COVER SHEET

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
–	(02)8632-7373	–

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
433	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	8528-3600 (loc. 1132)	(+63) 917-159-5222

CONTACT PERSON's ADDRESS

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

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

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

SECURITIES AND EXCHANGE COMMISSION

FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **September 30, 2021**

2. Commission identification number **10020** 3. BIR Tax Identification No. **000-596-509**

4. Exact name of issuer as specified in its charter

   MJC INVESTMENTS CORPORATION Doing business under the name and style of WINFORD LEISURE AND ENTERTAINMENT COMPLEX AND WINFORD HOTEL AND CASINO

5. Province, country or other jurisdiction of incorporation or organization **Republic of the Philippines**

6. Industry Classification Code Use Only)

7. Address of issuer's principal office Postal Code

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

8. Issuer's telephone number, including area code **(632) 528-2300**

9. Former name, former address and former fiscal year, if changed since last report **N. A.**

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common	3,174,405,821

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

    Yes **[x]** No [ ]

    If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

    Philippine Stock Exchange, Inc. **Common Shares**

12. Indicate by check mark whether the registrant:

    (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

    Yes [x] No [ ]

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

    Yes [x] No [ ]

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

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

- Consolidated Statement of Financial Position as of September 30, 2021, and December 31, 2020
- Consolidated Statement of Comprehensive Income for the quarters ended September 30, 2021 and 2020
- Consolidated Statement of Changes in Equity for the quarters ended September 30, 2021 and 2020
- Consolidated Statement of Cash Flow for the quarters ended September 30, 2021 and 2020
- Aging of Accounts Receivable as of September 30, 2021
- Notes to Consolidated Financial Statements

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation

Please see attached **Annex "B"**.

PART II – OTHER INFORMATION

There is no material information which had not been previously reported under SEC Form 17-C.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

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

November 10, 2021
Date

By:

JOEMAR L. ONNAGAN
Director for Finance and Administration

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

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of September 30, 2021
(With Comparative Audited Figures as of December 31, 2020)

	September 30, 2021 ***(Unaudited)***	December 31, 2020 *(Audited)*
ASSETS		
Current Assets		
Cash (Note 6)	₱ 24,809,903	₱21,049,397
Receivables (Note 7)	204,543,170	204,083,822
Inventories (Note 8)	15,492,607	20,206,354
Input value-added tax (VAT) - current (Note 9)	11,815,332	10,931,369
Other current assets (Note 10)	93,672,294	114,073,654
Total Current Assets	**350,333,306**	**370,344,596**
Noncurrent Assets		
Property and equipment (Note 11)	3,614,205,567	3,766,120,571
Investment properties (Note 12)	722,236,335	744,573,541
Input VAT - net of current portion (Note 9)	456,578,401	440,789,218
Other noncurrent assets (Note 13)	277,084,342	344,061,052
Total Noncurrent Assets	**5,070,104,645**	**5,295,544,382**
TOTAL ASSETS	**5,420,437,951**	**5,665,888,978**
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 14)	701,840,098	607,524,451
Retention payable (Note 11)	4,107,545	7,934,014
Interest payable (Notes 15)	56,500,085	40,233,541
Current portion of loans payable (Note 15)	-	138,039,293
Total Current Liabilities	**762,447,728**	**793,731,299**
Noncurrent Liabilities		
Advances from stockholders (Note 18)	552,127,945	436,314,585
Loans payable - net of current portion (Note 15)	2,293,563,735	2,154,743,374
Deposit for future stock subscription (Note 17)	2,426,501,748	2,426,501,748
Other noncurrent liabilities (Note 16)	38,506,295	37,486,824
Total Non-Current Liabilities	**5,310,699,723**	**5,055,046,531**
Total Liabilities	**6,073,147,451**	**5,848,777,830**
Equity		
Capital stock (Note 19)	3,174,405,821	3,174,405,821
Deficit	(3,835,806,601)	(3,365,294,240)
Actuarial gains on retirement liability	8,691,280	7,999,567
Total Equity (Capital Deficiency)	**(652,709,500)**	**(182,888,852)**
TOTAL LIABILITIES AND EQUITY	**₱ 5,420,437,951**	**₱ 5,665,888,978**

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

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

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the Three months Ended September 30		For the Nine months Ended September 30	
	2021	2020	**2021**	2020
REVENUE				
Revenue share in gaming operations	**₱ 20,453,610**	₱ 19,048,979	**₱ 66,721,934**	₱ 138,052,059
Hotel	**15,951,330**	5,910,094	**37,071,319**	21,237,318
Food and beverage	**5,001,693**	281,651	**12,211,440**	15,839,032
Bingo operations	-	-	-	8,915,161
Rental	**930,010**	961,759	**4,161,464**	9,811,994
Other revenue	**3,348,696**	510,179	**3,995,984**	3,577,349
	45,685,339	26,712,662	**124,162,141**	197,432,913
OPERATING COSTS AND EXPENSES (Note 21)	**(146,649,626)**	(141,292,893)	**(471,296,165)**	(515,182,392)
OPERATING LOSS	**(100,964,287)**	(114,580,231)	**(347,134,024)**	(317,749,479)
OTHER INCOME (EXPENSES)				
Interest expense and other financing charges (Note 15)	**(40,109,873)**	(38,236,178)	**(124,084,885)**	(115,490,162)
Interest income (Note 6)	**216,969**	23,551	**477,751**	121,907
Miscellaneous expenses – net	**(18,247)**	158,575	**235,226**	695,788
	(39,911,151)	(38,054,052)	**(123,371,908)**	(114,672,467)
LOSS BEFORE INCOME TAX	**(140,875,438)**	(152,634,283)	**(470,505,932)**	(432,421,946)
PROVISION FOR INCOME TAX	**(1,167)**	(4,637)	**(6,430)**	(24,187)
NET LOSS	**(140,876,605)**	(152,638,920)	**(470,512,362)**	(432,446,133)
OTHER COMPREHENSIVE INCOME				
Item that will not be reclassified to profit or loss in subsequent periods:				
Remeasurement gain on defined benefit obligation	**230,571**	230,571	**691,713**	691,713
TOTAL COMPREHENSIVE LOSS	**(140,646,034)**	(152,408,349)	**(469,820,649)**	(431,754,420)
Basic/Diluted Loss Per Share (Note 20)	**₱0.044**	₱0.048	**₱0.148**	₱0.136

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

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

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

	Capital Stock (Note 19)	Deficit	Actuarial gains on retirement liability	Total
BALANCES AT DECEMBER 31, 2020	**3,174,405,821**	**(3,365,294,240)**	**7,999,567**	**(182,888,852)**
Total Comprehensive income for the period	-	**(470,512,362)**	**691,713**	**(469,820,649)**
BALANCES AT SEPTEMBER 30, 2021	**3,174,405,821**	**(3,835,806,602)**	**8,691,280**	**(652,709,501)**
BALANCE AT DECEMBER 31, 2019	3,174,405,821	(2,776,315,015)	287,204	398,378,010
Total Comprehensive income for the year	-	(432,446,133)	691,713	(431,754,420)
BALANCE AT SEPTEMBER 30, 2020	**3,174,405,821**	**(3,208,761,148)**	**978,917**	**(33,376,410)**

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

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

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	**(470,505,932)**	(432,421,946)
Adjustments for:		
Depreciation and amortization (Notes 11, 12,13 and 21)	**187,656,545**	212,471,709
Interest expense and other financing charges (Notes 15 and 21)	**124,084,885**	115,490,163
Retirement benefit expense	**629,667**	629,667
Unrealized foreign exchange loss (gain)	**108,364**	91,928
Interest income (Note 6)	**(477,751)**	(121,907)
Operating loss before working capital changes	**(158,504,222)**	(103,860,386)
Decrease (increase) in:		
Receivables	**(459,348)**	42,616,090
Inventories	**4,713,747**	1,225,655
Input VAT	**(16,673,146)**	(16,866,771)
Other current assets	**(15,438,316)**	46,074,797
Increase (decrease) in:		
Accounts payable and other current liabilities	**94,315,647**	76,600,483
Retention payable	**(3,826,469)**	(861,664)
Other noncurrent liabilities	**1,081,518**	(1,037,429)
Net cash generated from (used in) operations	**(94,790,589)**	43,890,775
Income taxes paid	**(6,431)**	(24,188)
Interest received (Note 6)	**477,751**	121,907
Net cash flows provided by (used in) operating activities	**(94,319,269)**	43,988,494
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment (Notes 11)	**(12,724,706)**	(15,496,061)
Decrease in other noncurrent assets (Note 13)	**66,297,082**	19,650,381
Net cash flows provided by (used in) investing activities	**53,572,376**	4,154,320
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of loan (Note 15):		
Principal	**-**	(47,100,000)
Interest and other financing charges	**(107,037,273)**	(115,376,670)
Decrease (increase) in restricted cash (Notes 10 and 15)	**35,839,676**	-
Proceeds from:		
Advances from stockholders (Note 18)	**115,813,360**	102,704,214
Net cash flows provided by (used in) financing activities	**44,615,763**	(59,772,456)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**(108,364)**	(91,928)
NET INCREASE (DECREASE) IN CASH	**3,760,506**	(11,721,570)
CASH AT BEGINNING OF YEAR	**21,049,397**	41,787,422
CASH AT END OF PERIOD (Note 6)	**₱ 24,809,903**	₱ 30,065,852

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

Aging of Receivable

The following summarizes the aging of the Group`s receivable as of September 30, 2021:

	Total	Neither past due nor impaired	Past due but not impaired					Impaired
			Less than 30 days past due	31 to 60 days past due	61 to 90 days past due	91 to 180 days past due	More than 180 days past due	
Trade								
Non-related parties	86,323,491	5,879,867	6,193,785	483,763	386,105	73,379,971	-	-
Related parties	418,347	-	-	-	-	418,347	-	-
Nontrade	125,681,357	-	-	-	-	15,299,440	-	110,381,917
Receivable arising from PTO	371,772,045	371,553,537	-	-	-	218,508	-	-
	584,195,240	**377,433,404**	**6,193,785**	**483,763**	**386,105**	**89,316,266**	-	**110,381,917**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

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

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

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

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

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

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

On April 21, 2016, the Parent Company incorporated its wholly owned subsidiary, Trafalgar Square Leisure Corporation (TSLC), in the Philippines and registered with the Philippine SEC. The authorized and subscribed capital stock of TSLC is ₱20.0 million with a par value of ₱1.00 per share. TSLC's primary purpose is to establish, engage, operate and manage, gaming enterprises, amusement, entertainment and recreation centers, as well as providing services including but not limited to business process outsourcing services to foreign clients, support solutions, such as back office technology support, call or contact center activities, data entry and encoding, data management, general human resource functions, business planning, accounts receivable management, general financial support services, customer support services and customer relationship management, sales support and other industry specific purposes, and to companies and operations, and other clients, and to do any and all things necessary for or conducive to the attainment of such purposes, including, articles of merchandise necessary or desirable in its operations, the provision of professional, consulting and other related services, and the licensing of application, software and other solutions required or related to the above services. The principal place of business of TSLC is at Winford Hotel and Casino, MJC Drive, Sta. Cruz, Manila. On May 16, 2016, TSLC was granted the authority by PAGCOR to bring in pre-registered foreign players to play in designated junket gaming areas within PAGCOR San Lazaro.On August 1, 2019, the junket agreement between TSLC and PAGCOR expired and was no longer renewed. (see Note 2).

Status of Operations

Gaming Operations
In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six months and imposed community quarantines. The Office of the President issued several directives for the classification of each of the cities and municipalities in different levels of community quarantine between March 13, 2020 to date.

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

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

Hotel Operations
On June 7, 2020, the hotel resumed its operations after receiving the approval from the Department of Tourism (DOT). The hotel caters to foreign guests who are staying temporarily in the Philippines, long staying guests, overseas Filipino workers, government employees and health care workers. DOT has not yet allowed the Group to accommodate leisure booking and is currently operating as a quarantine facility for returning overseas Filipino workers as booked by OWWA (Overseas Workers Welfare Administration); returning overseas Filipinos (ROFs) and off-signers crew of shipping companies.

For the period ended September 30, 2021 and 2020, the Group has reported net losses of ₱470.5 million and ₱432.2 million which resulted to capital deficiency amounting ₱652.7 million as at September 30, 2021.Furthermore, the Group’s current liabilities exceeded its current assets by ₱412.1 million and ₱423.4 million as at September 30, 2021 and December 31, 2020, respectively.

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

Management will continue to carry out activities to pursue business opportunities related to its gaming, hotel, and rental operations. The Group's ability to continue as a going concern is dependent upon its ability to generate sufficient cash flows to meet its maturing obligations. To address such condition, the Group implemented certain cost-saving measures to reduce its fixed and variable costs. The Group also continuously boost its marketing efforts to increase foot traffic within the property while closely working with PAGCOR to ensure compliance with PAGCOR's memorandum and directives. The Group is also exploring new business opportunities.

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

On July 23, 2021, the Group obtained the approval of its request from a local bank to defer its loan principal payments. Moreover, on July 30, 2021, a credit line facility was extended by a local bank to the Group (see Note 15). This is to ensure that the Group has adequate funds for its working capital needs and to meet its maturing obligations. The unused credit line as of report date amounted to ₱400.0 million.

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

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

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

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

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

b. *Traditional Bingo Operation of the Parent Company*
On January 19, 2016, the Parent Company was granted by PAGCOR the right to operate a traditional bingo operation at Winford Hotel and Casino. The terms of the bingo operation shall be coterminous with the term of the PTO. Under the agreement, the Parent Company shall remit, on a monthly basis, to PAGCOR 15% of the total gross receipt from sale of bingo tickets and cards, including electronically stored bingo cards played through an electronic device, instant game tickets and bingo game variant cards (presented as "Gaming fees" under "Operating costs and expenses") (see Note 21).

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

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

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

In consideration of the grant by PAGCOR, the TSLC shall pay PAGCOR higher of (a) monthly Minimum Guarantee Fee (MGF) of US$10,000 per table or (b) ten percent (10%) of the monthly gross winnings generated from the junket gaming operations. The MGF shall be subject to an annual escalation at the rate of ten percent (10%) commencing on the second year of operation. The Group shall bear all salaries and other benefits in full of the junket monitoring personnel of PAGCOR who will be assigned to monitor the junket gaming operations. These expenses are presented as part of "Gaming fees" recorded under "Operating costs and expenses" (see Note 21). In addition to the monthly fee, TSLC shall remit five percent (5%) of the monthly gross winnings of the junket gaming operations to PAGCOR as franchise tax.

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

a) an amount equivalent to six months of the minimum guaranteed fee for gaming tables for the junket gaming operations prior to the actual operation of the junket tables amounting to ₱17.0 million is recorded as part of "Trade non-related parties" under "Receivables" in the consolidated statements of financial position as of December 31, 2020 (see Note 7). The minimum guaranteed fee that is outstanding as of December 31, 2020 amounting to ₱17.0 million was collected in full in 2021.

b) an administrative charge deposit in the amount equivalent to six months manpower cost of PAGCOR's monitoring team for the junket gaming operation prior to the actual operation amounting to ₱2.9 million, which shall be made to cover TSLC's share in the cost of salaries and benefits of PAGCOR personnel assigned at the junket area in case the junket operations are suspended for reasons other than force majeure or fortuitous event. The administrative charge deposit is recorded as part of "Trade non-related parties" under "Receivables" in the consolidated statements of financial position as of December 31, 2019. In 2020, the administrative charge deposit was collected from PAGCOR.

c) a cash bond in the amount of ₱1.0 million upon execution of the Junket Agreement in favor of PAGCOR to ensure and secure TSLC's compliance with the terms and conditions of the agreement and PAGCOR's pre-operating requirements which are recorded as part of "Trade non-related parties" under "Receivables" in the consolidated statements of financial position as of December 31, 2019. In 2020, the cash bond was collected from PAGCOR.

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

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

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

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

3. **Basis of Preparation and Statement of Compliance**

<u>Basis of Preparation</u>

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

The unaudited interim consolidated financial statements have been prepared under the going concern assumption. The Group believes that its business would remain relevant despite challenges posed by the COVID-19 pandemic.

<u>Statement of Compliance</u>

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

4. **Summary of Changes in Accounting Policies and Disclosures**

Changes in Accounting Policies
The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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

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

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

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

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

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

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

  The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

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

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

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

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

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

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

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

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

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

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

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

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

Effective beginning on or after January 1, 2021

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

  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):
  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

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

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

Effective beginning on or after January 1, 2022

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

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

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

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

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

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

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

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

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

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

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

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

- *Annual Improvements to PFRSs* 2018-2020 Cycle

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

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

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

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

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

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

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

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

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

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

Effective beginning January 1, 2023

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

  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right

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

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

- PFRS 17, *Insurance Contracts*

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

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

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

PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted.

Deferred effectivity

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

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

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

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

Basis of Consolidation

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

Specifically, the Group controls an investee if, and only if, the Group has:

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

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement(s) with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of the subsidiary to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

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

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

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

conditions relevant to that entity, and items included in the consolidated financial statements of each entity are measured using that functional currency.

Current versus Noncurrent Classification

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

An asset is current when it is:

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

All other assets are classified as noncurrent.

A liability is current when:

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

The Group classifies all other liabilities as noncurrent.

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

Fair Value Measurement

The Group measures financial instruments at each reporting date. Additional fair value related disclosures including fair values of financial instruments measured at amortized cost (AC) are disclosed in Note 23.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Group's financial assets at AC include cash in banks, receivables (excluding "advances from employees"), deposits (presented as part of "Prepayments and other current assets" in the consolidated financial statements), noncurrent portion of receivable arising from PTO and long-term deposits (presented as part of "Other noncurrent assets" in the consolidated financial statements).

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

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

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

As of September 30, 2021, the Group does not have financial assets at FVTPL.

<u>Financial Assets at FVOCI</u>

Debt Instruments
A debt financial asset is measured at FVOCI if (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and (ii) its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment losses or reversals, interest income and foreign exchange gains and losses are recognized in profit and loss until the financial asset is derecognized. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. This reflects the gain or loss that would have been recognized in profit or loss upon derecognition if the financial asset had been measured at amortized cost. Impairment is measured based on the estimated credit loss (ECL) model.

As of September 30, 2021, the Group does not have debt instruments at FVOCI.

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

As of September 30, 2021, the Group does not have equity instruments at FVOCI.

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

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

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

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

<u>Loss Allowance</u>
For cash in banks, the Group applies a general approach in calculating ECLs. The Group recognizes a loss allowance based on ether 12-month ECL or lifetime ECL, depending on whether there has been a

significant increase in credit risk on its cash since initial recognition.

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

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

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

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

For purposes of subsequent measurement, financial liabilities are classified in two categories:
• Financial liabilities at FVTPL
• Financial liabilities at AC (loans and borrowings)

The Group's financial liabilities include accounts payable and other current liabilities, and loans payable.

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

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

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

The Group has not designated any financial liability as at FVTPL.

Financial liabilities at AC (loans and borrowings)
This is the category most relevant to the Group. After initial recognition, interest-bearing loans and

borrowings are subsequently measured at AC using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

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

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

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

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the fair value of the new liability is recognized in profit or loss.

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

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

<u>Reclassifications of Financial Instruments</u>
The Group reclassifies its financial instruments when, and only when, there is a change in the business

model for managing the financial instruments. Reclassifications shall be applied prospectively by the Group and any previously recognized gains, losses or interest shall not be restated. The Group does not reclassify its financial instruments.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Impairment of Non-Financial Assets
The Group assesses, at each reporting date, whether there is an indication that the non-financial assets may be impaired or whether there is an indication that a previously recognized impairment loss may no longer exist or may have decreased. If such indications exist, the Group makes an estimate of the asset's

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

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

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

Contract liabilities include payments received by the Group from the customers for which revenue recognition has not yet commenced. Accordingly, hotel deposits, banquet customers, advance collection for purchase of bingo cards, services received from customers, and lessees are recorded as contract liabilities until services or goods are provided or sold to the customers. Contract liabilities as of December 31, 2020 and 2019 are recognized under "Accounts payable and other current liabilities" in the notes to the financial statements.

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

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

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

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

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

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

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

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

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

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

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

Revenue from Bingo Operations
Revenue from bingo operations represents net sales from the conduct of bingo operations. Net sales is defined as the total gross receipts from sale of bingo tickets and cards and daubers less prizes/winnings. Revenue is recognized at point in time upon the conduct of the bingo operations.

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

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

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

Loyalty Program Points
The Group operates loyalty program to encourage repeat business mainly from loyal slot machine

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

Operating Costs and Expenses

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

Gaming Fees

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

Income Tax

Current Income Tax

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

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

Deferred Tax

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

<u>Leases</u>
Group as a Lessor - Operating lease
Lease in which the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased

asset and recognized as an expense over the lease term on the same basis as the lease income. Contingent rents are recognized as revenue in the period in which they are earned.

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

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

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

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

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

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

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

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

Earnings (Loss) Per Share

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

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

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

Segment Reporting

For management purposes, the Group is organized and managed separately according to the nature of the business. These operating businesses are the basis upon which the Group reports its segment information presented in Note 22.

An operating segment is a component of an entity:

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

Significant Accounting Judgments, Estimates and Assumptions

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

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

Judgments

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

Assumption on Going Concern

The use of the going concern assumption involves management making judgments, at a particular point in time, about the future outcome of events or conditions that are inherently uncertain. Management believes that it will be able to generate positive cash flows and has obtained from its creditor banks the approval to defer loan payments and credit facilities. In making this judgment, the Company evaluates among other factors, existing and committed cash reserves, challenges imposed by the COVID-19 pandemic, current run-rate performance of the business as well as expected future performance based on internal models informed by competitive market dynamics and macroeconomic factors.

Accordingly, the financial statements are prepared on a going concern basis since management has concrete plans with regards to the Group as disclosed in Note 1.

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

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

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

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

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

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

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

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

Estimates and Assumptions

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

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

- *Quantitative Criteria*
  The borrower is more than 90 days past due on its contractual payments, which is consistent with the Group's definition of default.
- *Qualitative Criteria*
  The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

  a) The borrower is experiencing financial difficulty or is insolvent;
  b) The borrower is in breach of financial covenant(s);
  c) Concessions have been granted by the Group, for economic or contractual reasons relating to the borrower's financial difficulty; or
  d) It is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

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

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

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

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

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

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

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

Allowance for expected credit losses recognized in 2021 and 2020 amounted to ₱118.3 million and ₱118.3 million, respectively. The carrying amounts of receivables (including “Receivable arising from PTO related to gaming equipment – net of current portion ” presented as part of “Other Noncurrent Assets”) amounted to ₱469.4 million and ₱535.2 million as at September 30, 2021 and 2020, respectively (see Note 7 and 13).

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

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

Impairment of Property and Equipment and Investment Properties
The Group determines whether its non-financial assets are impaired whenever events or changes in circumstances indicate that the carrying values of the assets may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following, among others:

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

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

The Group estimates the recoverable amount of the property and equipment and investment properties based on value in use. For property and equipment, value in use calculations uses pre-tax cash flow

projections based on the prospective financial information using 5-year forecast. These pre-tax cash flow projections were approved by management. The cash flow projections assumed the potential revenue growth rate against the industry and the long-term growth rate against relevant economic and external data, which are adjusted to take into consideration the impact associated with the COVID -19 pandemic.
For investment properties, value in use calculations uses pre-tax cash flow projections based on the prospective financial information using 9-year forecast of cash flows relating to its lease contract. The cash flow projections assumed the potential revenue growth rate against the industry and the long-term growth rate against relevant economic and external data, which are adjusted to take into consideration the impact associated with the coronavirus pandemic.

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

Based on the Group's impairment testing, no impairment loss was recognized for the years ended September 30, 2021 and 2020. The net book values of the Group's property and equipment and investment properties amounted to ₱3,614.2 million and ₱722.2 million, respectively, as of September 30, 2021 and ₱3,766.1 million and ₱744.6 million , respectively, as of December 31, 2020 (see Notes 11 and 12)

Impairment of Input VAT
The determination of the Group's recoverability of Input VAT is based on the Group's assessment of its projected operating results taking into consideration the significant impact of COVID-19 pandemic in the industry. The Group assessed that the current portion of input VAT amounting to ₱11.8 million is recoverable within the next 12 months from the reporting date and non-current portion amounting to ₱456.6 million is recoverable for the years thereafter (see Note 9). No impairment loss was recognized as of and for the period ended September 30, 2021.

6. **Cash**

This account consists of:

	September 30, 2021 *(Unaudited)*	December 31, 2020 *(Audited)*
Cash on Hand	**₱ 8,812,953**	₱1,910,295
Cash in Bank	**15,996,950**	19,139,102
	₱ 24,809,903	₱ 21,049,397

Cash in banks generally earns interest at the respective bank deposit rates. Total interest income earned from cash in banks amounted to ₱0.5 million and ₱0.1 million in 2021 and 2020, respectively.

7. **Receivables**

This account consists of:

	September 30, 2021 *(Unaudited)*	December 31, 2020 *(Audited)*
Trade:		
Non-related parties	**₱ 86,100,352**	₱ 84,177,684
Related parties (Note 18)	**418,347**	418,347
Nontrade	**125,681,357**	125,681,357
Receivable arising from PTO related to:		
Gaming equipment (Note 16)	**87,613,087**	80,983,264
Gaming facility	**19,350,173**	27,839,504
Advances to employees	**3,643,993**	3,247,805
	322,807,309	322,347,961
Less: Allowance for ECL	**118,264,139**	118,264,139
	₱ 204,543,170	₱ 204,083,822

Trade receivables consist mainly of claims against the lessees of the building spaces for commercial operations, claims against the travel agencies for the hotel accommodations and claims for deposits by TSLC to PAGCOR under Junket Agreement (see Note 2). These receivables are usually collected within 30 to 60 days.

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

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

Allowance for ECL

The following table shows the roll forward of the allowance for expected credit losses as of September 30, 2021 and December 31, 2020:

	September 30, 2021 *(Unaudited)*	December 31, 2020 *(Audited)*
Balance at beginning of year	**₱118,264,139**	₱110,381,917
Provision	**-**	7,882,222
	₱118,264,139	₱118,264,139

8. Inventories

This account consists of:

	September 30, 2021 ***(Unaudited)***	December 31, 2020 *(Audited)*
At cost:		
Operating supplies	**₱ 13,318,921**	₱ 15,784,488
Food, beverage, and tobacco	**2,173,685**	4,421,866
	₱ 15,492,607	₱ 20,206,354

Operating supplies include cards, seals and dice.

No allowance for inventory obsolescence was recognized in 2021 and 2020.

9. Input VAT

	September 30, 2021 ***(Unaudited)***	December 31, 2020 *(Audited)*
Input VAT- current	**₱ 11,815,332**	₱10,931,369
Noncurrent:		
Input VAT – noncurrent	**443,064,657**	427,061,029
Deferred input VAT	**13,513,744**	13,728,189
	456,578,401	440,789,218
	₱ 468,393,733	₱451,720,587

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

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

10. Other Current Assets

This account consists of:

	September 30, 2021 ***(Unaudited)***	December 31, 2020 *(Audited)*
Restricted cash (Note 15)	**₱67,722,956**	₱103,562,631
Deposits	**16,157,985**	4,191,787
Creditable withholding taxes	**7,655,291**	4,920,241
Prepayments	**2,136,062**	1,398,995
	₱93,672,294	₱114,073,654

Restricted cash are interest-bearing special accounts which are solely being used to maintain fund for loan quarterly payments in compliance with the requirements of the loan agreement (see Note 15). Total interest income earned from cash in banks amounted to ₱0.5 million and ₱0.1 million in 2021 and 2020, respectively.

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

Deposits pertain to deposit for electricity connection, advance payments for operating supplies and security services.

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

11. Property and Equipment

This account consists of:

September 30, 2021*(Unaudited)*

	Land	Building	Machinery	Non-gaming equipment	Kitchen and bar equipment, computer software and hardware	Total
Cost						
Balance at beginning of year	**₱600,800,000**	**₱ 3,498,790,353**	**₱221,699,406**	**₱466,156,794**	**₱ 639,966,552**	**₱ 5,427,413,105**
Additions	–	**3,182,556**	**8,708,781**	**419,140**	**414,229**	**12,724,706**
Balance at end of year	**600,800,000**	**3,501,972,909**	**230,408,187**	**466,575,934**	**640,380,781**	**5,440,137,811**
Accumulated depreciation						
Balance at beginning of year	–	**536,976,508**	**100,146,327**	**396,672,103**	**627,497,596**	**1,661,292,534**
Depreciation (Note 21)	–	**90,112,756**	**16,474,480**	**51,331,782**	**6,720,692**	**164,639,710**
Balance at end of year	–	**627,089,264**	**116,620,807**	**448,003,885**	**634,218,288**	**1,825,932,244**
Net book value	**₱600,800,000**	**₱ 2,874,883,645**	**₱ 113,787,380**	**₱ 18,572,049**	**₱ 6,162,493**	**₱ 3,614,205,567**

December 31, 2020 *(Audited)*

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

As of September 30, 2021 and December 31, 2020, land and building, including the amount reclassified to investment properties (see Note 12), with an aggregate carrying values of ₱4.2 billion and ₱4.3 billion were pledged as collateral for the loan facility, respectively (see Note 15).

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

In 2019, the Parent Company sold a kitchen and bar equipment which resulted to a gain of ₱13.4 million (nil in 2020). Proceeds from sale of kitchen and bar equipment is recorded as part of "Trade non-related parties" under "Receivables" in the consolidated statements of financial position as of September 30, 2021 and December 31, 2020 (see Note 7).

As of September 30, 2021 and December 31, 2020, the Group has outstanding retention payable to its service providers related to renovation and improvements to the building amounting to ₱4.1 million and ₱7.9 million, respectively.

Impairment

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

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

Based on the Group's impairment testing on property and equipment, no impairment loss was recognized in 2021 and 2020 (see Note 5).

12. **Investment Properties**

In 2019, the Parent Company entered into a lease agreement with a third party to lease and convert the parking and roof-deck area of Winford Hotel and Casino, with a total area of 15,718 sqm, into an office space for lease. Upon execution of the lease agreement, the Parent Company reclassified the portion of the property and equipment held for lease into "Investment properties" amounting to ₱ 781.8 million

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

	September 30, 2021 *(Unaudited)*	December 31, 2020 *(Audited)*
Cost	**₱781,802,218**	₱781,802,218
Accumulated depreciation	**59,565,883**	37,228,677
Net book value	**₱ 722,236,335**	₱ 744,573,541

Movement of accumulated depreciation:

	September 30, 2021 *(Unaudited)*	December 31, 2020 *(Audited)*
Beginning	**₱37,228,677**	₱7,445,736
Depreciation expense (Note 21)	**22,337,206**	29,782,941
Accumulated depreciation	**₱59,565,883**	₱ 37,228,677

No rental income was recognized in 2021 and 2020. Operating expenses related to the investment properties amounted to ₱8.0 million and ₱5.6 million in 2021 and 2020 respectively, which pertains mainly to real property taxes. There were no significant repairs and maintenance were made to maintain the Parent Company's investment properties in 2021 and 2020.

Impairment

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

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

Based on the Group's impairment testing on investment properties, no impairment loss was recognized in 2021 and 2020.

13. **Other Noncurrent Assets**

This account consists of:

	September 30, 2021 *(Unaudited)*	December 31, 2020 *(Audited)*
Receivable arising from PTO related to gaming equipment - net of current portion (Notes 16)	**₱ 264,808,785**	₱331,107,901
Long-term deposits	**6,267,386**	6,267,386
Advances to contractors and suppliers	**4,779,331**	4,779,331
Operating equipment	**1,228,840**	1,906,434
	₱277,084,342	₱344,061,052

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

Movement in operating equipment are as follows:

	September 30, 2021 *(Unaudited)*			
	Utensils	**Linens**	**Uniforms**	**Total**
Cost				
Balance at beginning of year	**₱ 23,562,076**	**₱ 72,633,142**	**₱ 5,449,609**	**₱ 101,644,827**
Additions / (Adjustments)	**–**	**(1,112)**	**3,146**	**2,034**
Balance at end of year	**23,562,076**	**72,632,030**	**5,452,755**	**101,646,861**
Accumulated amortization				
Balance at beginning of year	**23,562,076**	**71,143,836**	**5,032,481**	**99,738,393**
Amortization (Note 21)	–	**488,513**	**191,115**	**679,628**
Balance at end of year	**23,562,076**	**71,632,349**	**5,223,596**	**100,418,021**
Net book value	**₱–**	**₱ 999,681**	**₱ 229,159**	**₱1,228,840**

	December 31, 2020 *(Audited)*			
	Utensils	Linens	Uniforms	Total
Cost				
Balance at beginning of year	₱ 23,562,076	₱ 70,917,497	₱5,340,259	₱ 99,819,832
Additions	–	1,715,645	109,350	1,824,995
Balance at end of year	23,562,076	72,633,142	5,449,609	101,644,827
Accumulated depreciation				
Balance at beginning of year	23,562,076	70,816,300	4,556,182	98,934,558
Amortization	–	327,536	476,299	803,835
Balance at end of year	23,562,076	71,143,836	5,032,481	99,738,393
Net book value	₱–	₱ 1,489,306	₱ 417,128	₱ 1,906,434

14. Accounts Payable and Other Current Liabilities

This account consists of:

	September 30, 2021 *(Unaudited)*	December 31, 2020 *(Audited)*
Accounts payable	**₱ 380,574,751**	₱ 364,244,546
Accrued expenses	**218,407,162**	155,934,953
Gaming liabilities	**46,554,339**	39,147,990
Contract liabilities	**16,046,890**	16,558,725
Advances from related parties (Note 18)	**4,982,104**	4,982,104
Taxes payable	**13,266,887**	3,962,415
Others	**22,007,965**	22,693,718
	₱ 701,840,098	₱ 607,524,451

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

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

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

Contract liabilities pertain to hotel deposits, banquet customers, advance collection for purchase of bingo cards, services received from customers, and lessees are recorded as contract liabilities until services or goods are provided or sold to the customers. The revenue recognized from prior year performance obligations amounts to ₱0.6 million and ₱ 1.3 million for the period ended September 30, 2021 and 2020, respectively.

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

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

15. **Loans Payable**

This account consists of:

	September 30, 2021 *(Unaudited)*	December 31, 2020 *(Audited)*
Principal	**₱2,307,900,000**	₱2,307,900,000
Less unamortized debt discount	**(14,336,265)**	(15,117,333)
	2,293,563,735	2,292,782,667
Less current portion of long-term debt	**-0-**	(138,039,293)
	₱2,293,563,735	₱2,154,743,374

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

	September 30, 2021 *(Unaudited)*	December 31, 2020 *(Audited)*
Balance at beginning of year	**₱2,307,900,000**	₱2,355,000,000
Payment	–	(47,100,000)
Balance at end of year	**₱2,307,900,000**	₱2,307,900,000

The movements in unamortized debt discount follow:

	September 30, 2021 *(Unaudited)*	December 31, 2020 *(Audited)*
Unamortized debt discount at beginning of year	**₱15,117,333**	₱17,362,110
Additions*	–	1,966,404
Amortization	**(781,068)**	(4,211,181)
Unamortized debt discount at end of year	**₱14,336,265**	₱15,117,333

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

Future repayment of the principal as follows:

	September 30, 2021 ***(Unaudited)***	December 31, 2020 *(Audited)*
Within one year	**₱-0-**	₱141,300,000
After one year but not more than five years	**2,307,900,000**	2,166,600,000
	₱2,307,900,000	₱2,307,900,000

In 2015, the Parent Company signed a 7-year loan agreement with a local bank for a ₱3.5 billion loan with an interest rate of 7-year Philippine Dealing System Treasury Reference Rates 2 (PDST-R2) plus 125 basis points at drawdown date, plus gross receipts tax (the "Original Loan"). The proceeds from this loan was initially availed of to fund the acquisition of gaming system and equipment, hotel furniture and equipment and permanent working capital of the Parent Company. In November 2015, the Parent Company drew ₱2.5 billion receiving proceeds of ₱2.5 billion, net of related debt issue cost of ₱30.0 million. Subsequently, in April 2016, the Parent Company drew the remaining ₱1.0 billion from the loan facility, receiving proceeds of ₱995.0 million, net of documentary stamp tax amounting ₱5.0 million. Debt issue costs for both loans include documentary stamp tax amounting to ₱17.5 million and upfront fees amounting to ₱17.5 million. Both loans will mature on November 27, 2022.

On November 22, 2019, the Parent Company entered into 7-year loan agreement amounting to ₱2.4 billion with another local bank. This loan has an interest rate of 7-year Philippine Bloomberg Valuation Service (BVAL) Reference Rates plus 125 basis points at drawdown date, plus gross receipts tax (the "New Loan"). Interest on the outstanding principal amount shall be paid on each quarterly interest payment date. The proceeds from the loan was availed solely to refinance the outstanding balance of its ₱3.5 billion loan, funding the Parent Company's debt service accounts and financing related expenses for general corporate purposes.

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

In June 2020, the bank provided a favorable payment scheme of the loan obligations for principal and interest payments in light of the COVID-19 crisis. In August 2020, the bank further approved the relief previously agreed in June 2020. The Parent Company availed of the following reliefs and renegotiated the terms of its existing loan agreements with the bank:

- *Principal repayments and interest payment*
  Quarterly principal repayment due in June 2020 is deferred to May 2021. Quarterly interest payment shall be changed to monthly starting June 2020 to February 2021 and shall revert to quarterly payments starting May 2021 coinciding with the principal repayment from May 2021 to November 2026.

- *Term loan covenants*
  Debt Service Payment Account (DSPA) shall have no build-up on principal plus interest due until April 2021. The monthly buildup will resume starting May 2021 onwards equivalent to one-third of next principal plus interest due.

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

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

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

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

Under the loan agreement, the Parent Company is required to maintain a debt service accounts to fund the quarterly principal and interest payments of the loan in accordance with the loan agreement. The cash amounting to ₱67.7 million and ₱103.6 million in 2021 and 2020 respectively, are presented under "Prepayments and other current assets" as "Restricted cash" (see Note 10).

The related interest recognized from the loans amounted to ₱105.7 million and ₱114.5 million for the period ended September 30, 2021 and 2020, respectively. Total interest paid amounted to ₱107 million and ₱115.4 million for the period ended September 30, 2021 and 2020, respectively.

The loan is secured by the Parent Company's land and building, classified as property and equipment and investment properties in the parent company statements of financial position, with an aggregate carrying value of ₱4.2 billion and ₱4.3 billion as of September 30, 2021 and December 31, 2020, respectively (see Notes 11 and 12).

In July 23, 2021, the bank further provided a favorable payment scheme to the Parent Company due to the continuing COVID-19 situation affecting the Parent Company and additional credit lines. Details are as follows:

- *Principal repayments*
  Quarterly principal repayment due in July 2021 was deferred to January 2023. Accordingly, current portion of the loans payable amounting to ₱244.0 million as of March 31, 2021, will now be due in January 2023.

- *Term loan covenants*
  DSPA shall have no build-up up to October 2022. The monthly buildup will resume starting November 2022 onwards equivalent to one-third of next debt service.

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

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

<u>Credit line facility</u>
On July 30, 2021, a local bank provided the Parent Company with a credit line facility amounting to ₱400.0 million and still unused as of report date.

16. **Significant Commitments**

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

Under this arrangement, the Parent Company shall acquire, install, maintain and upgrade to keep abreast with the worldwide industry of casino gaming the following to be used for the operation of PAGCOR San Lazaro as approved and deemed necessary by PAGCOR:

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

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

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

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

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

The Parent Company's share from gross gaming revenue of PAGCOR San Lazaro for nine months ended September 30, 2021 amounted to ₱126.7 million and ₱155.2 million in September 30, 2021. Portion of the share from gross gaming revenue of PAGCOR San Lazaro related to gaming equipment was applied as payment for receivable arising from PTO in 2021 amounting to ₱60.0 million. Accordingly, revenue share in gaming operations for the nine months ended September 30, 2021 and 2020, presented in the consolidated statements of comprehensive income, amounted to ₱66.7 million and ₱138.1 million, respectively.

The details of the revenue share in gaming operations for the nine months ended September 30, 2021 and 2020 are as follows:

	September 30, 2021 ***(Unaudited)***	September 30, 2020 *(Unaudited)*
Revenue share from gaming operations related to:		
Gaming facility	**₱ 36,324,133**	₱126,040,519
Gaming equipment	**30,397,800**	12,011,540
	₱ 66,721,933	₱138,052,059

The details of the revenue share in gaming operations for the three months ended September 30, 2021 and 2020 are as follows:

	September 30, 2021 *(Unaudited)*	September 30, 2020 *(Unaudited)*
Revenue share from gaming operations related to:		
Gaming facility	**₱ 10,843,354**	₱ 19,048,979
Gaming equipment	**9,610,256**	-0-
	₱ 20,453,610	₱19,048,979

The future minimum collection related to the gaming equipment follows:

	September 30, 2021
Within one year	**₱ 120,480,577**
After one year but not more than five years	**299,322,101**
More than five years	**15,223,541**
	435,026,219
Less: unamortized portion of discount	**(82,604,347)**
	352,421,872
Less: current portion (Note 7)	**(87,613,087)**
Noncurrent portion (Note 13)	**₱ 264,808,785**

17. Deposit for Future Stock Subscription

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

As of report date, the Parent Company is in the process of applying with SEC (Note 19).

18. Related Party Transactions

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

<u>Transactions with Related Parties</u>
In the ordinary course of business, the Group has significant transactions with related parties as follows:

Party	Amount/Volume			Receivable (Payable)		Financial Statements		
	2021	2020	2019	**2021**	**2020**	**Account**	**Terms**	**Conditions**
Stockholder								
Manila Jockey Club, Inc. (MJCI)								
Deposit for future stock subscription (Note 17)	₱-	₱-	- ₱	₱ (321,233,646)	₱ (321,233,646)	Deposit for future stock subscription	Non-interest bearing	Unsecured, unguaranteed
Advances (a) (Note 14)	-	(11,285)	-	(4,982,104)	(4,982,104)	Advances from related parties	Non-interest bearing; due and demandable	Unsecured, unguaranteed
Commission from the off-track betting (b) (Note 7)	-	(41,389)	-	418,347	-	Receivable	Non-interest bearing; due and demandable	Unsecured, unguaranteed
Various Shareholders								
Deposit for future stock subscription (Note 17)	-	-	-	(2,105,268,102)	(2,105,268,102)	Deposit for future stock subscription	Non-interest bearing	Unsecured, unguaranteed
Advances from stockholders (c)	(112,315,593)	102,704,215	-	(558,600,820)	(446,285,227)	Advances from stockholders	Interest-bearing and Non-interest bearing	Unsecured, unguaranteed
Interest payable on advances from stockholders (c)	(13,030,397)	13,534,528		(28,188,536)	(15,158,139)	Interest payable	Non-interest bearing	Unsecured, unguaranteed
Affiliate								
Manila Cockers Club, Inc. (MCI)								
Commission from the off-track betting (d), (e)	-	-	2,899,564	-	-	Receivable	Non-interest bearing; due and demandable	Unsecured, unguaranteed
				(2,426,501,748)	(2,426,501,748)	Deposit for future stock subscription		
				(4,982,104)	(4,982,104)	Advances from related parties		
				418,347	-	Receivable		
				(558,600,820)	(446,285,227)	Advances from stockholders		
				(28,188,536)	(15,158,139)	Interest payable		

(a) The Parent Company obtains advances for expenses such as office rental, utilities and other allowances of the Parent Company's employees.
(b) Share of the Parent Company on horse racing gross bets from off track betting station of MJCI located at Winford Hotel and Casino.
(c) The Parent Company obtains interest bearing advances from stockholders for additional funding on its capital expenditures.
(d) Share of the Parent Company on cockfighting gross bets from off track betting station of MCI located at Winford Hotel and Casino.
(e) MCI is an affiliate through a common stockholder, MJCI.

Key Management Personnel

Total key management personnel compensation of the Group amounted to ₱12.6 million, ₱21.5 million, for the nine months ended September 30, 2021 and 2020, respectively. The compensations are short-term employee benefits.

The Group has no standard arrangement with regard to the remuneration of its directors. In 2021 and 2020, the BOD received directors' fees aggregating ₱0.3 million and ₱0.5 million, respectively (Note 21).

19. **Equity**

Capital Stock

The Parent Company has a total of 5,000,000,000 authorized shares, 3,174,405,821 issued and subscribed shares at ₱1.00 par value. The total issued, outstanding, and subscribed capital are held by 433 for the years 2019 and 2018, and 446 equity holders for the year 2017.

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

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

20. **Basic/Diluted Loss Per Share**

	September 30, 2021 *(Unaudited)*	September 30, 2020 *(Unaudited)*
Net loss for the year	**₱ 470,512,362**	₱ 432,446,133
Divided by weighted average number of outstanding common shares	**3,174,405,821**	3,174,405,821
Basic/diluted losses per share	**₱0.148**	₱0.136

The Group has no potential dilutive common shares as of September 30, 2021 and September 30, 2020. Therefore, the basic and diluted loss per share are the same as of those dates.

21. **Operating Costs and Expenses**

This account consists of:

	For the Three months ended September 30		For the Nine months ended September 30	
	2021	2020	**2021**	2020
	(Unaudited)	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*
Depreciation and amortization (Notes 11 and 12)	**₱ 61,362,486**	₱ 70,163,903	**₱ 187,656,547**	₱ 212,729,609
Utilities	**16,112,199**	11,243,299	**44,689,327**	43,127,477
Salaries and wages	**13,066,109**	11,513,035	**41,249,741**	47,552,463
Repairs and maintenance	**9,708,731**	8,066,193	**30,069,856**	29,920,417
Service fee	**9,380,357**	9,380,357	**28,141,071**	28,141,071
Contracted services	**5,932,104**	2,139,886	**24,438,856**	22,483,465
Advertising and marketing	**5,039,201**	5,110,869	**12,421,778**	10,697,721
Security services	**4,491,564**	425,086	**18,175,399**	14,828,758
Taxes and licenses	**4,348,385**	10,380,126	**34,293,354**	20,401,017
Food, beverage, and tobacco	**3,054,037**	1,426,370	**8,878,378**	10,304,721
Hotel room and supplies	**2,468,322**	1,626,885	**6,606,611**	8,833,173
Transportation and travel	**2,307,296**	579,953	**7,770,699**	4,171,689
Communication	**1,881,031**	1,805,495	**5,592,777**	5,535,748
Insurance	**1,847,885**	3,001,305	**6,174,398**	6,208,892
Professional fees	**1,491,867**	1,504,353	**4,857,088**	6,272,903
Supplies	**383,756**	317,356	**1,196,073**	1,043,049
Meetings and conferences	**330,000**	330,000	**992,813**	990,000
Directors' fees	**218,000**	218,000	**340,000**	462,000
Retirement	**209,889**	209,889	**629,667**	629,667
Rent	**144,580**	(117,052)	**1,010,968**	1,294,985
Banquet expenses	**-**	257,763	**-**	4,221,764
Gaming fees	**-**	93,808	**1,268**	6,654,510
Entertainment	**-**	11,340	**-**	2,693,856
Others	**2,871,828**	1,604,674	**6,109,491**	8,352,556
	₱146,649,626	₱141,292,893	**₱ 471,296,165**	₱ 515,182,392

22. **Operating Segment Information**

The Group has two operating segments in 2021, 2020, and 2019. Gaming segment pertains to casino operations while non-gaming pertains to hotel operations. Management monitors the operating results of its operating segments for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net income or loss and is measured consistently with the total comprehensive loss on the 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.

<u>Segment Revenue and Expenses</u>
The segment results for the three and nine months ended September 30, 2021 and 2020 are as follows:

For the Three months ended September 30

	2021			2020		
	Gaming	**Non-gaming**	**Total**	Gaming	Non-gaming	Total
Revenue	₱ 20,453,610	₱ 25,231,729	₱ 45,685,339	₱19,048,979	₱7,663,683	₱26,712,662
Operating costs and expenses	(41,458,969)	(105,190,657)	(146,649,626)	(50,304,580)	(90,988,314)	(141,292,894)
Other income (expenses) – net	(25,150,777)	(14,760,375)	(39,911,151)	(28,100,917)	(9,953,135)	(38,054,052)
Provision from income tax	(1,167)	-0-	(1,167)	((217)	(4,420)	(4,637)
Net income (loss)	₱ (46,157,303)	₱ (94,719,302)	₱ (140,876,605)	₱(59,356,735)	(₱93,282,186)	(₱152,638,920)

For the Nine months ended September 30

	2021			2020		
	Gaming	**Non-gaming**	**Total**	Gaming	Non-gaming	Total
Revenue	₱ 66,721,934	₱ 57,440,207	₱ 124,162,141	₱146,997,111	₱50,435,802	₱197,432,913
Operating costs and expenses	(134,798,295)	(336,497,870)	(471,296,165)	(183,201,005)	(331,981,387)	(515,182,392)
Other income (expenses) – net	(77,637,269)	(45,734,639)	(123,371,908)	(84,852,629)	(29,819,838)	(114,672,467)
Provision from income tax	(6,430)	-0-	(6,430)	((1,172)	(23,015)	(24,187)
Net income (loss)	₱ (145,720,060)	₱ (324,792,302)	₱ (470,512,362)	₱(121,057,695)	₱ (311,388,438)	₱(432,446,133)

Segment Assets and Liabilities and Other Information

The segment assets, liabilities, capital expenditures and other information as of September 30, 2021 and December 31, 2020 are as follows:

	2021		
	Gaming	**Non-gaming**	**Total**
Assets	**₱ 1,506,782,554**	**₱ 3,913,655,397**	**₱ 5,420,437,951**
Liabilities	**3,661,677,307**	**2,411,470,143**	**6,073,147,450**
Capital expenditures	**3,066,180**	**9,658,526**	**12,724,706**
Interest income	**300,983**	**176,768**	**477,751**
Depreciation and amortization	**48,406,945**	**139,249,600**	**187,656,545**

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

23. **Fair Value Measurement**

The carrying values of cash in banks, receivables, deposits, accounts payable and other current liabilities (excluding "withholding taxes payable") approximate their fair values due to the short-term nature of these accounts.

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

	September 30, 2021 (Unaudited)		December 31, 2020 (Audited)	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets				
Receivable arising from PTO related to gaming equipment	**₱352,421,872**	**₱ 466,765,447**	₱412,091,165	₱498,257,576
Long-term deposits	**6,267,386**	**6,267,386**	6,267,386	6,267,386
	₱358,689,258	**₱ 473,032,833**	₱418,358,551	₱504,525,262
Financial Liabilities				
Advances from Stockholders	**552,127,945**	**₱ 552,127,945**	₱446,285,227	₱446,285,227
Loans payable	**2,293,563,735**	**2,293,563,735**	2,292,782,667	2,292,782,667
	₱2,845,691,680	**₱2,845,691,680**	₱2,739,067,894	₱2,739,067,894

As of September 30, 2021 and December 31, 2020, the Group's consolidated financial assets and liabilities are measured at fair value under the Level 2 hierarchy. There were no financial instruments carried at fair value as of September 30, 2021 and December 31, 2020.

24. **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 ₱1.8 billion and ₱2.2 billion as its capital as of September 30, 2021 and December 31, 2020, respectively.

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

The Group monitors working capital and capital on the basis of current ratio and debt-to-equity ratio. On August 2020, due to COVID-19 crisis, the bank has granted the Parent Company waiver for quarterly calculation of debt-to-equity ratio until September 2021. In July 2021, this was further deferred to 2023 (see Note 15).

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

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

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Total current assets	**₱ 350,333,306**	₱370,344,596
Total current liabilities	**762,447,728**	793,731,299
Current ratio	**0.46**	0.47
Total liabilities, excluding deposit for future stock subscription	**₱ 3,646,645,703**	₱3,422,276,082
Total equity, including deposit for future stock subscription	**1,773,792,248**	2,243,612,896
Debt-to-equity ratio	**2.06**	1.53

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

MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

The following discussion and analysis relate to the consolidated financial position and results of operations of MJC Investments Corporation [Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino] and Subsidiary and should be read in conjunction with the accompanying unaudited interim condensed consolidated financial statements and related notes as of and for the periods ended September 30, 2021 and 2020.

Discussion on Results of Operations

The following table shows a summary of results of the operations for the nine months ended September 30, 2021 and 2020:

	For the Nine months Ended			
	September 30, 2021	September 30, 2020	**Amount Change**	**% Change**
	Amount in Millions of Philippine peso expect EPS			
Revenue				
Revenue share in gaming operation	₱66.7	₱138.1	(71.4)	(51.7%)
Hotel	37.1	21.2	15.9	75.0%
Food and Beverage	12.2	15.8	(3.6)	(22.8%)
Bingo Operations	0.0	8.9	(8.9)	(100.0%)
Rental	4.2	9.8	(5.6)	(57.1%)
Other revenue	4.0	3.6	0.4	11.1%
	124.2	197.4	(73.2)	(37.1%)
Operating cost and expenses	(471.3)	(515.1)	43.8	(8.5%)
Operating loss	(347.1)	(317.7)	(29.4)	9.3%
Other income (expenses)				
Interest expense	(124.1)	(115.5)	(8.6)	7.4%
Interest income	0.5	0.1	0.4	400.0%
Miscellaneous income (expenses)	0.2	0.7	(0.5)	(71.4%)
	(123.4)	(114.7)	(8.7)	7.6%
Loss before income Tax	(470.5)	(432.4)	(38.1)	8.8%
Provision for income tax	(0.0)	(0.0)		
Net loss	(470.5)	(432.4)	(38.1)	8.8%
Other comprehensive income				
Actuarial Gains on retirement liability	0.7	0.7	-	0.0%
Total comprehensive loss	(469.8)	(431.7)	(38.1)	8.8%
Basic/diluted loss per share	(0.15)	(0.14)	(0.01)	7.1%

Comparison of Operating Results for the Nine Months Ended September 30, 2021 and 2020

Revenue and Operating Costs and Expenses

Revenue includes 40% share in gaming operations, revenue from operations of hotel, food and beverages, bingo operations, rental and other revenue. Total revenue for the nine months ended September 30, 2021 and 2020 amounted to ₱124.2 million and ₱197.4 million, respectively.

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

- Revenue share in gaming operations decreased by ₱71.4 million or 51.7% from ₱138.1 million in 2020 to ₱66.7 million in 2021. The decrease is the result of lower operating gaming tables and electronic gaming machines (slot machines) to comply with social distancing policy. Last January 1 to March 14, 2020 the gaming area is operating at full capacity.

  In addition, average monthly foot traffic in the property decreased from 55 thousand in 2020 to 18 thousand in 2021.

- Revenue from food and beverage decreased by ₱3.6 million or 22.8% from ₱15.8 million in 2020 to ₱12.2 million in 2021. The decrease is attributable reduced operations of the Group due to imposed community quarantine that resulted to cancelled events held in the hotel and reduced gaming headcount in casino leading to decline in sales of beverages availed by casino players.

- Revenue from hotel rooms increased by ₱15.9 million or 75.0% from ₱21.2 million in 2020 to ₱37.1 million in 2021. The increase is attributable to bookings from the returning overseas Filipinos and off-signers crew of shipping companies as a quarantine facility. The room occupancy rate increased from 53% in 2020 to 63% in 2021. Of the 128 rooms available on average each day, average occupied paying rooms per day is 119 rooms in 2021, which is higher than the 68 rooms in 2020. The increase hotel rooms revenue is due to higher average room rate for 2021.

- Revenue from bingo operations decreased from ₱ 8.9 million in 2020 to nil in 2021. The bingo operations have only operated until March 13, 2020 and did not resume to operate up to date.

- Revenue from rental decreased by ₱ 5.6 million or 57.1% from ₱ 9.8 million in 2020 to ₱4.2 million in 2021. The decrease is due to waiver of rent to its concessionaires in the midst of the pandemic. In addition, four rental contracts have been terminated.

- Other revenue increased by ₱ 0.4 million or 11.1% from ₱ 3.6 million in 2020 to ₱4.0 million in 2021. This is mainly attributable to increase in consumption of utilities by the Group's concessionaires.

Total operating costs and expenses for the nine months ended September 30, 2021 and 2020 amounted to ₱471.3 million and ₱515.1 million, respectively. The significant decrease in the total operating costs and expenses is due to lower depreciation, salaries and wages, gaming fees, contracted services, cost of hotel room and supplies, advertising and marketing, professional fees, banquet, entertainment, cost of food, beverage and tobacco and other operational expenses which is partially offset by the increase in taxes and licenses.

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

- Depreciation and amortization decreased by ₱25 million or 11.8% from ₱212.7 million in 2020 to ₱187.7 million in 2021. This is due to several equipment becoming fully depreciated during the year and fully amortization of prepayments.

- Salaries and wages expense decreased by ₱6.3 million or 13.2% from ₱47.6 million in 2020 to ₱41.3 million in 2021. This is attributable to reduced worked days due to limited allowable capacity to operate for the period.

- Advertising and marketing decreased by ₱3.4 million or 21.5% from ₱15.8 million in 2020 to ₱12.4 million in 2021. Marketing efforts to advertise the hotel were reduced since the Department of Tourism (DOT) prohibited the leisure operations of hotel. Advertisements for gaming operations of the casino have also not been allowed by PAGCOR.

- Hotel room and supplies decreased by ₱1.7 million or 20.5% from ₱8.3 million in 2020 to ₱6.6 million in 2021. The hotel ceased to accept leisure bookings as imposed by the DOT, due to that, the hotel currently serves as a quarantine facility for returning OFWs under the provision of OWWA. These quarantine restrictions brought significant decrease in hotel guests, resulting in proportionate declined of laundry and cleaning expenses.

- Food, beverage and tobacco decreased by ₱1.4 million or 13.6% from ₱10.3 million in 2020 to ₱8.9 million in 2021. This is attributable to the decrease in number of guests and players for its hotel and casino since concerts, banquets and other hotel events have been cancelled throughout the quarter. The consumption of tobacco also decreased due to smoking prohibition inside the venue of casino.

- Professional fees decreased by ₱ 1.4 million or 22.2% from ₱ 6.3 million in 2020 to ₱4.9 million in 2021. This is mainly due to the decrease in retainer's fees, consultancy fees and accounting fees rendered to the Group during the time of COVID 19 pandemic since operations were limited to allowable capacity.

- Gaming fees decreased by ₱6.7 million or 100% from ₱6.7 million in 2020 to ₱0.001 million in 2021. The decrease is mainly due to the temporary suspension of the bingo operations last March 13, 2020 up to date.

- Entertainment expenses decreased by ₱2.7 million or 100% from ₱2.7 million in 2020 to ₱nil in 2021. Performances for hotel guests and casino players were cancelled due to restrictions in large gatherings as imposed by the national government from April 2020 up to date.

- Banquet expenses decreased by ₱4.2 million or 100% from ₱4.2 million in 2020 to ₱nil in 2021. Banquet events have not resumed up to date due to government restrictions in gathering.

- Contracted services decreased by ₱0.2 million or 0.8% from ₱24.6 million in 2020 to ₱24.4 million in 2021. This is mainly due to the decreased in contracted manpower services in the hotel and casino with reduced worked days and with limited capacity of operations for the period.

- Security services expense increased by ₱3.4 million or 23% from ₱14.8 million in 2020 to ₱18.2 million in 2021. Hotel and casino operations resumed but with limited capacity which resulted to increase in required number of security services

- Taxes and licenses increased by ₱3.5 million or 11.4% from ₱30.8 million in 2020 to ₱34.3 million in 2021. The increase corresponds with the higher property taxes for the year.

- Utilities increased by ₱1.6 million or 3.7% from ₱43.1 million in 2020 to ₱44.7 million in 2021. The increase is attributable to higher occupancy rate from hotel and the increase in consumption of utilities by the Group's concessionaires.

- Other expenses increased by ₱0.7 million or 1% from ₱87.3 million in 2020 to ₱88 million in 2021. The increase is due to increase in operating and administrative related activities of the Group which resulted to incline in incurrence of miscellaneous expenses.

<u>Discussion on Results of Operations</u>

The following table shows a summary of results of the operations for the three months ended September 30, 2021 and 2020:

	For the Three months Ended			
	September 30, 2021	September 30, 2020	**Amount Change**	**% Change**
	Amount in Millions of Philippine peso expect EPS			
Revenue				
Revenue share in gaming operation	₱20.5	₱19.0	1.5	7.9%
Hotel	16.0	5.9	10.1	171.2%
Food and Beverage	5.0	0.3	4.7	1566.7%
Bingo Operations	0.0	0.0	-	0.0%
Rental	0.9	1.0	(0.1)	(10.0%)
Other revenue	3.3	0.5	2.8	560.0%
	45.7	26.7	19.0	71.2%
Operating cost and expenses	(146.6)	(141.3)	(5.3)	3.8%
Operating loss	(100.9)	(114.6)	13.7	-12.0%
Other income (expenses)				
Interest expense	(40.1)	(38.2)	(1.9)	5.0%
Interest income	0.2	0.02	0.2	900.0%
Miscellaneous income (expenses)	0.02	0.2	(0.2)	-90.0%
	(39.9)	(38.0)	(1.9)	5.0%
Loss before income Tax	(140.8)	(152.6)	11.8	-7.7%
Provision for income tax	(0.0)	(0.0)		
Net loss	(140.8)	(152.6)	11.8	-7.7%
Other comprehensive income				
Actuarial Gains on retirement liability	0.2	0.2	-	0.0%
Total comprehensive loss	(140.6)	(152.4)	11.8	-7.7%
Basic/diluted loss per share	(0.04)	(0.05)	0.0	-20.0%

Comparison of Operating Results for the Three Months Ended September 30, 2021 and 2020

<u>Revenue and Operating Costs and Expenses</u>

Revenue includes 40% share in gaming operations, revenue from operations of hotel, food and beverages, bingo operations, rental and other revenue. Total revenue for the three months ended September 30, 2021 and 2020 amounted to ₱45.7 million and ₱26.7 million, respectively.

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

- Revenue share in gaming operations increased by ₱1.5 million or 7.9% from ₱19 million in 2020 to ₱20.5 million in 2021. The increase is the result of higher operational days for third quarter of 2021 comparing to same period last year. Number of operational days for third quarter of 2021 is 77 days comparing to 44 days same period last year.

In addition, average monthly foot traffic in the property increased from 6 thousand in 2020 to 14 thousand in 2021.

- Revenue from food and beverage increased by ₱4.7 million from ₱0.3 million in 2020 to ₱5 million in 2021. The increase is attributable to the increase in foot traffic due to the higher hotel guests and casino players for the period comparing to same period last year.

- Revenue from hotel rooms increased by ₱ 10.1 million from ₱ 5.9 million in 2020 to ₱16 million in 2021. The increase is attributable to re-opening of hotel operations to bookings from the returning overseas Filipinos and off-signers crew of shipping companies as a quarantine facility. Accordingly, the room occupancy rate increased from 30% in 2020 to 75% in 2021. Of the 128 rooms available on average each day, average occupied paying rooms per day is 119 rooms in 2021, which is lower than the 118 rooms in 2020.

- Revenue from bingo operations have only operated until March 13, 2020 and did not resume to operate up to date.

- Revenue from rental deccreased by ₱ 0.1 million or 10% from ₱ 1.0 million in 2020 to ₱ 0.9 million in 2021. The decrease is due to the extension of waiver of rent of the other concessionaires.

- Other revenue increased by ₱ 2.8 million from ₱ 0.5 million in 2020 to ₱3.3 million in 2021. This is mainly attributable to increase in consumption of utilities by the Group's concessionaires.

Total operating costs and expenses for the three months ended September 30, 2021 and 2020 amounted to ₱146.7 million and ₱141.3 million, respectively. The significant increase in the total operating costs and expenses is due to higher depreciation, salaries and wages, gaming fees, contracted services, cost of hotel room and supplies, advertising and marketing, professional fees, banquet, entertainment, cost of food, beverage and tobacco and other operational expenses which is partially offset by the increase in taxes and licenses.

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

- Security services expense significantly increased by ₱4.1 million from ₱0.4 million in 2020 to ₱4.5 million in 2021. Hotel and casino operations resumed but with limited capacity which resulted to increase in required number of security services.

- Contracted services significantly increased by ₱3.8 million or 181% from ₱2.1 million in 2020 to ₱5.9 million in 2021. This is mainly due to additional contracted manpower services in the hotel and casino as it resumes its operation on May 01, 2021 after the temporarily suspension of casino gaming operations due to community lockdown on March 29, 2021 until April 30, 2021.

- Food, beverage and tobacco increased by ₱1.7 million or 121.4% from ₱1.4 million in 2020 to ₱3.1 million in 2021. This is attributable to the increase in number of guests and players as the hotel and gaming operations have resumed but with limited capacity.

- Hotel room and supplies increased by ₱1.1 million or 78.6% from ₱1.4 million in 2020 to ₱2.5 million in 2021. The increase is attributable to higher room occupancy rate from returning overseas Filipinos and off-signers crew of shipping companies where the hotel currently serves as a quarantine facility under the provision of OWWA.

- Utilities increased by ₱4.9 million or 43.8% from ₱11.2 million in 2020 to ₱16.1 million in 2021. The increase is attributable to higher gaming capacity and hotel occupancy rate.

- Repairs and maintenance expense increased by ₱1.6 million or 19.8% from ₱8.1 million in 2020 to ₱9.7 million in 2021. The increase is primarily because of the higher demand for air-condition and ventilation maintenance due to increase number of hotel guest and casino players.

- Salaries and wages expense increased by ₱1.6 million or 13.9% from ₱11.5 million in 2020 to ₱13.1 million in 2021. This is attributable to additional worked days due to higher allowable capacity to operate for the three months' period ended.

- Depreciation and amortization decreased by ₱8.8 million or 12.5% from ₱70.2 million in 2020 to ₱61.4 million in 2021. This is due to several equipment becoming fully depreciated during the year and fully amortization of prepayments.

- Taxes and licenses decreased by ₱6.1 million or 58.7% from ₱10.4 million in 2020 to ₱4.3 million in 2021. The decrease corresponds with the lower accrued property taxes for the quarter.

- Other expenses increased by ₱1.5 million or 6.09% from ₱24.6 million in 2020 to ₱26.1 million in 2021. The increase is due to the higher operating and administrative related activities of the Group which resulted to incline in incurrence of miscellaneous expenses.

Analysis of Statements of Financial Position

	For the Period Ended September 30, 2021 (Unaudited)	For the Period Ended December 31, 2020 (Audited)	Amount Change	% Change
	Amount in Millions of Philippine peso			
Assets				
Cash and cash equivalents	₱24.8	₱ 21.0	3.8	18.1%
Receivables	204.5	204.1	0.4	0.2%
Inventories	15.5	20.2	(4.7)	(23.3%)
Current portion of input value added tax	11.8	10.9	0.9	8.3%
Prepayments and other current assets	93.7	114.1	(20.4)	(17.9%)
Property and equipment	3,614.2	3,766.1	(151.9)	(4.0%)
Investment Property	722.2	744.6	(22.4)	(3.0%)
Input VAT- net of current portion	456.6	440.8	15.8	3.6%
Other noncurrent asset	277.1	344.1	(67.0)	(19.5%)
Total Assets	₱5,420.4	₱5,665.9	(245.5)	(4.3%)
Liabilities				
Accounts payable and other current liabilities	₱701.8	₱607.6	94.2	15.5%
Retention payable	4.1	7.9	(3.8)	(48.1%)
Interest payable	56.5	40.2	16.3	40.5%
Advances from Stockholders	552.1	436.3	115.8	26.5%
Loans payable	2,293.6	2,292.8	0.8	0.0%
Deposit for future subscription	2,426.5	2,426.5	-	0.0%
Other noncurrent liabilities	38.5	37.5	1.0	2.7%
Total Liabilities	6,073.1	5,848.8	224..3	3.8%
Capital stock	3,174.4	3,174.4	-	0.0%
Deficit	(3,835.8)	(3,365.3)	(470.5)	14.0%
Actual gains on retirement liability	8.7	8	0.7	8.7%
Total Equity	(652.7)	(182.9)	(469.80)	256.9%
Total Liabilities and Equity	₱5,420.4	₱5,665.9	(245.5)	(4.3%)

<u>Discussion on some Significant Change in Financial Condition as of September 30, 2021 and December 31, 2020</u>

Total assets amounting to ₱5,420.4 million as of September 30, 2021 decreased by ₱245.5 million or 4.3% from 5,665.9 million in December 31,2020.

1. For the period ended September 30, 2021, cash and cash equivalence increased by ₱3.8 million or 18.1%, from ₱21.0 million in 2020 to ₱24.8 million in 2021 due to the following:

   a) The negative cash flows used in operating activities amounting to ₱95 million resulted from the difference in operating loss generated amounting to ₱158.5 million and changes in the working capital amounting to ₱63.7 million. The significant decrease in operating income is due to the limited accommodation on food and beverage, and hotel operations, waiver of rental receivables, reduced table games and slot machine operation and suspension of banquet events.

   b) Net cash flows from investing activities amounting to ₱53.6 million is due to the acquisition of building improvements, machineries and non-gaming equipment amounting to ₱ 12.7 million during the year and the decrease in other noncurrent asset amounting to ₱66.3 million.

   c) Net cash flows used in financing activities amounted to ₱44.6 million for the current year. The Group made payment amounting to ₱107 million for interest and other financing charges. On the other hand, the Group received proceeds from advances to stockholders amounting to ₱115.8 million and decrease of restricted cash amounting to ₱35.8 million to pay for its maturing interest on loan.

2. The receivable increased by ₱0.4 million or 0.2% from ₱204.1 million in 2020 to ₱204.5 million in 2021. The increase is due to receivable arising from the finance lease additional gaming equipment and the quarantine in house guests from corporate accounts.

3. The decrease in inventories of ₱4.7 million or 23.3% from ₱20.2 million in 2020 to ₱15.5 million in 2021 is mainly due to reduced hotel and casino operations. The demand for food and beverages declined in relation to its limited capacity to operate when it resumed it operations in June 2020 up to date. The decline in purchases have increased for the period due to lighter restrictions. Also, the Group did not acquired new playing cards and consumed ₱2 million from its available sets.

4. The increase in input VAT amounting to ₱16.7 million is the result of the current period services rendered to the Company.

5. Prepayments and other current assets decreased by ₱20.4 million or 17.9% from ₱114.1 million in 2020 to ₱93.7 million in 2021. The significant decrease is mainly due to payments of loan interest from its debt service reserve account amounting to ₱35.8 million.

6. The decrease in other noncurrent assets of ₱67 million or 19.5% from ₱344.1 million in 2020 to ₱277.1 million in 2021 is mainly due to reclassification of lease receivable to current asset due to amortization.

7. The accounts payable and other current liabilities increased by ₱94.2 million or 15.5% from ₱607.6 million in 2020 to ₱701.8 million in 2021. The Group’s accruals have significantly increased due to accrual of real property taxes, software maintenance, service fees and other unpaid billings from various contractor and suppliers.

8. Interest payable increased by ₱16.3 million or 40.5% from ₱40.2 million in 2020 to ₱56.5 million in 2021. The increase is due to the unpaid monthly interest on its outstanding loans payable in 2020.

9. The increase in noncurrent portion of loans payable by ₱0.8 million from ₱2,292.8 million in 2020 to ₱2,293.6 million in 2021 is attributable to the Group's non payment of loan principal. In light of COVID 19 outbreak, the Group was granted the deferrment of the quarterly principal payments until January 2023.

10. Advances from stockholders increased by ₱115.8 million or 26.5% from ₱436.3 million in 2020 to ₱552.1 million in 2021 due to new loan agreements entered by the Parent Company with its stockholders. The proceeds of these loans were used to pay the maturing loan obligation and to support its working capital requirements.

Key Performance Indicators

The following are the comparative key performance indicators of the Corporation and the manner of its computation for the three months and nine months ended September 30, 2021 and 2020:

Indicators	**Manner of Computation**	**For the three months ended September 30**		**For the none months ended September 30**	
		2021	2020	**2021**	2020
Current ratio	Current Assets / Current Liabilities	**0.46:1**	0.58:1	**0.46:1**	0.58:1
Debt-to-Equity Ratio	Total Liabilities / Total Equities	**2.06:1**	1.42:1	**2.06:1**	1.42:1
Asset Liability Ratio	Total Assets / Total Liabilities	**0.89:1**	0.99:1	**0.89:1**	0.99:1
Return on Assets	Net Income (Loss) / Total Assets	**(3%)**	(3%)	**(9%)**	(7%)
Basic Earnings (losses per share)	Net Income (Loss) / Outstanding Common Shares	**(₱0.04)**	(₱0.05)	**(₱0.15)**	(₱0.14)

Current ratio is regarded as a measure of the Group's liquidity or its ability to meet maturing obligations. For the nine months ended September 30, 2021, the current ratio is 0.46:1 compared to 0.58:1 of the prior year. The outstanding liabilities in 2021 mostly consist of balances of payables to contractors and suppliers for the services and/or goods provided for the Group's day-to-day operations; accruals pertaining to taxes, payroll, employee benefits, utilities, travel and transportation, meeting and conferences, security service fees, professional fees and others wherein billings/settlements thereof are expected to be provided/resolved in following quarter or the next financial year. The Group has ₱0.46 current assets to support every ₱1.00 of their current liabilities.

The debt to equity ratio measures the riskiness of the Group's capital structure in terms of relationship between funds supplied to creditors (debt) and investors (equity). For the nine months ended September 30, 2021, the debt to equity ratio has increased from 1.42 in 2020 to 2.06 in 2021.

The asset-liability ratio, exhibits the relationship of the total assets of the Group with its total liabilities. For the nine months ended September 30, 2021, the asset-liability ratio is 0.89:1 from 0.99:1 as of that of September 30, 2020. The ratio indicates that the Group has ₱0.89 of assets to satisfy every ₱1.00 of liability to creditors/suppliers through asset facilitation. Moreover, the effect of high assets to liabilities ratio indicates that the Group can still take additional financing through credit arrangements with banks and financial institutions.

Return on assets allowed the Group to see how much income (loss) generates per peso asset. For the nine months ended September 30, 2021 and 2020, the return on assets is negative 9% and 7% resprectively. For the three months ended September 30, 2021 and 2020, the return on assets is both negative 3%.

For the nine months ended September 30, 2021 and 2020, the Group's loss per share amounts to (₱0.15) and (₱0.14), respectively. For the three months ended September 30, 2021, the Group's loss per share amounts to (₱0.04), lower than the (₱0.05) of prior year.

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

Plans of Operation

Winford Manila Resort & Casino (WMRC) is an integrated resort in the heart of San Lazaro Tourism and Business Park in the Philippine capital's historic Chinese district. Built at a cost of ₱8.0 billion, WMRC is a world-class hospitality and entertainment brand filled with luxurious lifestyle attractions for locals and tourists alike. The property boasts 126 all-suite rooms, indoor and al fresco dining outlets, 900 covered parking slots, a fully-equipped fitness center, dental clinic, and business facilities spread across over 9,000 square meters of internationally-designed interior space.

WMRC has been aggressively boosting its Gaming operations, with an additional gaming floor area added in April 2018. The expansion included additional gaming tables and slot machines to accommodate the increasing influx of patrons. On December 31, 2020, WMRC reduced its operational gaming tables from 30 in 2019 to 20 due to quarantine restrictions during the COVID-19 pandemic. Its operational slot machines were also reduced from 560 in 2019 to 376.

To comply with social distancing protocols mandated by health authorities, the ground floor casino was renovated in order to expand the gaming area so that more slot machines and electronic table games may operate simultaneously. As of the report date, the ground floor casino is now operational at limited capacity.

Provided that the travel 'Alert Level' in Metro Manila assigned by the Department of Foreign Affairs (DFA) is not raised, WMRC plans to increase its operational table games to 25, and operational slot machines to 500 by December. Additionally, Bingo operations will resume in Q4. As of this writing, WMRC assumes that for the next few years, it will be allowed to operate at a capacity of at least 70 percent, 24 hours a day, seven days a week.

For Hotel operations, WMRC continues to serve as a Department of Tourism (DOT)-accredited quarantine facility with Safety Seal Certification authorized to accept bookings from the Overseas Workers Welfare Administration (OWWA), front-liners, and off-signers crew from shipping companies. While the Multi-Use Hotels (MUH) permit to accept leisure bookings is currently pending DOT approval, WMRC is authorized to accept essential and business bookings. Banquet events that require the use of WMRC facilities such as the ballroom and function rooms for events like conferences and weddings are also permitted, with strict adherence to safety protocols.

Marketing and Public Relations highlights include a quarterly car raffle, monthly appliance and cash raffle, slot machine tournaments, and Earn & Redeem promotions. Rental income will be supplemented by the continuation of online sports betting.

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