOR San Lazaro (see Note 2).

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

2. Agreements with PAGCOR

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

a. PTO granted to the Parent Company

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

As the operator of PAGCOR San Lazaro, the Parent Company shall undertake the following:

a) Shoulder the cost of designing and furnishing the PAGCOR San Lazaro;
b) Shoulder the cost of maintaining PAGCOR San Lazaro, including the required major and minor repairs to the gaming facility;
c) Acquire, install, maintain and upgrade to keep abreast with the worldwide industry of casino gaming the following to be used for the operation of PAGCOR San Lazaro, as provided and deemed necessary by PAGCOR:
   - At least ten (10) gaming tables, table layout, chairs and other equipment, and paraphernalia. The number of tables maybe adjusted subject to PAGCOR's approval;
   - A minimum of two hundred (200) new slot machines and an online tokenless system of linking and networking all slot machines. The Parent Company shall on its account train the technical personnel of PAGCOR for the operation, repair and maintenance of the slot machine networking system and shall ensure the transfer of appropriate and necessary technology, for this purpose;
   - Playing cards and playing chips, the design of which shall be separate and distinct from PAGCOR's playing cards and chips;
   - Surveillance equipment and paraphernalia; and

- All other capital expenditures such as treasury vaults, furniture and other office equipment and paraphernalia, and other pre-operating requirements, necessary for the operation of PAGCOR San Lazaro.

d) Shoulder any illegitimate slot credit/payout of payers which may arise due to malfunction or error in the slot machine online tokenless system provided by the Parent Company for the operations of PAGCOR San Lazaro;
e) Bear the cost of maintenance and minor repairs of the equipment, furniture and fixtures installed at PAGCOR San Lazaro, and shall be responsible for replacing such equipment, furniture and fixtures, which are deemed to be beyond repair. The Parent Company shall also make available to PAGCOR, at any time of the day, repair and maintenance services, to address the immediate needs of PAGCOR San Lazaro;
f) Shoulder the costs of all shipping and freight charges, as well as the covering marine insurance, relative to all the gaming and non-gaming equipment, furnishing and fixtures to be brought into the Philippines to be installed at PAGCOR San Lazaro;
g) Shoulder the cost of insurance for loss or damaged gaming equipment, slot machines or other gaming paraphernalia, and the network system, due to force majeure including but not limited to fire, typhoons, and other incidents and calamities;
h) Shoulder any restoration that maybe required by the building owner after cessation of the casino operation;
i) Provide the required cash capital for PAGCOR San Lazaro;
j) Shoulder and provide for other operating expenses necessary in the operation of the casino including but not limited to space rental, utilities expenses;
k) Secure all necessary local permits required for the renovation of PAGCOR San Lazaro;
l) Provide hotel accommodation for PAGCOR San Lazaro's guests;
m) Provide required communication facilities at the casino offices and gaming areas;
n) Hold PAGCOR free and harmless from third party claims for injuries and damages suffered within the premises resulting from, or occasioned by any faulty construction, non-maintenance or any defect that pertains to the building, structural integrity or of the PAGCOR casino premises, and to indemnify and hold PAGCOR harmless from and against costs of defending any such action suit or proceedings including legal fees and other legal expenses incurred in relation to such third party claims.

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

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

Upon revocation or termination of the agreement for PAGCOR to manage PAGCOR San Lazaro and if the same is without fault of the Parent Company or PAGCOR, PAGCOR shall surrender to the Parent Company PAGCOR San Lazaro's premises, furnishing and equipment without delay subject to proper accounting and auditing of liabilities of PAGCOR and the Parent Company.

Should PAGCOR unreasonably delay or unjustifiably fail to immediately surrender said contributions, the Parent Company shall have the right to take possession of PAGCOR San

Lazaro's premises, furnishing and equipment from PAGCOR. This is without prejudice to PAGCOR's right to take possession of the properties from the Parent Company and apply the same for payment or satisfaction of its claims against the Parent Company.

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

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

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

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

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

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

For the period ended March 31, 2018, 2017, and 2016, TSLC generated revenue of nil, ₱1.4 million, and nil, respectively.

The TSLC shall also deposit to PAGCOR the following:

a) an amount equivalent to six (6) months of the Minimum Guarantee Fee of the Table Gaming Mix in the Junket Gaming Operation ("gaming deposit") prior to the actual operation of the junket tables amounting to ₱17.0 million, which are recorded as part of

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

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

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

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

3. Basis of Preparation and Statement of Compliance

Basis of Preparation

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

Statement of Compliance

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

4. Summary of Changes in Accounting Policies and Disclosures

New and Amended Standards and Interpretation

The Group applied for the first time certain pronouncements, which are effective for annual periods beginning on or after January 1, 2017.

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

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

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

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

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

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

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

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

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

Standards Issued But Not Yet Effective

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

Effective beginning on or after January 1, 2018

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

  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

- PFRS 9, *Financial Instruments*

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

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

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

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

- PFRS 15, *Revenue from Contracts with Customers*

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

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

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

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

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

  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

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

  The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Effective beginning on or after January 1, 2019

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

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

- PFRS 16, *Leases*

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

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

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

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

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

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

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

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

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

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

  The interpretation specifically addresses the following:

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

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

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

Deferred effectivity

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

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

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

5. Summary of Significant Accounting and Financial Reporting Policies

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiary where the parent has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:
- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiary

Subsidiary is an entity controlled by the Parent Company. Subsidiary is consolidated from the date of acquisition or incorporation, being the date on which the Group obtains control, and continue to be consolidated until the date such control ceases.

Transactions Eliminated on Consolidation
All intragroup transactions and balances including income and expenses, and unrealized gains and losses are eliminated in full.

Accounting Policies of Subsidiaries
The financial statements of subsidiary are prepared for the same reporting year using uniform accounting policies as those of the Parent Company.

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

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

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

All other assets are classified as noncurrent.

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

The Group classifies all other liabilities as noncurrent.

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

Fair Value Measurement
The Group measures financial instruments at each reporting date. Additional fair value related disclosures including fair values of financial instruments measured at amortized cost are disclosed in Note 24.

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

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

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

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

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

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

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

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

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

<u>Cash and Cash Equivalents</u>
Cash and cash equivalents in the consolidated statements of financial position comprise of cash on hand and in banks and on short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

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

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

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

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

Determination of Fair Value
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either i) in the principal market for the asset or liability; or ii) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

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

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

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

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

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

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

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

Derecognition of Financial Assets and Liabilities

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

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

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

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset.

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

Financial Liabilities
A financial liability is derecognized when the obligation under the liability is discharged, canceled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statements of comprehensive income.

Offsetting of Financial Instruments
Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

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

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

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

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

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

Property and Equipment

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

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

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

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

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

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

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Operating Equipment

Operating equipment (shown as part of "Other noncurrent assets" account) includes linens uniforms, and utensils, which are carried at cost. Bulk purchases of items of operating equipment with expected usage period of beyond 1 year are classified as noncurrent assets and are amortized over three years.

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

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

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

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

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

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

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

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

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

Deficit

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

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria to determine whether it is acting as principal or agent.

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

Revenue Share in Gaming Operations

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

Hotel, Food and Beverage

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

Revenue from Bingo Operations

Revenue from bingo operations represents net sales from the conduct of bingo operations. Net sales is defined as the total gross receipts from sale of bingo tickets and cards and daubers less prizes/winnings. This is included at "Other revenue" in the consolidated statements of comprehensive income.

Rental Income

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

Other Revenue

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

Interest Income

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Retirement Benefits Cost

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

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

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

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

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

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

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

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

Parent Company as a Lessor
Leases in which the Parent Company does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income. Contingent rents are recognized as revenue in the period in which they are earned.

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

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

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

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

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

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

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

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

6. Significant Accounting Judgments, Estimates and Assumptions

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

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

Judgments

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

Evaluating Lease Commitments

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

Parent Company as the Lessor - Operating Lease Commitments

The Parent Company has entered into various operating lease agreements as a lessor. The Parent Company has determined that it has retained substantially all the risks and benefits of ownership of the assets. The ownership of the asset is not transferred to the lessee by the end of the lease term, the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable, and, the lease term is not for the major part of the asset's economic life. Accordingly, the lease is accounted for as an operating lease (see Note 17).

Recognition of Deferred Tax Assets

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

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

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

Estimates and Assumptions

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

Estimation of the Useful Lives of Property and Equipment

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

There were no changes in the estimated useful lives of property and equipment in 2018, 2017 and 2016. The carrying value of property and equipment as of March 31, 2018 and December 31, 2017 are disclosed in Note 12 to the consolidated financial statements.

Recoverability of Input VAT

The Group assesses the recoverability of input VAT based on the estimated sale of services subject to VAT. Management has assessed that the recognized input VAT are recoverable. The carrying amounts of input VAT as of March 31, 2018 and December 31,2017 are disclosed in Note 10 to the consolidated financial statements.

7. Cash and Cash Equivalents

This account consists of:

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

Cash in banks generally earns interest at the respective bank deposit rates. Cash equivalents are short-term deposits made for varying periods of up to three months and earn interest at the respective short-term deposit rates. Interest income earned from cash in banks and short-term deposits amounted to ₱0.3 million in March 31, 2018 and ₱0.3 million in December 31, 2017.

8. Receivables

This account consists of:

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

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

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

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

9. Inventories

This account consists of:

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

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

10. Input VAT

This account consists of:

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

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

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

11. Other current assets

This account consists of:

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

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

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

12. Property and Equipment

March 31, 2018

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

2017

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

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

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

13. Other noncurrent assets

This account consists of:

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

Operating equipment pertains to linens, uniforms and utensils purchased by the Parent Company to be amortized over a period of three years. Amortization amounted to ₱8.2 million for the quarter ended March 31, 2018.

Long term deposit pertains to guarantee payment for utility bills and cash deposits of Trafalgar to PAGCOR.

14. Accounts Payable and Other Current Liabilities

This account consists of:

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

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

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

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

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

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

Others include statutory liabilities and other various individually insignificant items.

15. Loans Payable

This account consists of:

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

The movements in unamortized debt discount follow:

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

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

In 2015, the Parent Company signed a 7-year loan agreement with a local bank for a ₱3.5 billion loan facility with an interest rate of 7-year Philippine Dealing System Treasury Reference Rates - 2 (PDST-R2) plus 125 basis points at drawdown date, plus gross receipts tax. Interest on the outstanding principal amount shall be paid on each quarterly interest payment date. The proceeds from the loan was initially availed of to fund the acquisition of gaming system and equipment, hotel furnitures and equipment and permanent working capital of the Parent Company. In November 2015, the Parent Company drew ₱2.5 billion from the loan facility, receiving proceeds of ₱2.5 billion, net of related debt issue cost of ₱ 30.0 million. The debt issue cost includes documentary stamp tax amounting to ₱12.5 million and upfront fees amounting to ₱17.5 million.

In April 2016, the Parent Company drew the remaining ₱1.0 billion from the loan facility, receiving proceeds of ₱995.0 million, net of documentary stamp tax amounting ₱5.0 million. Both loans will mature on November 27, 2022.

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

The loan is secured by the parent company's land and building under construction with a carrying value of ₱4.5 billion as of March 31, 2018 (see Note 12).

Loan covenants

The loan imposes certain restrictions with respect to corporate reorganization, debt to equity ratio, disposition of all or substantial part of the parent company's assets, declaration or payments of dividends to its shareholders (other than dividends payable solely in share of capital stock) and payments of loans or advances from its shareholders, affiliates, subsidiaries or related entities when the Parent Company is in default. The Parent Company continues to comply with the loan covenants.

Future repayment of the principal follows:

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

16. **Deposit for Future Subscription**

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

17. **Commitments**

Accounting treatment for the Permit to Operate

As discussed in Note 1 and 2, the Parent Company was granted a Permit to Operate by PAGCOR. In the accounting treatment of the provisions of the Permit to Operate, management uses judgment in assessing the risk and rewards related to the use of specific assets. Based on IFRIC 4, the arrangement entered into by the Parent Company with PAGCOR is similar to an arrangement that entitles another party to a right to use specific assets.

Under this arrangement, the Parent Company allowed PAGCOR, the following:

a. The use of certain floors in its building as gaming facility, and
b. The use of slot machines and gaming tables ("Gaming equipment").

Based on applicable accounting standards, the Group retained substantially the risks and rewards of the gaming facilities and gaming equipment. Accordingly, as of March 31, 2018, the Parent Company continues to recognize these assets in the consolidated statements of financial position. The income received from PAGCOR for the use of these assets amounted to ₱84 million in March 31, 2018 and are presented as "Revenue share in gaming operations" in the consolidated statements of comprehensive income.

Operating Lease Commitment – the Parent Company as Lessor

a. The Parent Company entered into a lease contract with CBTC Bank (Philippines) Corp. to lease a space in Winford Hotel, Ground floor with an area of 3 square meter (sqm.). The lease term is for a period of one year commencing on February 1, 2016 and expiring on January 31, 2017 and was subsequently renewed. The monthly payment amounts to ₱ 30,000, inclusive of electrical consumption but exclusive of VAT. The terms of the contract also state that rental payment shall escalate by 10% per annum.

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

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

d. The Parent Company entered into a lease contract with Philippine Seven Corporation for five years commencing July 7, 2016 to lease an area of 45.09 sqm. for a basic rent of ₱ 1,300 per sqm. plus a percentage of gross sales (1.5% of gross sales) or minimum guaranteed rent (₱1,500 per sqm. per month), whichever is higher.

   Rent escalation shall separately apply to both basic rent and minimum guaranteed rent.

e. The Parent Company also entered into an agreement of lease with SM Kenko Sauna Corporation (the lessee) to lease a 390 sqm. area of Winford Hotel and Casino to be used for spa and salon services. Rental rates shall be ₱650 per sqm. per month exclusive of VAT plus a percentage rental which is 10% of gross revenue from the operations. Rent shall escalate by 7.5% per annum commencing upon lapse of the first 2 years of lease.

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

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

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

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

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

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

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

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

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

18. Income Taxes

The provision for income tax consists of the following:

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

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

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

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

For income tax purposes, as the entity granted the permit to operate PAGCOR San Lazaro, the Parent Company's income from casino operations is exempt from income tax in accordance with Section 13 of P.D. 1869, as amended, otherwise known as the PAGCOR

Charter. Under P.D. 1869, earnings derived from the operation of casinos shall be imposed a 5% franchise tax, in lieu of all kinds of taxes, levies, fees or assessments of any kind, nature or description, levied, established or collected by any municipal, provincial, or national government authority (see Note 2)

19. PEZA Registration

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

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

20. Related Party Transactions

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

Transactions with Related Parties

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

			2017		2016			
Entity	Relationship	Nature	**Amount**	**Receivable (Payable)**	Amount	Receivable (Payable)	Terms	Condition
Manila Jockey Club, Inc. (MJCI)	Stockholder	Deposit for future stock subscription (Note 14)	**₱ 152,254,429**	**(₱152,254,429)**	₱–	₱–	Noninterest-bearing	Unsecured, unguaranteed
		Advances[a] (Note 14)	–	(4,970,819)	873,853	(4,970,819)	Noninterest-bearing; due and demandable	Unsecured, unguaranteed
		Commission from the off-track betting[b]	293,962	304,099	10,137	10,137	Noninterest-bearing; due and demandable	Unsecured, unimpaired
Various Shareholders	Stockholder	Deposit for future stock subscription (Note 14)	933,878,212	(933,878,212)	–	–	Noninterest-bearing	Unsecured, unguaranteed

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

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

Key Management Personnel

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

21. Equity

Capital Stock

Details of capital stock are as follows:

	March 31, 2018		December 31, 2017	
	Number of shares	Amount	Number of shares	Amount
Common shares – ₱1 par value				
Authorized – 5,000,000,000 shares				
Issued and outstanding shares	3,174,405,821	₱3,174,405,821	3,174,405,821	₱3,174,405,821
Subscribed shares	–	–	-	-
Additional subscription during the year	–	–	-	-
Subscriptions receivable	–	–	-	-
Total issued and outstanding and subscribed capital (held by 443, 444 and 452 equity holders in 2016, 2015 and 2014, respectively)	₱3,174,405,821	₱3,174,405,821	3,174,405,821	₱3,174,405,821

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

In 2010 and 2013, the Parent Company received series of additional subscription aggregating 83,652,958 shares from shareholders in which ₱20.9 million were paid up. In 2015, ₱24.0

million of the subscription receivable was paid by the shareholder while the remaining balance amounting to ₱38.7 million was collected on May 30, 2016.

On January 14, 2015, the Group received from a group of strategic investors the amount of ₱673.8 million, representing full payment of the subscription of 673,791,662 shares to be taken from the unsubscribed portion of the authorized capital stock at a subscription price of ₱1.0 per share. The related documentary stamp tax on the issuance of capital stock amounting to ₱3.4 million was charged to "Deficit" in the consolidated statements of changes in equity.

22. **Basic/Diluted Loss Per Share**

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

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

23. **Other Operating Income**

Other income consists of:

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

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

Financial Risk Management Objectives and Policies

The Group's financial instruments comprise of cash and cash equivalents, receivables (excluding advances to contractors and suppliers), deposits/advances (presented as part of "Other current assets" in the consolidated financial statements), accounts payable and other current liabilities (excluding statutory payables) and loans payable. The main purpose of these financial instruments is to finance the Group's operations. The main risks arising from the use of these financial instruments include credit risk and liquidity risk. The Group's BOD reviews and approves the policies for managing these risks and these are summarized below.

Credit Risk

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

The table below shows the maximum exposure to credit risk of the Group as at March 31, 2018 and December 31, 2017.

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

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

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

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

Receivables
As at March 31, 2018, receivables pertain to receivable from PAGCOR for the monthly revenue share from gaming operations, receivable from hotel operations, receivable from rental of building premises, advances to related parties, employees and other counterparties that have no history of default or delinquency in collection.

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

The tables below summarize the maturity profile of the Group's financial liabilities as at March 31, 2018 and 2017 based on contractual undiscounted payments (principal and interest).

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

* *Including interest.*

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

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

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

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

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

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

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

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

Fair Value Measurement

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

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

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

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

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

25. Working Capital and Capital Management

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

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

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

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

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

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

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

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

COVER SHEET

10020

S.E.C. Registration Number

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

(Company's Full Name)

WINFORD HOTEL AND CASINO, MJC DRIVE, STA. CRUZ, MANILA

(Business Address : No. Street City / Town / Province)

ATTY. LEMUEL M. SANTOS

Contact Person

632-7373

Company's Telephone Number

PRELIMINARY INFORMATION STATEMENT 2018

12	31	20-IS	06	29
Month	*Day*	FORM TYPE	*Month*	*Day*
Fiscal Year			Annual Meeting	

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

MJC Investments Corporation

INFORMATION STATEMENT

Pursuant to Section 20 of the Securities Regulations Code

For Annual Stockholders' Meeting
On June 28, 2018

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

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

MJC
INVESTMENTS CORP.

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

MAY 18 2018

16 May 2018

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Notice is hereby given that the Annual Stockholders' Meeting of MJC Investments Corporation (or the "Corporation") will be held on **28 June 2018** ***(Thursday)*** at the **Ballroom of Winford Hotel and Casino, MJC Drive, Sta. Cruz, Manila** at **2:00 P.M.** to take up the following:

1. Call to Order
2. Determination and Declaration of Quorum
3. Approval of the Minutes of the Annual Stockholders' Meeting held on 29 June 2017
4. Report of the President
5. Ratification of all acts of the Board of Directors and Management
6. Election of the Members of the Board of Directors
7. Appointment of the External Auditor
8. Cancellation of Warrants Issuance approved by the Stockholders on June 29, 2017 and in lieu thereof, a Stock Rights Offering of One (1) Rights Share for every Two (2) Common Shares
9. Adjournment

Stockholders of Record as of 02 May 2018 shall be entitled to attend and vote at said meeting. As per the by-laws of the Corporation, the cut-off date for the submission of proxies is on 24 June 2018.

Stockholders who will not, are unable to, or do not expect to attend the meeting in person may, at their option, designate their authorized representatives by means of Proxy. The Proxy instrument must be duly notarized and must be submitted to the Office of the Corporate Secretary at 12/F Strata 100 Building, F. Ortigas Road, Ortigas Center, 1605, Pasig City not later than 24 June 2018.

To expedite the registration of your attendance, please bring any valid form of identification with a photograph such as a passport, driver's license, or Company ID.

By Authority of the Board of Directors.

ATTY. FERDINAND A. DOMINGO
Corporate Secretary

MJC INVESTMENTS CORPORATION

INFORMATION STATEMENT

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

A. GENERAL INFORMATION

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

(a) Date: **28 June 2018, Thursday**

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

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

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

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

June 4, 2018

Item 2. Dissenters' Right of Appraisal

Section 81 of the Corporation Code provides that a stockholder has the right to dissent and demand payment of the fair value of his shares in case of any amendment of the Articles of Incorporation which has the effect of changing or restricting the rights of any respect superior to those of outstanding shares of any class, or of extending or shortening the terms of corporate existence or in case of sale, lease, exchange, transfer, mortgage or other disposition of all or substantially all of the corporate property and assets or and in case of merger or consolidation. The appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action by making a written demand on the corporation within thirty (30) days after the date on which the vote was taken for payment of the fair market value of shares.

There is no matter to be taken up at the Annual Meeting which may give rise to a dissenter's right of appraisal.

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

(a) No director, officer, or nominee for election as director has substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon, other than election to office.

(b) No associate of any director, officer, or nominee for election as director has substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon, other than election to office.

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

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

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

As of May 2, 2018, there are 3,174,405,821 shares of the Company's common stock outstanding and entitled to vote at the Annual Meeting.

(b) Record Date

Only stockholders of record at the close of business on **May 2, 2018** (the "**Record Date**") acting in person or by proxy on the day of the Annual Meeting are entitled to notice of, and to vote at, the Annual Meeting.

(c) Election of directors

Cumulative voting is allowed for election of members of the Board of Directors. Please refer to Item 19.

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

(1) Security Ownership of Certain Record and Beneficial Owners

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

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent of Class
Common	PCD Nominee Corporation 37F Tower 1, The Enterprise Center, 6766 Ayala Ave. cor. Paseo de Roxas, Makati City Stockholder	PCD Participants*	Filipino	1,610,429,235	50.73%

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

(2) Security Ownership of Management

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

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent
Common	Reyno, Alfonso R., Jr.	26,320,408 (Direct)	Filipino	0.83%
Common	Chai Seo Meng	1 (Direct)	Singaporean	Nil
Common	Alfonso Victorio G. Reyno III	1 (Direct)	Filipino	Nil
Common	John Anthony B. Espiritu	1 (Direct)	Filipino	Nil
Common	Gabriel A. Dee	1 (Direct)	Filipino	Nil
Common	Jose Alvaro D. Rubio	1 (Direct)	Filipino	Nil
Common	Walter L. Mactal	1 (Direct)	Filipino	Nil
Common	Cherrylyn G. Prado-Caoile	1 (Direct)	Filipino	Nil
Common	Dennis Ryan C. Uy	1 (Direct)	Filipino	Nil
Common	Laurito E. Serrano	1 (Direct)	Filipino	Nil
Common	Victor P. Lazatin	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 26,560,441 common shares, equivalent to approximately 0.84% of the Company's issued and outstanding capital stock.

(3) Voting Trust Holders of 5% or More

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

(4) Changes in Control

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

Item 5. Directors and Executive Officers

(a) The Board of Directors

The following are the members of the Board:

Position	Name	Citizenship	Age
Chairman of the Board, CEO & President	Alfonso R. Reyno, Jr.	Filipino	73
Vice Chairman	Chai Seo Meng	Singaporean	54
Director	Jose Alvaro D. Rubio	Filipino	64
Director	Alfonso Victorio G. Reyno III	Filipino	47

[illegible]	[illegible]	[illegible]	[illegible]
Director	Gabriel A. Dee	Filipino	53
Director	Cherrylyn G. Prado- Caoile	Filipino	43
Director	John Anthony B. Espiritu	Filipino	54
Director	Dennis Ryan C. Uy	Filipino	39
Director	Walter L. Mactal	Filipino	34
Independent Director	Victor P. Lazatin	Filipino	70
Independent Director	Laurito E. Serrano	Filipino	57

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

ALFONSO R. REYNO, JR.

Alfonso R. Reyno, Jr., Filipino, 73 years of age, is the Corporation's Chairman, CEO, and President. As of 2 May 2018, he has served as a director of the Corporation starting year 2009 or, more or less, for nine (9) years. He graduated from the University of the Philippines in 1965 with a degree of Bachelor of Arts, Political Science and finished his Bachelor of Laws degree in the same school in 1969. He formerly occupied the following government positions: Deputy Minister of Defense (1984-1986), Member of the Batasang Pambansa (1984-1986), Vice Governor of Cagayan (1980-1984), and Member of the Board of Trustees of the Cagayan State University (1979-1986). He is affiliated with and occupies the following positions in various institutions during the last five (5) years, viz: Chairman and CEO, Manila Jockey Club, Inc. (March 1, 1997 to present), Chairman and President, Arco Management & Development Corporation, Arco Equities, Inc., Arco Ventures, Inc. (1995 to present), Bonaventure Development Corporation (1983 to present); Managing Partner, Reyno Tiu Domingo & Santos Law Offices (1976 to present). He resides at No. 4 Pili Road, South Forbes Park, Makati City.

CHAI SEO MENG

Chai Seo Meng, Singaporean, 55 years of age, is the Corporation's Vice-Chairman. As of 2 May 2018, he has served as a director of the Corporation starting year 2017 or more or less, for one (1) year. He received a Bachelor of Business Administration degree from the National University of Singapore in 1987. From June 1992 to October 2004, he worked at the United Overseas Bank Limited as a Senior Trader for Foreign Exchange by providing assistance to the head of foreign exchange advisory on the management of the Advisory desk. Mr. Chai also became the Head of Foreign Exchange at Nomura Singapore Limited from October 2004 until February 2009. Presently, he practices Private Consultation and provides various wealth management and financial advisories to various business sectors.

JOSE ALVARO D. RUBIO

Jose Alvaro D. Rubio, Filipino, 65 years of age, is the Corporation's Treasurer and Chief Finance Officer. As of 2 May 2018, he has served as a director of the Corporation starting year 2014 or, more or less, for four (4) years. He was the Senior Vice President at Philippine National Bank ("PNB") and has over thirty five (35) years of banking industry experience, including various positions in international banking, remittance, budgeting, corporate planning, controllership, systems design/improvement, branch banking, audit and lending operations including the head of the corporate banking group at PNB, overseeing the financing activities for major corporate accounts in areas including real estate, construction, telecommunications, power and energy, manufacturing, hotels, tourism and services. He was a former member and Director of the Bank Administration Institute of the Philippines, an association of local and foreign banks. He graduated from University of the East with a degree of Bachelor of Science in Business Administration major in Accounting (Cum Laude) and is a Certified Public Accountant.

ALFONSO VICTORIO G. REYNO III

Alfonso Victorio G. Reyno III, Filipino, 48 years of age, a lawyer by profession, is the Corporation's Vice-President. As of 2 May 2018, he has served as a director of the Corporation starting year 2009 or, more or less, for nine (9) years. He is affiliated with and occupies the following positions in various institutions in the last five (5) years, viz: President and COO, Manila Jockey Club, Inc., President, Arco Ventures, Inc. (1995 to present), Director, Arco Management & Development Corporation, Bonaventure Development Corporation, Arco Equities, Inc., Junior Partner, Reyno Tiu Domingo & Santos Law Offices (1999 to present). He is currently a Director of the Philippine Bar Association.

GABRIEL A. DEE

Gabriel A. Dee, Filipino, 53 years of age, is as a director of the Corporation starting year 2013, for, more or less, five (5) years, as of 2 May 2018. He graduated from the University of the Philippines in 1984 with a degree of Bachelor of Arts major in History and finished his Bachelor of Laws in the same school in 1988. He finished his MBA Units in Ateneo De Manila Graduate School of Business in 1992. He is affiliated with and occupies the following positions in various institutions in the last five (5) years, viz: Senior Partner, Picazo Buyco Tan Fider & Santos Law Offices (2006 to present), Junior Partner, Picazo Buyco Tan Fider & Santos Law Offices (1994 to 2006), Senior Associate, Bautista Picazo Buyco Tan & Fider Law Offices (1992 to 1994), Junior Associate, Bautista Picazo Buyco Tan & Fider Law Offices (1988 to 1992) and Research Assistant, University of the Philippines, College of Law (1998).

CHERRYLYN G. PRADO-CAOILE

Cherrylyn G. Prado-Caoile, Filipino, 43 years of age, is as a director of the Corporation starting year 2013, for, more or less, five (5) years, as of 2 May 2018. She graduated from De La Salle University in 1994 with a degree of Bachelor of Science in Commerce major in Legal Management. She finished her Juris Doctor at the Ateneo de Manila College of Law in 1998. She is a Junior Partner in Picazo Buyco Tan Fider & Santos Law Offices (2009 to present). She was an Assistant Professor at the De La Salle University - College of Business and Economics from 2003 to 2006.

JOHN ANTHONY B. ESPIRITU

John Anthony B. Espiritu, Filipino, 54 years of age, is as a director of the Corporation starting year 2012, for, more or less, six (6) years, as of 2 May 2018. He graduated from University of Michigan, Ann Arbon, Michigan, United States with a degree of Bachelor of Business Administration in May 1985. He also obtained from said university his master's degree in Business Administration in May 1990. He occupied and is currently holding the following positions in the last five (5) year: President/Director of EBE Land, Inc. (January 1997 to present); Chairman /Publisher of the Philippine News, San Francisco, California (November 2004 to present); Director of Asia-Pacific Medical Corp of Saipan, Northern Marianas Islands (June 1998 to present). He resides at Penthouse B, Ritz Towers, Ayala Avenue, Makati City.

DENNIS RYAN C. UY

Dennis Ryan C. Uy, Filipino, 39 years of age, is as a director of the Corporation starting year 2014, for, more or less, four (4) years, as of 2 May 2018. Mr. Uy is an experienced industrial engineer who obtained his bachelor's degree from the Mapua Institute of Technology in 1999. The last fourteen (14) years of his career was spent in the areas of systems improvement and automation, investment planning, asset management, and cost engineering across various multinational firms. He holds a Master of Business Administration degree from the Ateneo de Manila University.

WALTER L. MACTAL

Walter L. Mactal, Filipino, 35 years of age, as of 2 May 2018, has served as a director of the Corporation starting 2017 or for, more or less, one (1) year. He received an A.B. Economics degree from the Ateneo De Manila University in 2004. He obtained his Juris Doctor from the Ateneo de Manila University - School of Law in 2008. He was admitted to the Philippine Bar in 2009 and he continued working in a private law firm in Makati City until March 2012. Presently, Mr. Mactal works as a Director for Legal and Corporate Affairs in a private company in the Philippines. He has a broad legal experience in litigation, labor relations, contract drafting and negotiation, intellectual property, and various corporate compliance services.

VICTOR P. LAZATIN

Victor P. Lazatin, Filipino, 70 years of age, is the Corporation's Independent Director. As of 2 May 2018, he has served as a director of the Corporation starting year 2009 or for, more or less, nine (9) years. He graduated from University of the Philippines with a degree of AB Economics in 1967 and finished his Bachelor of Laws degree in the same school in 1971 (Cum Laude). He obtained a Masters of Law from University of Michigan in 1974. He resides at 237 West Batangas St., Ayala Alabang, Muntinlupa City. In the last five (5) years or more, he is affiliated with and occupied the following positions in various institutions, viz: Director, ACCRA Investment Corporation (1980-2008), Corporate Secretary/Director, Wide Wide World Express (1995-2008), Corporate Secretary, Oribanex Holdings (1996-2008), Chairman, Timog Silangan Development Corp. (1976-2008), President, Devinelle Provident lands, Inc. (1995-2008), President, Banana d' Or (2001-2008), President, Brodlas Realty Inc. (2000-2008), Senior Partner, Angara Abello Concepcion Regala & Cruz Law Offices (2002 to present).

LAURITO E. SERRANO

Laurito E. Serrano, Filipino, 57 years of age, is the Corporation's Independent Director. As of 2 May 2018, he has served as a director of the Corporation starting year 2014 or for, more or less, four (4) years. He is a Certified Public Accountant with a Master of Business Administration degree from the Harvard Graduate School of Business. He currently serves as an Independent Director and Chairman of the Audit and Risk Management Committee of Atlas Consolidated Mining and Development Corporation. He is also a director of the Philippine Veterans Bank and a member of its Corporate Governance and Audit Committees; an independent director of the APC Group, Inc.; and a director of MRT Development Corporation, among others. Mr. Serrano is also a former partner of the Corporate Finance Consulting Group of SyCip Gorres Velayo & Co. (SGV & Co.).

Nomination of Directors for 2018-2019

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

The following are the nominees to the Board of Directors:

1. Alfonso R. Reyno, Jr.
2. Chai Seo Meng
3. Jose Alvaro D. Rubio
4. Alfonso G. Reyno III
5. Gabriel A. Dee
6. Cherrylyn G. Prado-Caoile
7. John Anthony B. Espiritu
8. Dennis Rya C. Uy
9. Walter L. Mactal
10. Victor P. Lazatin (Independent Director)
11. Laurito E. Serrano (Independent Director)

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

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

The respective business experiences of Messrs. Victor P. Lazatin and Laurito E. Serrano are set forth above.

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

The members of the Nomination Committee are as follows:

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

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

(b) The Executive Officers

The following are the Executive Officers of the Company:

Position	Name	Citizenship	Age
Chief Executive Officer	Alfonso R. Reyno, Jr.	Filipino	73
Chief Operating Officer	Jeffrey Rodrigo L. Evora	Filipino	48
Treasurer & Chief Finance Officer	Jose Alvaro D. Rubio	Filipino	64
Corporate Secretary and General Counsel	Ferdinand A. Domingo	Filipino	65
Assistant Corporate Secretary	Gabriel A. Dee	Filipino	53
Corporate Information Officer	Lemuel M. Santos	Filipino	67

The business experience of Mssrs. Alfonso R. Reyno, Jr., 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:

JEFFREY RODRIGO L. EVORA

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

FERDINAND A. DOMINGO

Ferdinand A. Domingo, Filipino, 65 years of age, is the Corporation's Corporate Secretary and General Counsel starting year 2014 or for, more or less, four (4) years, as of 2 May 2018. He graduated from the University of the Philippines in 1972 with a degree of Bachelor of Arts in Political Science and finished his Bachelor of Laws degree in the same school in 1977. In the last five (5) years or more he is affiliated with and occupies the following positions in various institutions, viz: Senior Partner, Reyno Tiu Domingo & Santos Law Offices (1 September 1991 to present); Corporate Secretary and General Counsel, Manila Jockey Club, Inc. (up to present); Corporate Secretary and General Counsel, MJC Investments Corporation (up to present); President, Aries Prime Resources, Inc., (10 July 2003 to 2009); Director, United Overseas Bank (May 2001 to July 2002); Corporate Secretary, Westmont Bank (17 May 2000 to 16 January 2004); Director, PNB Holdings Ltd. and PNB Hongkong Branch (1998 to February 2000); Bank Attorney, Philippine National Bank (1978-1984);

Corporate Secretary, Philippine Racing Club, Inc. (1994-1997); Legal Counsel and Corporate Secretary, National Steel Corporation (3 May 1995 to March 1997). He resides at No. 14 Lopez Jaena Street, Ayala Heights, Quezon City.

LEMUEL M. SANTOS

Lemuel M. Santos, Filipino, 67 years of age, is the Corporation's Corporate Information and Compliance Officer starting year 2014 or for, more or less, four (4) years, as of 2 May 2018. He graduated from the University of the Philippines in 1973 with a degree of Bachelor of Arts in Political Science and finished his Bachelor of Laws degree in the same school in 1977. In the last five (5) years or more, he is affiliated with and occupies the following positions in various institutions, viz: Partner, Reyno, Tiu, Domingo & Santos Law Offices (1991 up to present); Assistant Corporate Secretary, Manila Jockey Club, Inc. (up to present); Corporate Information and Compliance Officer, MJC Investments Corporation (up to present). He resides at 84 D. Tuason Street, B.F. Homes, Parañaque, 1718, Metro Manila.

(c) 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.

(d) Involvement in Certain Legal Proceedings

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

(e) 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 Corporation has transactions and account balances with related parties as follows:

			2017		2016			
Entity	Relationship	Nature	**Amount**	**Receivable (Payable)**	Amount	Receivable (Payable)	Terms	Condition
Manila Jockey Club, Inc. (MJCI)	Stockholder	Deposit for future stock subscription	**₱152,254,429**	**(₱152,254,429)**	₱-	₱-	Noninterest-bearing;	Unsecured, unguaranteed
		Advances[a] (Note 14)	-	**(4,970,819)**	873,853	(4,970,819)	Noninterest-bearing; due and demandable	Unsecured, unguaranteed

Entity	Relationship	Nature	2017 Amount	2017 Receivable (Payable)	2016 Amount	2016 Receivable (Payable)	Terms	Condition
		Commission from the off-track betting[b] (Note 8)	293,962	304,099	10,137	10,137	Noninterest-bearing, due and demandable	Unsecured, unimpaired
Various Shareholders	Stockholder	Deposit for future stock subscription	933,878,212	(933,878,212)-		-	Noninterest-bearing;	Unsecured, unguaranteed
Manilacockers Club, Inc (MCI)	Affiliate	Commission from the off-track betting[c] (Note 8)	701,543	90,201	75,934	75,934	Noninterest-bearing, due and demandable	Unsecured, unimpaired

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

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

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

(f) Disagreement with a Director

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

Item 6. Compensation of Directors and Executive Officers

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

Compensatory Plan or Arrangement

Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation
The CEO and four most highly compensated Executive Officers: • CEO - Alfonso R. Reyno, Jr. • Vice President - Alfonso Victorio G. Reyno, III • Corporate Secretary - Ferdinand A. Domingo • Corporate Information and Compliance Officer - Lemuel M. Santos	2018	10,865	-	-
	2017	10,865	-	-
	2016	10,865	-	-
All other Executive Officers and Directors as	2018	21,143	-	-

Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation
a group unnamed	2017	11,617	-	-
	2016	3,742	-	-

Material Terms of Any Other Arrangement

All directors are entitled to a per diem ranging from P10,000.00 - P15,000.00 plus a ₱3,000.00 allowance to cover their transportation, communication and other expenses for every board meeting attended.

Employment Contract with Executive Officers

There are no contracts with the named executive officers for any compensation plan or arrangement that will result from the resignation, retirement or any other termination of employment of said executive officers.

Warrants or Options

There are no outstanding warrants or options being held by the named executive officers or directors and neither are there any changes in control arrangements made with the named executive officers and the directors.

Item 7. Independent Public Accountants

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

The Company complies with SRC Rule 68, Part I, Item 3(B)(iv)(ix) on the 5-year rotation of the External Auditor and the two-year cooling-off period on the re-engagement of the same signing partner or individual auditor. The Company engaged SGV for the examination of the Company's financial statements for the year 2017. For year 2017, Ms. Adeline D. Lumbres was the partner-in-charge of SGV for the examination of the Company's financial statements.

External Audit Fees

The aggregate fees billed for each of the last two (2) fiscal years for professional services rendered by SGV was ₱896,000.00 for the year 2017, and ₱728,000.00 for the year 2016.

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

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

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

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

1.	Laurito E. Serrano	- Chairman (Independent Director)
2.	Jose Alvaro D. Rubio	- Member
3.	John Anthony B. Espiritu	- Member
4.	Victor P. Lazatin	- Member (Independent Director)

Item 8. Compensation Plans

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

C. ISSUANCE AND EXCHANGE OF SECURITIES

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

Not applicable.

Item 10. Modification or Exchange of Securities

Not applicable.

Item 11. Financial and Other Information

The audited financial statements of the Corporation for the period ended December 31, 2017 and the Quarterly Report for the period ended March 31, 2018 are attached as **Annexes "A"** and **"B"**, respectively. Management's Discussion and Analysis of Financial Condition and Results of Operations are incorporated in the Management Report.

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

Not applicable.

Item 13. Acquisition or Disposition of Property

Not applicable.

Item 14. Restatement of Accounts

The Corporation is not taking any action, which involves the restatement of any of its assets, capital or surplus account.

D. OTHER MATTERS

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

There is no action to be taken with respect to any report of the Corporation or of its directors, officers or committees, except the approval of (i) the minutes of the previous annual stockholders' meeting, and (ii) the Annual Report and Audited Financial Statements of the Corporation for the period ended December 31, 2017, all of which will be submitted for approval of the stockholders.

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

a. Election of Corporate Officers and Organization of Board Committees;

b. Election of the Board of Directors and appointment of the External Auditor;

c. Approval of the Audited Financial Statements for the Fiscal year ending December 31, 2017;

d. Authorization of signatory on matters pertaining to lease of property of the corporation;

e. Authorization of signatories of the opening and transacting bank accounts of the corporation;

f. Authorization of signatories in connection with the Corporation's existing Stock Transfer Agency Agreement;

g. Authorization of signatory to transact with business enterprises dealing with the corporation;

h. Authorization of signatory to transact with government an matters affecting the operations;

The approval of the minutes, Annual Report and audited financial statements for the period ended December 31, 2017, and ratification of all acts, proceedings and resolutions of the Board, the Executive Committee and the acts of the officers and management since the date of the last annual meeting require the affirmative vote of a majority of the votes cast at the Annual Meeting by the stockholders entitled to vote.

Item 16. Matters Not Required to be Submitted

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

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

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

Item 18. Other Proposed Action

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

1. Election of directors for 2018-2019; and

2. Appointment of external auditor.

Item 19. Voting Procedures

(a) Vote Required

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

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

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

(b) Method of counting votes

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

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

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

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

The agenda for the Annual Meeting is as follows:

1. Call to Order
2. Determination and Declaration of Quorum
3. Approval of the Minutes of the Annual Stockholders' Meeting held on 29 June 2017
4. Report of the President
5. Ratification of all acts of the Board of Directors and Management
6. Election of the Members of the Board of Directors
7. Appointment of the External Auditor
8. Cancellation of Warrants Issuance approved by the Stockholders on June 29, 2017 and in lieu thereof, a Stock Rights Offering of One (1) Rights Share for every Two (2) Common Shares
9. Adjournment

MJC INVESTMENTS CORPORATION

MANAGEMENT REPORT

I. Consolidated Audited Financial Statements and Interim Financial Statements

MJC Investments Corporation's ("MIC", or the "Company") consolidated audited financial statements for the year ended December 31, 2017 and interim financial statements as of March 31, 2018 attached to the Information Statement are incorporated herein by reference.

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

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

III. Management's Discussion and Analysis of Financial Condition and Results of Operations of the Consolidated Audited Financial Statements as of December 31, 2017

The following discussion and analysis relate to the consolidated financial position and results of operation of MJC Investments Corporation and Subsidiary and should be read in conjunction with the accompanying audited consolidated financial statements and related notes as of December 31, 2017 and 2016 and for the years ended December 31, 2017, 2016 and 2015.

Discussion on Results of Operations

The following table shows a summary of results of the operations for the years ended December 31, 2017, 2016 and 2015:

	For the Year Ended December 31				
	2017	2016	2015	%Change	%Change
	Amount in Millions of Philippine peso except EPS			2017 vs.2016	2016 vs. 2015
Revenue					
Revenue share in gaming operation	283.2	174.1	-	62.7%	100.0%
Hotel and food and beverage	126.7	28.3	-	347.7%	100.0%
Other revenue	59.5	19.6	-	203.6%	100.0%
	469.4	222.0	-	111.4%	100.0%
Operating costs and expenses	(1,050.1)	(541.0)	(43.3)	94.1%	1,149.4%
Operating loss	(580.7)	(319.0)	(43.3)	82.0%	636.7%
Other income (expenses)					
Interest expense	(209.3)	(128.2)	(14.4)	63.3%	790.3%
Interest income	0.3	1.3	4.6	(76.9%)	(71.7%)
Miscellaneous income (expenses) - net	(0.4)	(0.2)	0.1	100.0%	(300.0%)
	(209.4)	(127.1)	(9.7)	64.8%	1,210.3%
Loss before income tax	(790.1)	(446.1)	(53.0)	77.1%	741.7%
Provision for income tax	(0.1)	(0.3)	(0.9)	(66.7%)	(66.7%)
Net loss	(790.2)	(446.4)	(53.9)	77.0%	728.2%
Other comprehensive income	0.7	-	-	100.0%	0.0%
Total comprehensive loss	(789.5)	(446.4)	(53.9)	76.9%	728.2%
Basic/diluted loss per share	0.25	0.14	0.02	78.6%	600.0%

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

Revenue and Operating Costs and Expenses

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

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

The significant accounts that contributed to the increase are:

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

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

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

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

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

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

Interest Expense

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

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

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

Total revenue amounting to ₱469.4 million is 111.4% higher from last year's ₱222.0 million. But due to higher operating cost and expenses this year, loss before income tax amounting to ₱790.1 million is 77.1% higher from last year's ₱446.4 million.

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

Analysis of Statement of Financial Position

	For the Year Ended December 31				
	2017	2016	2015	%Change	%Change
	Amount in Millions of Philippine peso except EPS			2017 vs.2016	2016 vs. 2015
Assets					
Cash and cash equivalents	558.9	125.0	1,240.4	347.1%	(89.9%)
Receivables	181.0	137.9	112.0	31.3%	23.1%
Inventories	28.2	21.3	3.9	32.4%	446.2%
Current portion of input value added tax (VAT)	24.8	387.8	320.4	(93.6%)	21.0%
Prepayments and other current assets	105.0	124.5	487.5	(15.7%)	(74.5%)
Property and equipment	5,630.3	5,754.0	3,857.0	(2.1%)	49.2%
Input VAT- net of current portion	337.8	25.9	38.1	1,204.2%	(32.0 %)
Other noncurrent assets	83.0	115.0	7.4	(27.8%)	1,454.1%
Total Assets	6,949.0	6,691.4	6,066.7	3.8%	10.3%
Liabilities					
Accounts payable and other current liabilities	310.9	290.1	409.1	7.2%	(29.1%)
Retention payable	279.2	349.4	202.1	(20.1%)	72.9%
Interest payable	19.1	19.1	14.0	0.0%	36.4%
Loans payable	3,479.3	3,472.0	2,475.5	0.2%	40.3%
Deposit for future stock subscription	1,086.1	-	-	100.0%	0.0%
Retirement liability	1.8	0.8	-	125.0%	100.0%
Other noncurrent liabilities	3.8	1.7	-	123.5%	100.0%
Total Liabilities	5,180.2	4,133.1	3,100.7	25.3%	33.3%
Equity					
Capital stock	3,174.4	3,174.4	3,135.7	0.0%	1.2%
Deficit	(1,406.3)	(616.1)	(169.7)	128.3%	263.1%

Actuarial gains on retirement liability	0.7	-	-	100.0%	0.0%
Total Equity	1,768.8	2,558.3	2,966.0	(30.9%)	(13.7%)
Total Liabilities and Equity	6,949.0	6,691.4	6,066.7	3.8%	10.3%

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

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

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

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

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

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

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

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

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

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

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

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

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

Key Performance Indicators

Indicators	Manner of Computation	31-Dec-17	31-Dec-16	31-Dec-15
Current Ratio	Current Asset / Current Liabilities	0.69:1	3.46:1 1.21:1	3.46:1
Debt to Equity Ratio	Total Liabilities / Total Equity	1.43:1	1.62:1	1.05:1
Asset to Liability Ratio	Total Assets / Total Liabilities	1.34:1	1.62:1	1.96:1
Basic Earnings(Loss) per Share	Net Income / Total Outstanding Common Shares	Php(0.25)	Php(0.14)	Php(0.02)

Current ratio is regarded as a measure of the company's liquidity or its ability to meet currently maturing obligations. As of December 31, 2017, current ratio has decreased to 0.69 from 1.21. As such, the Company has ₱0.69 current assets to support one peso of its current liabilities. Current ratio for 2015 is 3.46.

The debt to equity ratio measures the riskiness of the Company's capital structure in terms of relationship between the funds supplied by the creditors (debt) and investors (equity). As of December 31, 2017, the debt to equity ratio has changed to 1.43 from 1.62 as of December 31, 2016 due to the deposit for future subscription. Debt to equity ratio for 2015 is 1.05.

The asset to liability ratio exhibits the relationship of the total assets of the Company with its total liabilities. As of December 31, 2017, the ratio increase to 1.34 from 1.62 as of December 31, 2016 due to the collection for future subscription. This indicates that for every ₱1.00 of liability, the Company has ₱1.69 of its assets. Asset to liability ratio for 2015 is 1.96.

As of December 31, 2017, the company's loss per share is ₱0.25 which increased from ₱0.14 of the same period in 2016. In 2015, the loss per share is ₱0.02.

There are no known trends, demands, commitments, events or uncertainties that will have a material impact on liquidity.

There are no events that will trigger contingent financial obligation.

There are substantial commitments worth on capital expenditures.

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

There are no known trends, events, or uncertainties which are reasonably expected to have a favorable or unfavorable impact from continuing operations.

IV. Management's Discussion and Analysis of Financial Condition and Results of Operations of the Interim Financial Statements as of March 31, 2018 and 2017

Total current assets as of 31 March 2018, amounted to P548.8 Million showing a decrease of P349.1 Million or 38.9% as compared to the 31 December 2017 balance of P897.9 Million. The decrease is due to lower Cash and Cash Equivalents because of payment of P225 Million comprising portion of principal on loan and interest, also payment made to various contractors this quarter. In addition, the decrease is also attributable to lower prepaid taxes which was amortized over the quarter.

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

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

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

For the three-month period ending 31 March 2018, the Corporation's revenues amounted to P142.2 Million, higher by P64.3 Million or 76.8% compared to the same period in 2017. Revenues for the 1st quarter of 2018 are attributable to 40% PAGCOR revenue share, food and beverage sales, rentals and banquet events. The increase is due to higher gaming capacity, hotel occupancy and banquet events this quarter.

Operating costs and expenses for the three-month period ended 31 March 2018 and for the same period in 2017 amounted to P269.1 Million and P215.3 Million respectively. The P53.8 Million or 23.9% increase is due to higher depreciation and amortization, gaming and hotel operations expenses, salaries, repairs and maintenance, service fees and utilities this 1st quarter of 2018.

Net Loss amounted to P184.50 Million for the three-month period ending 31 March 2018. There is a decrease of net loss by P10.25 Million from the net loss of P191.4 Million for the same period in 2017.

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

Indicators	Manner of Computation	As of the Period Ended Mar 31, 2018	Dec 31, 2017
Current Ratio	Current Assets / Current Liabilities	0.52:1	0.69:1
Debt Equity Ratio	Total Liabilities / Total Equity	1.44:1	1.43:1
Asset Liability Ratio	Total Assets / Total Liabilities	1.32:1	1.34:1
Asset to Equity Ratio	Total Assets / Total Equity	4.11:1	3.93:1
Interest Coverage Ratio	Earnings Before Income Tax / Interest Expense	(2.30)	(2.78)
Return on Assets (Profitability Ratio)	Net Income (Loss) / Total Assets	(3%)	(3%)
Basic Earnings(Losses) Per Share	Net Income (Loss) / Outstanding Common Shares	(P0.06)	(P0.06)

Current ratio is regarded as a measure of the Corporation's liquidity or its ability to meet maturing obligations. As of 31 March 2018, the current ratio decreased to 0.52 compared to 0.69 as of December 31, 2017. The outstanding payable in 2018 mostly consists of balances on project-related expenditures and current portion of loan payable. The Corporation has P0.52 current assets to support a P1.00 current liabilities.

The debt to equity ratio measures the riskiness of the Corporation's capital structure in terms of relationship between the funds supplied by the creditors (debt) and investors (equity). As of 31 March 2018, the debt to equity ratio has increased to 1.44 from 1.43 from December 31, 2017. The effect of high debt to equity ratio indicates higher risk, as debt holders may have higher claims on the Corporation's assets.

The asset-liability ratio, exhibits the relationship of the total assets of the Corporation with its total liabilities. As of March 31, 2018, the ratio decreased to 1.32 from 1.34 on December 31, 2017. The result indicates that for every P1.00 of liability, the Corporation has P1.32 of assets.

Return on Assets is computed by dividing net income over total assets. This allows the Corporation to see how much the income is, per peso asset. As of March 31, 2018 the ratio of (3%) is the same as with December 31, 2017. This profitability ratio is not yet feasible to the Corporation.

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

There are no known events or uncertainties that will have a material impact on liquidity.

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

There are substantial commitments on capital expenditures, specifically for the on-going construction of the hotel and entertainment project on its property located in Sta. Cruz, Manila.

From the foregoing, no other relevant financial ratio was prescribed to be submitted by the Corporation to the Commission.

V. BUSINESS AND GENERAL INFORMATION

ITEM 1. BUSINESS

Description of Business

1) Business Development

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

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

Articles of Incorporation (Amending Article VII thereof) and the *Certificate of Approval of Increase of Capital Stock* dated 15 August 2012 issued by the SEC on even date.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2) Business of Issuer

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

ITEM 2. PROPERTIES

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

ITEM 3. LEGAL PROCEEDINGS

There are no legal proceedings involving the Corporation.

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

Except for the matters taken up during the last annual meeting of the stockholders covered by the Corporation's SEC Form 20-IS report, no matter was submitted to a vote of security holders through solicitation of proxies or otherwise during the calendar year covered by this report.

VI. COMPANY'S DIRECTORS AND EXECUTIVE OFFICERS

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

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

1) *Market Information*

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

Quarter Period	CY 2018		CY 2017		CY 2016	
	High	Low	High	Low	High	Low
1st Quarter	3.69	3.25	3.97	3.00	4.57	2.30
2nd Quarter	-	-	4.22	3.18	4.10	2.85
3rd Quarter	-	-	3.60	2.99	3.60	3.08
4th Quarter	-	-	4.01	3.15	3.49	3.01

Source: Philippine Stock Exchange, Inc

As of May 2, 2018, the closing price of the Company's common shares in the PSE is at PhP 3.36 per share.

2) *Holders*

As of May 2, 2018, there are approximately Four Hundred Thirty Seven (437) holders of the common shares of the Corporation. The Corporation has no other class of shares.

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

Top Twenty Stockholders
As of 2 May 2018

No.	Stockholders	No. of Shares	%	Title of Class
1.	PCD NOMINEE CORPORATION	1,610,429,235.00	50.73%	Common
2.	ONE WISTERIA LOOP HOLDINGS, INC.	145,000,000	4.57%	Common
3.	MULBERRY ORCHID HOLDINGS, INC.	140,000,000	4.41%	Common
4.	BELGRAVE SQUARE HOLDINGS INC.	122,300,000	3.85%	Common
5.	SAVILE ROW HOLDINGS, INC.	122,300,000	3.85%	Common
6.	FAIRBOOKS HOLDINGS INC.	122,300,000	3.85%	Common
7.	MONTBRECIA PLACE HOLDINGS, INC..	122,300,000	3.85%	Common
8.	EVERDEEN SANDS HOLDINGS, INC.	122,200,000	3.85%	Common
9.	PEPPERBERRY VISTA HOLDINGS, INC.	122,2[illegible]	3.85%	Common
10.	BRANFORD RIDGE HOLDINGS, INC.	75,716,000	2.39%	Common
11.	CHERRYGROVE HOLDINGS, INC.	75,715,000	2.39%	Common

No.	Stockholders	No. of Shares	%	Title of Class
12.	BELLTOWER LAKES HOLDINGS, INC.	75,715,000	2.39%	Common
13.	EAST BONHAM HOLDINGS, INC.	75,715,000	2.39%	Common
14.	FLYING HERON HOLDINGS, INC.	75,713,999	2.39%	Common
15.	PURPLE CASSADY HOLDINGS, INC.	75,713,000	2.39%	Common
16.	ORCHARDSTAR HOLDINGS, INC.	75,712,000	2.39%	Common
17.	ALFONSO R. REYNO, JR.	11,73[illegible]04	0.37%	Common
18.	PCD NOMINEE (Non-Filipino)	1,087,771	0.03%	Common
19.	PALOS VERDES REALTY CORPO.	4[illegible]00	0.01%	Common
20.	ALFONSO R. REYNO, JR.	40[illegible]000	0.01%	Common

3) ***Dividends***

No cash dividends were declared for the two (2) most recent fiscal years. The lack of sufficient retained earnings limits the ability of the Corporation to declare and pay dividends.

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).

VIII. CORPORATE GOVERNANCE

The Corporation, through its Compliance Officer, established an evaluation system to measure the level of compliance of the Board of Directors and management with the Corporation's Manual of Corporate Governance. The Compliance Officer monitors this through a regular checklist system after interview and consultation with all parties concerned.

Some of the measures being undertaken by the Corporation include updating the persons concerned on any available seminar on Corporate Governance-related matters informing them of recent trends in Corporate Governance.

For 2017 and in compliance with SEC Memorandum Circular No. 20, series of 2013, Independent Director Laurito E. Serrano attended the Corporate Governance seminar held at the NBS Seminar Room, SF Quad Alpha Centrum, Mandaluyong City, dated 04 July 2016. Director Jose Alvaro D. Rubio attended the Corporate Governance seminar held at the Manila Marriott Hotel, Resorts Drive, Pasay City dated 1[illegible] August 2017. On 07 December 2017, Directors Alfonso R. Reyno, Jr., Chai Seo Meng, Alfonso Victorio G. Reyno, III, Gabriel A. Dee, Cherrylyn Prado-Caoile, Dennis Ryan C. Uy, John Anthony B. Espiritu, Independent Director Victor P. Lazatin, Ferdinand A. Domingo, Lemuel [illegible] Santos and Angelica T. Vega attended Corporate Governance seminar held at the Manila Golf & Country Club, Harvard Road, Forbes Park, Makati City.

For the past four (4) years or from 2015 to 2018, there were no deviations from the Corporation's Manual on Corporate Governance. The Board of Directors supports strict adherence to the same by continuously strengthening the Internal Audit Department, which is now immediately under the control and supervision of the Board of Directors through its Audit Committee. Thus, the recommendation of the Board of Directors as directly issued to the aforesaid department, and at the same time, any findings of the Internal Audit Department are directly relayed to the Board of Directors.

Undertaking

The Corporation undertakes, upon the written request of its stockholder, to provide such stockholder free of charge with a printed or electronic copy of its Annual Report or SEC Form 17-A.

Written requests shall be addressed to:

The Corporate Secretary
12/F Strata 100 Building
F. Ortigas Jr. Road, Ortigas Center
Pasig City

MJC INVESTMENTS CORP.
MJC Drive, Sta. Cruz, Manila
Tel. No. 632-7373/Fax No. 631-2846

CERTIFICATION

I, **LEMUEL M. SANTOS**, of legal age and with office address at 12th Floor Strata 100 Building, F. Ortigas Jr. Road, Ortigas Center, Pasig City, being the duly-elected Corporate Information Officer of the MJC INVESTMENTS CORPORATION DOING BUSINESS UNDER THE NAME AND STYLE OF WINFORD LEISURE AND ENTERTAINMENT COMPLEX AND WINFORD HOTEL AND CASINO (the "Corporation"), a corporation duly organized and existing in accordance with the laws of the Republic of the Philippines, with business address at Winford Hotel and Casino, MJC Drive, Sta. Cruz, 1014, Manila, Philippines, hereby certify that no Director or Officer of the Corporation is connected with any government agencies or its instrumentalities.

IN WITNESS WHEREOF, I have signed this Certificate this 18 MAY 2018 day of May 2018 at Pasig City, Philippines.

LEMUEL M. SANTOS
Corporate Information Officer

SUBSCRIBED AND SWORN TO before me this 18 MAY 2018 of May 2018, affiant exhibiting to me his Tax Identification Number 143-405-790.

Doc. No. 318;
Page No. 65;
Book No. VI;
Series of 2018.

NOTARY PUBLIC
APPOINTMENT NO. (2017-2018)
UNTIL DECEMBER 31, 2018
PTR NO. 2017 / PASIG CITY
IBP NO. / MAKATI CITY
CITIES OF PASIG, SAN JUAN AND PATEROS
ROLL OF ATTORNEY NO. 57018

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **VICTOR P. LAZATIN**, Filipino, of legal age and with business address at 26th Floor, Accralaw Tower, Cresent Park West, Fort Bonifacio, Taguig City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an Independent Director of MJC Investments Corporation ("MJIC").

2. I am affiliated with the following companies:

Company	**Position/Relationship**	**Period of Service**
Angara Abello Concepcion Regala and Cruz Law Offices	Of-counsel	2012 to present
Angara Abello Concepcion Regala and Cruz Law Offices	Senior Partner	1992 to 2012

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of MJIC as provided for in Section 38 of the Securities Regulation Code and its Implementation Rules and Regulations.

4. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code.

5. I shall inform the Corporate Secretary of MJIC of any changes in the abovementioned within five (5) days from its occurrence.

DONE this day of 15 MAY 2018 2018 at Pasig City.

VICTOR P. LAZATIN
Affiant

SUBSCRIBED AND SWORN to before me this day of 15 MAY 2018 at Pasig City, affiant personally appeared before me and exhibited to me his Tax Identification No. 125-673-098 issued in the Philippines.

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Book No. VI;
Series of 2018.

CHINO PAOLO Z. ROXAS
NOTARY PUBLIC
APPOINTMENT NO. 138 (2017-2018)
UNTIL DECEMBER 31, 2018
PTR NO. 2516057 / 1-5-17 / PASIG CITY
[illegible] NO. 1060502 / 1-7-17 / MAKATI CITY
[illegible] OF PASIG, SAN JUAN AND PATEROS
ROLL OF ATTORNEY NO. 57018