

**BERJAYA PHILIPPINES, INC.**

-----  
*(Company's Full Name)*

9/F Rufino Pacific Tower, 6784 Ayala Avenue corner V.A. Rufino  
(formerly Herrera) Street, Makati City

-----  
*(Company's Address)*

811-0668 / 810-1814

-----  
*(Telephone Number)*

APRIL 30

any day in the month of October

-----  
*(Fiscal Year Ending)*  
*(month and day)*

-----  
*(Annual Meeting)*

November 2024

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*(Term Expiring On)*

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SEC Form 17-Q for the quarter ended 31 January 2014

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*(Form Type)*

N.A.

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*(Amendment Designation, if applicable)*

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*(Period Ended Date)*

N.A.

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*(Secondary License Type and File Number)*

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Cashier

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LCU

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DTU

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Pre War 476  
S.E.C Registration Number

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Central Receiving Unit

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File Number

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Document I.D.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **31 January 2014**
2. SEC Identification Number **476**
3. BIR Tax Identification No. **001-289-374**
4. Exact name of registrant as specified in its charter **BERJAYA PHILIPPINES, INC.**
5. Province, Country or other jurisdiction of incorporation or organization **Manila, Philippines**
6. Industry Classification Code:  (SEC Use Only)
7. Address of Issuer's principal office  
**9/F Rufino Pacific Tower, 6784 Ayala Avenue, corner Herrera Street, Makati City, M.M.**
8. Issuer's telephone number, including area code  
**(632) 811-0540**
9. Former name, former address, and former fiscal year, if changed since last report  
Former Name: **PRIME GAMING PHILIPPINES INC.**  
Former Address: **29/F Rufino Pacific Tower, 6784 Ayala Avenue, corner Herrera Street, Makati City, M.M.**  
Former Fiscal Year **July 1 – June 30**

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

Title of Each Class	Number of Shares of Stock Outstanding
<b>COMMON</b>	<b>953,984,448</b>

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

Yes  No

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 12 months (or for such shorter period that the registrant was required to file such reports);

Yes  No

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

Yes  No

## **PART I – FINANCIAL INFORMATION**

### **Item 1. Financial Statements**

*See Interim Consolidated Statement of Financial Position as of 31 January 2014, attached hereto as Annex “A”, and Aging Schedule of Accounts Receivables as of 31 January 2014 attached hereto as Annex “B”. For the basic earnings per share, the “weighted average number of shares outstanding” is added to the face of the Interim Consolidated Statement of Comprehensive Income.*

### **Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

The Corporation’s principal activity is investment holding. Since 1998, it has one hundred percent (100%) equity ownership of Philippine Gaming Management Corporation (PGMC) whose principal activity is leasing of on-line lottery equipment and providing software support.

There is no change during the year in PGMC’s principal activity as a domestic corporation involved principally in the business of leasing on-line lottery equipment and providing software support. Revenue from the lease of on-line lottery equipment, and maintenance and repair services are recognized based on certain percentage of gross receipts from lottery ticket sales.

The subsidiary has arms length’s business transactions with a related company, International Lottery & Totalizator System, Inc. (ILTS), a US corporation. The transactions comprise of the purchase of lottery terminals, and spare parts for the repair and maintenance of the terminals and software support.

In July 2010, the Corporation invested in Berjaya Pizza Philippines Inc. (BPPI), a corporation engaged in the manufacture, sale and distribution of food and beverages, and to operate, own, franchise, license or deal in restaurant related business operations. The Corporation’s current equity or interest in BPPI is equivalent to thirty percent (30%).

In December 2010, the Corporation acquired a two hundred twelve (212) room hotel which operated previously as Best Western Astor Hotel. The acquisition was made by the Corporation’s subsidiary Perdana Hotel Philippines Inc. (PHPI). The Corporation subscribed to forty percent (40%) of the shares of stock of Perdana Land Philipines Inc. (PLPI) which owns the land leased by PHPI.

In August 2012, the Corporation invested in Berjaya Auto Philippines Inc., a corporation engaged in the sale and distribution of all types of motor vehicles. On 12 September 2012, Berjaya Auto Philippines Inc. entered into Distributorship Agreement with Mazda Motor Corporation of Japan for the distribution of vehicles bearing the Mazda brand within the territory of the Philippines. The Corporation has a thirty percent (30%) equity in Berjaya Auto Philippines Inc.

In September 2012, the Corporation invested in Cosway Philippines Inc. (CPI), primarily to engage in the wholesale of various products. CPI has not yet started its commercial operations. The Corporation’s equity or interest in CPI is equivalent to forty percent (40%).

In October 2013, the Corporation invested in HR Owen Plc., the luxury motor retailer which operates a number of vehicle franchises in the prestige and specialist car market for both sales and after sales, predominantly in the London area. As of October 2013, BPI holds 17.83 Million shares of stock or 71.20% of the HR Owen's Issued and outstanding capital.

The revenue of most of the subsidiaries increased by 270.50% for the period under review because of revenue from HR Owen Plc. However, there was a drop in PGMC's revenues from its leased terminals to PCSO resulting from lower jackpots for the GrandLotto 6/55 game as well as changes made to the prize structures by PCSO effective May 2013.

The Issuer posted a consolidated net income (net of minority share) of Php690,256,872 for the period under review, which indicates a decrease in PBT due to a decrease in revenues from lottery ticket sales and hotel operations. The costs incurred pursuant to the cash offer for the acquisition of HR Owen Plc was mitigated by the recognition of gain on fair value from acquiring control over HR Owen Plc.

## **Financial Position**

### ***Financial Position as of 31 January 2014 vs. 30 April 2013***

On a consolidated base, Total Assets as of January 31, 2014 increased to Php11,308,776,965 from Php4,990,117,812 reported for the previous fiscal year. The current assets increased to Php6,910,060,197 from Php2,751,845,161 mainly due to increase in trade and other receivables, advances to associates and prepayments and other current assets.

The consolidated cash position of the Corporation decreased from Php1,409,737,406 to Php1,072,685,455 due to acquisition of investment securities.

Meanwhile, trade and other receivables increased to Php2,016,264,455 from Php1,170,601,319. The collections of payments by the subsidiary are still prompt. The increased in prepaid expenses and other current assets from Php144,823,305 to Php3,780,127,328 is primarily caused by increased in inventories for vehicles stocks advance payment to suppliers and other prepayments.

Goodwill increased to Php1,734,188,947 from Php360,110,253 for January 2014 and April 2013 due to the acquisition of HR Owen shares. This is attributable to the Revised Philippines Financial Reporting Standards where goodwill is no longer amortized. Instead, goodwill is tested for impairment annually or more frequently if events or change in circumstances indicate that it might already be impaired.

Property and equipment increased to Php1,532,585,607 from Php1,071,810,826 due to existing assets of newly acquired subsidiary.

As of January 31, 2014, Trade Payables increased to Php2,276,937,309 from Php99,294,930 due to increase in trade payables and customer deposits.

Total Consolidated Liabilities increased to Php5,484,318,023 as of January 31, 2014 compared to Php191,625,039 as of last fiscal year. This is primarily due to trade and other payables on HR Owen group and vehicle stocking loans which are effectively short term borrowings and are largely secured against the related

vehicles. Also, the Corporation obtained Term Loan from a financial institution for standby facility for additional investment in H.R. Owen PLC.

Total stockholders' equity increased to Php5,824,458,942 from Php4,798,492,773 and the book value per share increased to Php6.69 compared with a book value of Php5.51 in the previous fiscal year.

### ***Cash Flows for the Quarter Ended January 31, 2014 vs. January 31, 2013***

The consolidated cash and cash equivalents for 31 January 2014 decreased to Php1,072,685,455 from Php1,876,726,119 for the same period last year. The decrease is mainly due to acquisition of investment securities and loan payment.

### **Key Performance Indicators**

The Corporation monitors its performance and benchmarks itself to prior years' results in terms of the following indicators:

	As of 31 Jan 2014	As of 30 April 2013
<u>Liquidity Ratios</u>		
Current ratio	1.28:1	17:31:1
<u>Leverage Ratios</u>		
Debt to Equity	0.54%	0.68%

	For the (3) Months Ended	
	Jan 31, 2014	Jan 31, 2013
<u>Activity Ratio</u>		
Annualized PPE Turnover	5.27 times	1.96 times
<u>Profitability Ratios</u>		
Annualized Return on Average Equity	15.94%	24.48%
Annualized Return on Average Assets	8.21%	23.31%

The Corporation used the following computations in obtaining the above indicators:

Key Performance Indicators	Formulas
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Debt to Equity Ratio	$\frac{\text{Total Long Term Liabilities}}{\text{Stockholders' Equity}}$
PPE Turnover	$\frac{\text{Net Revenues}}{\text{Property, Plant \& Equipment (Net)}}$
Return on Average Equity	$\frac{\text{Net Income}}{\text{Average Equity}}$
Return on Average Assets	$\frac{\text{Net Income}}{\text{Average Total Assets}}$

Arising from the above, the current ratio of the Corporation decreased to 1.28:1 from 17:31:1 compared to the last fiscal year. This is due to the increase in the current assets and liabilities mainly caused by newly acquired subsidiary. The Corporation and its subsidiary are still in good liquidity position.

The leverage ratio is still marginal at 0.28% as there is no long-term debt except for the provision of Php31,658,651 for retirement benefits as mandated under the Republic Act 7641 (Retirement Law).

The annualized PPE turnover increased to 5.27 times from 1.96 times due to net revenue offset by increase in plant, property and equipment (net). The plant, property and equipment (net) increased from Php1,532,585,607 to Php1,071,810,826 for the corresponding period mainly due to reported existing assets of new acquired subsidiary under review.

The annualized return on average equity and return on average total assets decreased this quarter due to decrease in net income compared to the previous period.

Barring any unforeseen circumstances, the Corporation's Board of Directors is confident that the operating financial performances of the Corporation and its subsidiary are expected to be satisfactory in the coming period.

- i) There is no known trend, event or uncertainty that has or is reasonably likely to have an impact on the Corporation' short term or long-term liquidity.
- ii) The liquidity of the subsidiary would continue to be generated from the collections of revenue from customers. There is no requirement for external funding for liquidity.
- iii) There is no known trend, event or uncertainty that has or that is reasonably expected to have a material impact on the net sales or revenues or income from continuing operations.
- v) There is no significant element of income or loss that would arise from the Group's continuing operations.
- vi) There is no cause for any material change from period to period in one or more of the line items of the Corporation's financial statements.
- vii) There were no seasonal aspects that had a material impact effect on the financial conditions or results of operations.

For other financial details as of 31 January 2014, please refer to the following:

**Trade and Other Receivables – Php 2,016,264,455 – Part IV (b)(3)(B-F)**

The breakdown is as follows:

	<u>Peso</u>
Trade Receivables	365,738,282
Loans Receivable	538,226,337
Payment to other related party	741,352,333
Payment for future subscription	42,283,456
Advances to employees	8,300,538
Others	320,363,509
	-----
Total	2,016,264,455
	=====

There is no advance made to any director, stockholder, officer or related interests (DOSRI) or any affiliate as of 31 January 2014.

**Separate Disclosures regarding the Financial Statements as required under SRC Rule 68.1**

1) There are no items affecting the assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size, or incidents.

2) There is no change in the estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years

3) There is no issuance, repurchase or repayment of debts and equity securities.

4) There is no need to disclose segmental information since all its operations are in the Philippines.

5) There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.

6) There are no business combinations, acquisition or disposals by subsidiaries and long-term investments, restructurings and discontinuing operations for the interim period.

7) There are no contingent liabilities or contingent assets since the last annual balance sheet date.

8) There are no material contingencies and any other events or transactions that are material to an understanding of the current interim period.

## SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the Issuer has caused this report to be signed on its behalf by the undersigned, being duly authorized, in the City of Makati on 14 March 2014.

Issuer: **BERJAYA PHILIPPINES, INC.**

By:  **MARIE LOURDES SIA-BERNAS**  
Assistant Corporate Secretary

By:  **TAN ENG HWA**  
Treasurer



**BERJAYA PHILIPPINES, INC. AND SUBSIDIARIES**  
*(Formerly Prime Gaming Philippines, Inc. and Subsidiaries)*  
*[A Subsidiary of Berjaya Lottery Management (HK) Limited]*  
**INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**JANUARY 31, 2014 and APRIL 30, 2013**  
*(Amounts in Philippine Pesos)*

<u>ASSETS</u>	<u>Notes</u>	<u>Consolidated Unaudited January 31, 2014</u>	<u>Consolidated Audited April 30, 2013</u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	7 P	1,072,685,455	P 1,409,737,406
Trade and other receivables-net	8	2,016,264,455	1,170,601,319
Advances to associates	12,19	40,982,959	26,683,131
Prepayments and other current assets	9	3,780,127,328	144,823,305
Total Current Assets	P	6,910,060,197	P 2,751,845,161
<b>NON-CURRENT ASSETS</b>			
Investment in an associate (Note 9)		0	0
Available for sale financial assets	10	881,257,281	575,928,787
Property and equipment - net	11	1,532,585,607	1,071,810,826
Investment in associates	12	99,588,155	101,941,496
Advances to associates	12,19	121,566,848	115,680,000
Goodwill		1,734,188,947	360,110,253
Deferred tax assets - net		26,755,940	10,135,493
Other non-current assets	13	2,773,990	2,665,796
Total Non-Current Assets	P	4,398,716,768	P 2,238,272,651
<b>TOTAL ASSETS</b>	P	11,308,776,965	P 4,990,117,812
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15 P	2,276,937,309	P 99,294,930
Loans Payable		3,032,402,813	0
Income tax payable		78,076,703	59,647,942
Total Current Liabilities		5,387,416,825	158,942,872
<b>NON-CURRENT LIABILITIES</b>			
Retirement benefit obligation	17	31,658,651	32,682,167
Deferred Tax Liability		65,242,547	0
Total Non-Current Liabilities		96,901,198	32,682,167
Total Liabilities	P	5,484,318,023	P 191,625,039
<b>EQUITY</b>			
Capital stock	20	953,984,448	953,984,448
Treasury shares - at cost	20	(988,150,025)	(988,150,025)
Revaluation Reserves	20	79,674,171	53,440,953
Non-controlling Interest		309,476,079	0
Retained earnings		5,469,474,269	4,779,217,397
Total Equity		5,824,458,942	4,798,492,773
<b>TOTAL LIABILITIES AND EQUITY</b>	P	11,308,776,965	P 4,990,117,812

*See Notes to Financial Statements*

**BERJAYA PHILIPPINES, INC. AND SUBSIDIARIES**  
*(Formerly Prime Gaming Philippines, Inc. and Subsidiaries)*  
**[A Subsidiary of Berjaya Lottery Management (HK) Limited]**  
**INTERIM CONSOLIDATED STATEMENTS OF CASHFLOWS**  
**JANUARY 31, 2014 and JANUARY 31, 2013**  
**(Amounts in Philippine Pesos)**

	<b>3 Months Ended January 31, 2014</b>	<b>9 Months Ended January 31, 2014</b>	<b>3 Months Ended January 31, 2013</b>	<b>9 Months Ended January 31, 2013</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income	P 91,122,322	P 696,454,493	P 212,534,878	P 849,827,399
Adjustments for:				
Depreciation and amortization	11 78,908,111	186,314,236	55,135,343	160,530,477
Dividend Income	(20,890,501)	(35,193,883)	0	(5,878,326)
Interest Income	18 (10,729,879)	(18,795,804)	17,963,333	54,036,204
Equity Share in net losses (income) of associates	12 825,479	2,353,341	(8,151,525)	(23,841,461)
Loss (gain) on sale of property and equipment	16 112,634	(6,417,566)	0	0
Loss (gain) on sale of available-for-sale assets	16 (3,936,037)	(97,091,203)	0	(153,956,044)
Unrealized foreign exchange losses (gain)	18 (283,730)	(6,986,680)	(2,281,028)	(902,638)
Operating income before working capital changes	135,128,399	720,636,934	275,201,001	879,815,611
Decrease / (Increase) in:				
Trade and other receivables	(344,165,197)	(845,663,136)	(39,811,414)	288,879
Prepaid expenses and other current assets	(3,579,972,462)	(3,635,304,023)	38,051,871	(488,319,088)
Increase / (Decrease) in:				
Trade and other payables	2,153,433,427	2,177,642,379	17,203,948	48,722,325
Retirement Obligation	(4,115,516)	(1,023,516)	1,068,000	3,204,000
Income Tax Payable	24,180,095	18,428,761	(80,996,714)	(284,072,906)
Net cash used in operating activities	(1,615,511,254)	(1,565,282,601)	210,716,692	159,638,821
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisition of Property and equipment	(636,978,214)	(647,089,017)	(58,034,006)	(71,696,307)
Acquisition of Available-for-sale financial assets	(111,024,187)	(425,396,390)	0	(66,063,560)
Acquisition of new subsidiary	0	0	0	0
Proceeds from sale of available-for-sale financial assets	4,714,157	207,435,413	0	178,753,843
Proceeds from disposal of property and equipment	(112,634)	6,417,566	0	0
Net Assets on acquisition of shares to HRO	(487,248,327)	0	0	0
Interest Received	10,729,879	18,795,804	(17,963,333)	(54,036,204)
Cash dividends received	20,890,501	35,193,883	0	5,878,326
Advances to (collection from) associate - net	7,313,180	20,186,676	6,558,340	72,834,930
(Increase) / Decrease in deferred tax assets	48,622,100	48,622,100	0	0
(Increase) / Decrease in goodwill	(1,374,078,694)	(1,374,078,694)	0	0
(Increase) / Decrease in other non current assets	(11,157,754)	(11,157,754)	76,267,913	80,181,540
Net cash provided by investing activities	(2,528,329,993)	(2,121,070,413)	6,828,914	145,852,568
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from borrowings	2,332,402,813	3,332,402,813	0	0
Payment of loan	(150,000,000)	(300,000,000)	0	0
Functional currency translation reserve	435,491	435,491	0	0
Increase in Non-controlling Interest	309,476,079	309,476,079	0	0
Purchase of treasury shares	0	0	0	0
Net cash provided by financing activities	2,492,314,383	3,342,314,383	0	0
<b>EFFECT OF EXCHANGE RATE CHANGES TO CASH AND CASH EQUIVALENTS</b>	283,730	6,986,680	2,281,028	902,638
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(1,651,243,134)	(337,051,951)	219,826,634	306,394,027
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	2,723,928,589	1,409,737,406	1,656,899,485	1,570,332,092
<b>CASH AND CASH EQUIVALENTS AT ENDING OF PERIOD</b>	P 1,072,685,455	P 1,072,685,455	P 1,876,726,119	P 1,876,726,119

*See Notes to Financial Statements*

**BERJAYA PHILIPPINES, INC. AND SUBSIDIARIES**  
*(Formerly Prime Gaming Philippines, Inc. and Subsidiaries)*  
 [A Subsidiary of Berjaya Lottery Management (HK) Limited]  
**INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**JANUARY 31, 2014 and JANUARY 31, 2013**  
 (Amounts in Philippine Pesos)

	<b>3 Months Ended January 31, 2014</b>	<b>9 Months Ended January 31, 2014</b>	<b>3 Months Ended January 31, 2013</b>	<b>9 Months Ended January 31, 2013</b>
<b>CAPITAL STOCK - P1 par value</b>				
Authorized -2,00,000,000 shares				
Issued - 953,984,448 shares	P 953,984,448	P 953,984,448	P 953,984,448	P 953,984,448
<b>TREASURY SHARES</b>				
Balance at beginning of period (note 13)	(988,150,025)	(988,150,025)	(902,427,725)	(902,427,725)
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Balance at end of period	(988,150,025)	(988,150,025)	(902,427,725)	(902,427,725)
<b>REVALUATION RESERVE</b>				
Balance at end of period	79,238,679	79,238,679	39,648,120	52,051,860
<b>FUNCTIONAL CURRENCY TRANSLATION RESERVE</b>				
Balance at end of period	435,491	435,491	0	0
<b>NON-CONTROLLING INTEREST</b>				
Balance at end of period	309,476,079	309,476,079	0	0
<b>RETAINED EARNINGS</b>				
Balance at beginning of period	5,464,223,637	4,779,217,398	4,325,368,911	3,675,672,650
Net income	234,580,885	690,256,872	212,534,878	849,827,399
	<u>-</u>	<u>0</u>	<u>-</u>	<u>-</u>
Balance at end of period	5,698,804,522	5,469,474,270	4,537,903,789	4,525,500,049
<b>TOTAL EQUITY</b>	P <u>6,053,789,194</u>	P <u>5,824,458,942</u>	P <u>4,629,108,632</u>	P <u>4,629,108,632</u>
Net losses directly recognized in equity	P <u>0</u>	P <u>0</u>	P <u>0</u>	P <u>0</u>

*See Notes to Financial Statements*

**BERJAYA PHILIPPINES, INC. AND SUBSIDIARIES**  
*(Formerly Prime Gaming Philippines, Inc. and Subsidiaries)*  
 [A Subsidiary of Berjaya Lottery Management (HK) Limited]  
**INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**JANUARY 31, 2014 and JANUARY 31, 2013**  
 (Amounts in Philippine Pesos)

Appendix A

Notes	3 Months Ended January 31, 2014	9 Months Ended January 31, 2014	3 Months Ended January 31, 2013	9 Months Ended January 31, 2013
<b>REVENUES</b>				
Rental	6,24 P 436,094,696	P 1,294,138,245	P 475,587,627	P 1,527,606,300
Hotel Operations	37,127,646	105,510,332	41,849,648	108,771,772
Luxury Motor Retailer	4,663,242,125	4,663,242,125		
	<u>5,136,464,467</u>	<u>6,062,890,702</u>	<u>517,437,275</u>	<u>1,636,378,072</u>
<b>COSTS AND OTHER OPERATING EXPENSES</b>				
Cost of sales	4,051,608,872	4,051,608,872	0	0
Salaries and employee benefits	17 348,309,014	410,005,319	28,812,893	85,639,739
Depreciation and amortization	11 78,908,111	186,314,236	55,135,343	160,530,477
Professional fees	19 31,694,000	218,573,608	62,567,399	181,267,100
Telecommunications	32,165,377	80,303,615	24,596,326	79,667,207
Maintenance of computer equipment	19 14,272,915	45,765,774	10,907,696	33,118,717
Vehicle Cost	49,375,325	49,375,325	0	0
Marketing & Selling	38,902,463	38,902,463	0	0
Charitable Contribution	0	30,780,000	20,000,000	20,000,000
Communication, light and water	14,620,255	30,760,462	7,761,003	24,788,076
Transportation and travel	6,254,320	12,776,136	8,461,556	17,955,102
Taxes and licences	5,432,393	23,782,728	6,634,403	19,215,219
Representation and entertainment	(329,534)	18,966,817	5,239,040	14,147,297
Cost of food and beverages	3,604,885	10,078,119	3,580,972	9,354,939
Rental	24 64,899,969	73,710,339	4,585,416	13,231,269
Others	16 52,966,869	176,378,466	20,560,669	47,712,277
	<u>4,792,685,234</u>	<u>5,458,082,279</u>	<u>258,842,716</u>	<u>706,627,419</u>
<b>OPERATING PROFIT</b>	<u>343,779,233</u>	<u>604,808,423</u>	<u>258,594,559</u>	<u>929,750,653</u>
<b>OTHER INCOME (CHARGES)</b>				
Net gain on sale of available-for-sale financial assets	3,936,037	97,091,203	0	131,229,875
Net gain on fair value adjustment	0	180,705,716	0	0
Finance Income	18 31,620,380	53,989,687	17,963,333	48,438,577
Equity share in net income (losses)	12 (825,479)	(2,353,341)	(8,151,525)	(23,841,461)
Finance Costs	18 (51,489,306)	(66,519,689)	475,752	(902,638)
Others	16 38,508,433	83,135,731	16,734,303	40,648,272
	<u>21,750,065</u>	<u>346,049,307</u>	<u>27,021,863</u>	<u>195,572,625</u>
<b>PROFIT BEFORE INCOME TAX</b>	<u>365,529,298</u>	<u>950,857,730</u>	<u>285,616,422</u>	<u>1,125,323,278</u>
<b>TAX EXPENSE</b>	<u>124,750,792</u>	<u>254,403,237</u>	<u>73,081,544</u>	<u>276,495,879</u>
<b>NET INCOME</b>	<u>240,778,506</u>	<u>696,454,493</u>	<u>212,534,878</u>	<u>848,827,399</u>
<b>ATTRIBUTABLE TO:</b>				
Owners of the Parent Company	234,580,885	690,256,872	212,534,878	848,827,399
Non-controlling Interest	6,197,621	6,197,621	0	0
	<u>240,778,506</u>	<u>696,454,493</u>	<u>212,534,878</u>	<u>848,827,399</u>
<b>OTHER COMPREHENSIVE INCOME</b>				
Foreign currency translation gain (loss)	435,491	435,491	0	0
<b>TOTAL COMPREHENSIVE INCOME</b>	<u>241,213,997</u>	<u>696,889,984</u>	<u>212,534,878</u>	<u>848,827,399</u>
<b>ATTRIBUTABLE TO:</b>				
Owners of the Parent Company	235,016,376	690,692,363	212,534,878	848,827,399
Non-controlling Interest	6,197,621	6,197,621	0	0
	<u>241,213,997</u>	<u>696,889,984</u>	<u>212,534,878</u>	<u>848,827,399</u>
Weighted average number of shares outstanding	870,822,838	870,822,838	871,676,171	871,676,171
<b>Basic earnings per share (annualized)</b>	P <u>0.369</u>	P <u>1.066</u>	P <u>0.325</u>	P <u>1.298</u>
<b>CASH DIVIDENDS AT P1.00 PER SHARE</b>	P	P	P	P

*See Notes to Financial Statements*

**BERJAYA PHILIPPINES INC. AND SUBSIDIARIES**  
*[A Subsidiary of Berjaya Lottery Management (HK) Limited]*  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JANUARY 31, 2014, JANUARY 31, 2013 and APRIL 30, 2013**  
*(Amounts in Philippine Pesos)*

**1. CORPORATE MATTERS**

***1.1 Incorporation and Operations***

Berjaya Philippines Inc. (BPI or the Parent Company) was incorporated in the Philippines on October 31, 1924. The Parent Company is organized as a holding company. The Parent Company's shares of stock were listed in the Philippine Stock Exchange on November 29, 1948.

On June 2, 2010, the Parent Company's Board of Directors (BOD) approved the Parent Company's change in name from Prime Gaming Philippines, Inc. to Berjaya Philippines, Inc. The application for change in name was approved by the Securities and Exchange Commission (SEC) on June 11, 2010.

The Parent Company is 74.20% and 73.91% owned as of April 30, 2013 and 2012, respectively, by Berjaya Lottery Management (HK) Limited of Hong Kong (BLML). The Company's ultimate parent is Berjaya Corporation Berhad of Malaysia, a publicly listed company in the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Group is located at 9<sup>th</sup> Floor, Rufino Pacific Tower, 6784 Ayala Avenue, Makati City. BLML's registered address is Level 28 Three Pacific Place 1 Queen's Road East, Hong Kong and the ultimate parent's registered office is at Lot13-01A, Level 13 (East Wing), Berjaya Times Square, No. 1, Jalan Imbi 55100 Kuala Lumpur, Malaysia.

***1.2 Subsidiaries and Associates***

The Parent Company holds ownership interest in the following entities as of Jan 31:

Subsidiaries and Associates	Notes	Nature of Business	Effective % of Ownership	
			2013	2012
<i>Subsidiaries:</i>				
Philippine Gaming Management Corporation (PGMC)	(a)	Leasing	100.00%	100.00%
Perdana Hotel Philippines Inc. (PHPI)	(b)	Service	100.00%	100.00%
HR Owen (HRO)	(c)	Automotive	71.20%	-
<i>Associates:</i>				
Perdana Land Philippines Inc. (PLPI)	(d)	Land Owner	40.00%	40.00%
Berjaya Pizza Philippines Inc. (BPPI)	(e)	Food and Beverages	30.00%	30.00%
Berjaya Auto Philippines, Inc. (BAPI)	(f)	Distributor	30.00%	-
Cosway Philippines, Inc. (CPI)	(g)	Wholesaler	40.00%	-

- (a) PGMC is involved principally in the business of leasing on-line lottery equipment and providing software support. PGMC was organized in April 1993 and started commercial operations in February 1995.
- (b) PHPI was incorporated in the Philippines on December 11, 2009 primarily to manage and/or operate hotels or other buildings, and to sell, lease or otherwise dispose of the same; to own, lease, and operate one or more hotels, and all adjuncts and accessories thereto. PHPI started its commercial operations on May 1, 2010.
- (c) PLPI was incorporated in the Philippines primarily to acquire, hold, develop and dispose of, by purchase or sale, exchange, mortgage, lease or in any other manner, real estate or any interest therein, either together with or exclusive of their appurtenances. PLPI started its commercial operations on May 1, 2010.
- (d) BPPI was organized as part of BPI's strategy to acquire an interest in a chain of restaurants. BPPI was incorporated on July 12, 2010 and started commercial operations on December 10, 2010.
- (e) BAPI was incorporated in the Philippines primarily to engage in purchasing, acquiring, owning, leasing, selling, transferring, encumbering, and generally dealing in all types of new automobiles, trucks, and other motor vehicles and dealing in all types of supplies used by all types of motor vehicles. BAPI was incorporated in August 10, 2012 and started commercial operation in January 1, 2013.
- (f) CPI was incorporated in the Philippines in September 28, 2012 primarily to engage in, operate, conduct and maintain the business of manufacturing, importing, exporting or buying, selling or otherwise dealing in such goods as cosmetics, perfumery, toilet preparation and requisites, disinfectants, detergents, cleaning agents, merchandise commodities, and other articles of consumption, supplies used or employed in or related to the manufacturing of such finished products. As of October 31, 2013, CPI has not yet started its commercial operations.
- (g) HR Owen operates as a franchised motor dealer in the United Kingdom. It sells new and used motor vehicles of various brands. It also engages in the aftersales operations, including servicing vehicles; sale of parts and accessories; and body shop repair services. As of October 2013, BPI has 17.83 million shares or 71.20% of HR Owen's issued and outstanding capital.

Collectively, the Parent Company, PGMC and PHPI, which operate in the Philippines, are referred to as the Group.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized below and in the succeeding pages. These policies have been consistently applied to all years presented, unless otherwise stated.

### *2.1 Basis of Preparation of Consolidated Financial Statements*

#### *(a) Statement of Compliance with Philippine Financial Reporting Standards*

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

#### *(b) Presentation of Financial Statements*

The consolidated financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Group presents all items of income and expense in a consolidated single statement of comprehensive income.

Two comparative periods are presented for the consolidated statement of financial position when the Group applies an accounting policy retrospectively, makes a retrospective restatement of items in its consolidated financial statements, or reclassifies items in the consolidated financial statements.

#### *(c) Functional and Presentation Currency*

These consolidated financial statements are presented in Philippine pesos, the Group's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the consolidated financial statements of the Group are measured using its functional currency (see Note 2.18). Functional currency is the currency of the primary economic environment in which the Group operates.

## 2.2 Adoption of New Interpretations, Revisions and Amendments to PFRS

### (a) Effective in Fiscal Year 2013 that is Relevant to the Group

In fiscal year 2013, the Group adopted the amendment to PFRS 7 (Amendment), *Financial Instruments: Disclosures – Transfers of Financial Assets*, effective July 1, 2011. The amendment requires additional disclosures that will allow users of consolidated financial statements to understand the relationship between transferred financial assets that are not derecognized in their entirety and the associated liabilities; and, to evaluate the nature of, and risk associated with any continuing involvement of the reporting entity in financial assets that are derecognized in their entirety. The Group did not transfer any financial asset involving this type of arrangement; hence, the amendment did not result in any significant change in the Group's disclosures in its consolidated financial statements.

### (b) Effective in Fiscal Year 2013 that are not Relevant to the Group

The following amendments to PFRS effective for consolidated financial statements for the annual period beginning on or after July 1, 2011 or January 1, 2012 are not relevant to the Group:

PFRS 1 (Amendment)	:	First-time Adoption of PFRS
PAS 12 (Amendment)	:	Income Taxes – Deferred Taxes: Recovery of Underlying Assets

### (c) Effective Subsequent to Fiscal Year 2013 but not Adopted Early

There are new PFRS and amendments, annual improvements and interpretations to existing standards that are effective for periods subsequent to fiscal year 2013. Management has initially determined the following pronouncements, which the Group will apply in accordance with their transitional provisions, to be relevant to its consolidated financial statements:

- (i) PAS 1 (Amendment), *Financial Statements Presentation – Presentation of Items of Other Comprehensive Income* (effective from July 1, 2012). The amendment requires an entity to group items presented in other comprehensive income into those that, in accordance with other PFRS: (a) will not be reclassified subsequently to profit or loss; and, (b) will be reclassified subsequently to profit or loss when specific conditions are met. The Group's management expects that this will not affect the presentation of items in other comprehensive income, since the Group's other comprehensive income pertains only to unrealized fair value gains and losses on available-for-sale (AFS) financial assets, which can be reclassified to profit or loss when specified conditions are met.
- (ii) PAS 19 (Revised), *Employee Benefits* (effective from January 1, 2013). The revision made a number of changes as part of the improvements throughout the standard. The main changes relate to defined benefit plans as follows:
  - eliminates the corridor approach under the existing guidance of PAS 19 and requires an entity to recognize all actuarial gains and losses arising in the reporting period;



- streamlines the presentation of changes in plan assets and liabilities resulting in the disaggregation of changes into three main components of service costs, net interest on net defined benefit obligation or asset, and remeasurement; and,
- enhances disclosure requirements, including information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans.

Currently, the Group is using the corridor approach and its unrecognized actuarial losses as of April 30, 2013 amounted to P3,231,703 (see Note 17.2) which will be retrospectively recognized as losses in other comprehensive income in fiscal year 2014.

(iii) Consolidation Standards

The Group is currently reviewing the impact on its consolidated financial statements of the following consolidation standards which will be effective from January 1, 2013:

- PFRS 10, *Consolidated Financial Statements*. This standard builds on existing principles of consolidation by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard also provides additional guidance to assist in determining control where this is difficult to assess.
- PFRS 12, *Disclosure of Interest in Other Entities*. This standard integrates and makes consistent the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and unconsolidated structured entities. This also introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.
- PAS 27 (Amendment), *Separate Financial Statements*. This revised standard now covers the requirements pertaining solely to separate financial statements after the relevant discussions on control and consolidated financial statements have been transferred and included in PFRS 10. No new major changes relating to separate financial statements have been introduced as a result of the revision.
- PAS 28 (Amendment), *Investments in Associate and Joint Venture*. This revised standard includes the requirements for joint ventures, as well as associates, to be accounted for using equity method following the issuance of PFRS 11, *Joint Arrangement*.

Subsequent to the issuance of the foregoing consolidation standards, the IASB made some changes to the transitional provisions in International Financial Reporting Standard (IFRS) 10, IFRS 11 and IFRS 12, which were also adopted by the FRSC. The guidance confirms that an entity is not required to apply PFRS 10 retrospectively in certain circumstances and clarifies the requirements to present adjusted comparatives. The guidance also made changes to PFRS 10 and PFRS 12 which provide similar relief from the presentation or adjustment of comparative information for periods prior to the immediately preceding period. Further, it provides relief by removing the requirement to present comparatives for disclosures relating to unconsolidated structured entities for any period before the first annual period for which PFRS 12 is applied.

- (iv) PFRS 7 (Amendment), *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* (effective from January 1, 2013). The amendment requires qualitative and quantitative disclosures relating to gross and net amounts of recognized financial instruments that are set-off in accordance with PAS 32, *Financial Instruments: Presentation*. The amendment also requires disclosure of information about recognized financial instruments which are subject to enforceable master netting arrangements or similar agreements, even if they are not set-off in the consolidated statement of financial position, including those which do not meet some or all of the offsetting criteria under PAS 32 and amounts related to a financial collateral. These disclosures will allow consolidated financial statement users to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with recognized financial assets and financial liabilities on the Group's consolidated financial position. The Group has initially assessed that the adoption of the amendment will not have a significant impact on its consolidated financial statements.
- (v) PFRS 13, *Fair Value Measurement* (effective from January 1, 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across PFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. Management is in the process of reviewing its valuation methodologies for conformity with the new requirements and has yet to assess the impact of the new standard on the Group's consolidated financial statements.
- (vi) PAS 32 (Amendment), *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* (effective from January 1, 2014). The amendment provides guidance to address inconsistencies in applying the criteria for offsetting financial assets and financial liabilities. It clarifies that a right of set-off is required to be legally enforceable, in the normal course of business; in the event of default; and in the event of insolvency or bankruptcy of the entity and all of the counterparties. The amendment also clarifies the principle behind net settlement and provided characteristics of a gross settlement system that would satisfy the criterion for net settlement. The Group does not expect this amendment to have a significant impact on its consolidated financial statements.

- (vii) PFRS 9, *Financial Instruments: Classification and Measurement* (effective from January 1, 2015). This is the first part of a new standard on financial instruments that will replace PAS 39, *Financial Instruments: Recognition and Measurement*, in its entirety. This chapter covers the classification and measurement of financial assets and financial liabilities and it deals with two measurement categories for financial assets: amortized cost and fair value. All equity instruments will be measured at fair value while debt instruments will be measured at amortized cost only if the entity is holding it to collect contractual cash flows which represent payment of principal and interest. The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangement, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in case where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch.

To date, other chapters of PFRS 9 dealing with impairment methodology and hedge accounting are still being completed.

Further, in November 2011, the IASB tentatively decided to consider making limited modifications to IFRS 9's financial asset classification model to address certain application issues.

The Group does not expect to implement and adopt PFRS 9 until its effective date or until all chapters of this new standard have been published. In addition, management is currently assessing the impact of PFRS 9 on the consolidated financial statements of the Group and it plans to conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption in 2015 to assess the impact of all changes.

- (viii) 2009-2011 Annual Improvements to PFRS. Annual improvements to PFRS (2009-2011 Cycle) made minor amendments to a number of PFRS, which are effective for annual period beginning on or after January 1, 2013. Among those improvements, the following amendments are relevant to the Group but management does not expect a material impact on the Group's consolidated financial statements:

- (a) PAS 1 (Amendment), *Presentation of Financial Statements – Clarification of the Requirements for Comparative Information*. The amendment clarifies the requirements for presenting comparative information for the following:

- Requirements for the opening statement of financial position

If an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period (i.e., opening statement of financial position), it shall present such third statement of financial position.

Other than disclosure of certain specified information in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

- Requirements for additional comparative information beyond minimum requirements

If an entity presented comparative information in the financial statements beyond the minimum comparative information requirements, the additional financial statements information should be presented in accordance with PFRS including disclosure of comparative information in the related notes for that additional information. Presenting additional comparative information voluntarily would not trigger a requirement to provide a complete set of consolidated financial statements.

- (b) PAS 16 (Amendment), *Property, Plant and Equipment – Classification of Servicing Equipment*. The amendment addresses a perceived inconsistency in the classification requirements for servicing equipment which resulted in classifying servicing equipment as part of inventory when it is used for more than one period. It clarifies that items such as spare parts, stand-by equipment and servicing equipment shall be recognized as property, plant and equipment when they meet the definition of property, plant and equipment, otherwise, these are classified as inventory.
- (c) PAS 32 (Amendment), *Financial Instruments – Presentation – Tax Effect of Distributions to Holders of Equity Instruments*. The amendment clarifies that the consequences of income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with PAS 12. Accordingly, income tax relating to distributions to holders of an equity instrument is recognized in profit or loss while income tax related to the transaction costs of an equity transaction is recognized in equity.

### ***2.3 Basis of Consolidation***

The Parent Company obtains and exercises control through voting rights. The Group's consolidated financial statements comprise the accounts of the Parent Company and its subsidiaries, after the elimination of material intercompany transactions. All intercompany balances and transactions with the subsidiaries, including income, expenses and dividends, are eliminated in full. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting principles.

The Parent Company accounts for its investments in subsidiaries and associates as follows:

(a) *Investments in Subsidiaries*

Subsidiaries are all entities over which the Group has the power to control the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date the Parent Company obtains control until such time that such control ceases.

The acquisition method is applied to account for acquired subsidiaries. This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of identifiable net assets acquired is recognized as goodwill. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly as gain in profit or loss (see Note 2.11).

(b) *Investments in Associates*

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies.

Investment in associates is accounted for under the equity method of accounting. Under the equity method, the investment is initially recorded at cost and the carrying amount is increased or decreased to recognize the Group's share of the profits and losses of the associates after the date of acquisition. Distributions received from associates reduce the carrying amount of the investment. When the Group's share of losses exceeds the carrying amount of the investments in associates, the carrying amount is fully written down and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associates. Allowance is set-up for any substantial and presumably permanent decline in the carrying amount of the investments.

## 2.4 *Financial Assets*

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories: financial assets at fair value through profit or loss (FVTPL), loans and receivables, held-to-maturity investments and AFS financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value plus any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and transaction costs related to it are recognized in profit or loss.

A more detailed description of categories of financial assets relevant to the Group is as follows:

### (a) *Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period which are classified as non-current assets.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any. Impairment loss is provided when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the asset's carrying amount and the present value of estimated cash flows, discounted at the effective interest rate.

The Group's financial assets categorized as loans and receivables are presented as Cash and Cash Equivalents, Trade and Other Receivables, Advances to Associates and Refundable deposits under Other Non-Current Assets in the consolidated statement of financial position. Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less, readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

### (b) *AFS Financial Assets*

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. They are included in non-current assets under the Available-for-Sale Financial Assets account in the consolidated statement of financial position unless management intends to dispose of the investment within 12 months from the end of the reporting period. All of the Group's AFS financial assets as of April 30, 2013 are listed securities.

All financial assets within this category are subsequently measured at fair value. Gains and losses from changes in fair value are recognized in other comprehensive income, net of any income tax effects, and are reported as part of the Revaluation Reserves account in equity. When the financial asset is disposed of or is determined to be impaired, the cumulative fair value gains or losses recognized in other comprehensive income is reclassified from equity to profit or loss and is presented as reclassification adjustment within other comprehensive income.

Reversal of impairment losses are recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

All income and expenses, including impairment losses, relating to financial assets that are recognized in profit or loss are presented as part of Finance Income or Finance Costs in the consolidated statement of comprehensive income.

For investments that are actively traded in organized financial markets, fair value is determined by reference to stock exchange-quoted market bid prices at the close of business at the end of the reporting period. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows (such as dividend income) of the underlying net asset base of the investment.

Non-compounding interest, dividend income and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

The financial assets are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred.

## ***2.5 Inventories***

Inventories, which are presented as part of Prepayments and Other Current Assets account in the consolidated statement of financial position, are valued at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method. The cost of inventories include all costs directly attributable to acquisitions, such as the purchase price, import duties and other taxes that are not subsequently recoverable from taxing authorities.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Net realizable value of inventories is the current replacement cost.

## ***2.6 Prepayments and Other Current Assets***

Prepayments and other current assets pertain to other resources controlled by the Group as a result of past events. They are recognized in the consolidated financial statements when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably.

Spare parts and accessories, which are presented as part of Prepayments and Other Current Assets, are valued at cost since these inventories are generally used for providing maintenance and repair services (see Note 9). Cost is determined using the moving average cost method.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Group beyond one year after the end of the reporting period (or in the normal operating cycle of the business, if longer), are classified as non-current assets.

## ***2.7 Property and Equipment***

Property and equipment are stated at cost less accumulated depreciation and amortization and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred.

Computers and on-line lottery equipment are depreciated over the shorter of eight years or the remaining term of the lease agreement with Philippine Charity Sweepstakes Office (PCSO).

Leasehold improvements are amortized over the shorter of the lease term or estimated useful lives of the improvements.

Depreciation on all other classes of property and equipment is computed using the straight-line basis over the estimated useful lives of the assets as follows:

Building	50 years
Communication equipment	8 years
Hotel and kitchen equipment and utensils	5 years
Transportation equipment	3-5 years
Office furniture, fixtures and equipment	5 years

Construction in progress represents properties under construction and is stated at cost. This includes cost of construction and other direct costs. The account is not depreciated and amortized until such time that the assets are completed and available for use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.17).

The residual values and estimated useful lives of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property and equipment, including the related accumulated depreciation, amortization and impairment loss, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. 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 item) is included in profit or loss in the period the item is derecognized.



## ***2.8 Intangible Asset***

Intangible asset pertains to Goodwill. Goodwill represents the excess of the cost of acquisition of the investment over the fair value of identifiable net assets of a subsidiary at date of acquisition. Goodwill is carried at amortized cost up to the date of transition to PFRS less any impairment in value. Upon adoption of PFRS, goodwill is no longer amortized but is subject to annual test for impairment whether there is an objective evidence of impairment or not (see Note 2.17).

## ***2.9 Financial Liabilities***

Financial liabilities, which pertain to Trade and Other Payables (except for tax-related liabilities) are recognized when the Group becomes a party to the contractual terms of the instrument. All interest related charges incurred on a financial liability are recognized as an expense in profit or loss under the caption Finance Costs in the consolidated statement of comprehensive income.

Financial liabilities are recognized initially at their fair values and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

Dividend distributions to stockholders are recognized as financial liabilities when the dividends are declared by the BOD.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer), or the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the consolidated statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration.

## ***2.10 Offsetting Financial Instruments***

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

## ***2.11 Business Combination***

Business acquisitions are accounted for using the acquisition method of accounting.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed (see Notes 2.8 and 2.17).

On the other hand, the excess of the Group's interest in the net fair value of net identifiable assets acquired over acquisition cost is charged directly to income.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in the profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

## ***2.12 Segment Reporting***

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's strategic steering committee, its chief operating decision-maker. The strategic steering committee is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's products and service lines as disclosed in Note 5, which represent the main products and services provided by the Group.

Each of these operating segments is managed separately as each of these service lines requires different technologies and other resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under PFRS 8 are the same as those used in its financial statements.

In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

## ***2.13 Provisions and Contingencies***

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements. Similarly, possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the consolidated financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

#### ***2.14 Equity***

Capital stock represents the nominal value of shares that have been issued.

Treasury shares are stated at the cost of reacquiring such shares and are deducted from equity attributable to the Group's equity holders until the shares are cancelled, reissued or disposed of.

Revaluation reserves represent unrealized fair value gains and losses on AFS financial assets.

Retained earnings represent all current and prior period results of operations as reported in the profit or loss section of the consolidated statement of comprehensive income, reduced by the amounts of dividends declared.

#### ***2.15 Revenue and Expense Recognition***

Revenue comprises revenue from the rendering of services measured by reference to the fair value of consideration received or receivable by the Group from services rendered, excluding value-added tax (VAT) and trade discounts.

Revenue is recognized to the extent that the revenue can be reliably measured; it is probable that the economic benefits will flow to the Group; and the costs incurred or to be incurred can be measured reliably. The following specific recognition criteria must also be met before revenues are recognized:

- (a) *Rental revenue from lease of on-line lottery equipment, maintenance and repair services, and telecommunication and integration services* – Revenue is recognized when services to the customer were performed based on certain percentages of gross receipts from lottery ticket sales.

- (b) *Revenue from hotel operations* – Revenue from hotel operations is categorized as follows:
  - (i) *Room revenues* – Revenue is recognized when the services are rendered.
  - (ii) *Sale of food, beverages and others* – Revenue is recognized upon delivery to and receipt of goods by the customer.
- (c) *Interest income* – Revenue is recognized as the interest accrues taking into account the effective yield on the asset.
- (d) *Other income* – Revenue is recognized as the excess standard input VAT over actual input VAT on transactions with the government.

Costs and expenses are recognized in profit or loss upon utilization of the goods or services or at the date these are incurred. All finance costs are reported in profit or loss on an accrual basis.

### **2.16 Leases**

The Group accounts for its leases as follows:

#### **(a) Group as Lessee**

Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments (net of any incentive received from the lessor) are recognized as expense in profit or loss on a straight-line basis over the lease term. Associated costs, such as repairs and maintenance and insurance, are expensed as incurred.

#### **(b) Group as Lessor**

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term.

The Group determines whether an arrangement is, or contains a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

### **2.17 Impairment of Non-financial Assets**

The Group's property and equipment, investment in associates and goodwill are subject to impairment testing. Goodwill is tested for impairment at least annually. All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.

### ***2.18 Foreign Currency Transactions and Translation***

The accounting records of the Group are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of comprehensive income as part of income or loss from operations.

### ***2.19 Related Party Relationships and Transactions***

Related party transactions are transfers of resources, services or obligations between the Group and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

## 2.20 *Employee Benefits*

The Group provides post-employment benefits to employees through a defined benefit plan.

### (a) *Post-employment Defined Benefit Obligations*

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Group's defined benefit post-employment plan covers all regular full-time employees. The pension plan is tax-qualified, noncontributory and administered by a trustee.

The liability recognized in the consolidated statement of financial position for a defined benefit plan is the present value of the defined benefit obligation (DBO) at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The DBO is calculated annually by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

Actuarial gains and losses are not recognized as an income or expense unless the total unrecognized gain or loss exceeds 10% of the greater of the obligation and related plan assets. The amount exceeding this 10% corridor is charged or credited to profit or loss over the employees' expected average remaining working lives. Actuarial gains and losses within the 10% corridor are disclosed separately. Past service costs are recognized immediately in profit or loss, unless the changes to the post-employment plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period.

### (b) *Compensated Absences*

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in Trade and Other Payables account in the consolidated statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

## 2.21 *Income Taxes*

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is provided, using the liability method on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deferred tax asset can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss. Only changes in deferred tax assets or liabilities that relate to items recognized in other comprehensive income or directly in equity are recognized in other comprehensive income or directly in equity, respectively.

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

## ***2.22 Earnings Per Share***

Basic earnings per share (EPS) is computed by dividing net profit attributable to equity holders of the Parent Company by the weighted average number of shares issued and outstanding, adjusted retroactively for any stock dividend, stock split or reverse stock split declared during the current period.

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares. Currently, the Group does not have dilutive potential shares outstanding; hence, the diluted earnings per share is equal to the basic earnings per share.

## ***2.23 Events After the End of the Reporting Period***

Any post-year-end event that provides additional information about the Group's consolidated financial position at the end of the reporting period (adjusting event) is reflected in the consolidated financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the consolidated financial statements.

### 3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The Group's consolidated financial statements prepared in accordance with PFRS require management to make judgments and estimates that affect the amounts reported in the consolidated financial statements and related notes. Judgments and estimates 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. Actual results may ultimately vary from these estimates.

#### *3.1 Critical Management Judgments in Applying Accounting Policies*

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

##### *(a) Impairment of AFS Financial Assets*

The determination when an investment is other-than-temporarily impaired requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

Based on the recent evaluation of information and circumstances affecting the Group's AFS financial assets, management concluded that the assets are not impaired as of April 30, 2013. Future changes in those information and circumstances might significantly affect the carrying amount of the assets.

##### *(b) Distinction between Operating and Finance Leases*

The Group has entered into various lease agreements. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

##### *(c) Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision and contingencies are discussed in Note 2.13 and relevant disclosures are presented in Note 22.



### *3.2 Key Sources of Estimation Uncertainty*

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

*(a) Impairment of Trade and Other Receivables and Advances to Associates*

Adequate allowance for impairment is provided for specific and groups of accounts, where objective evidence of impairment exists. The Group evaluates the amount of allowance for impairment based on available facts and circumstances affecting the collectability of the accounts, including, but not limited to, the length of the Group's relationship with the customers, the customers' current credit status, average age of accounts, collection experience and historical loss experience.

Allowance for impairment losses on trade and other receivable amounted to nil and P1,856,520 as of January 31, 2014 and April 30, 2013, respectively. There were no impairment losses recognized on the Group's trade and other receivables and advances to associates in 2013 (see Notes 8 and 12).

*(b) Estimating Useful Lives of Property and Equipment*

The Group estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are 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.

The carrying amounts of property and equipment are analyzed in Note 11. Based on management's assessment as at January 31, 2014 and April 30, 2013, there is no change in estimated useful lives of property and equipment during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

*(c) Valuation of Financial Assets Other than Trade and Other Receivables and Advances to Associates*

The Group carries certain financial assets at fair value, which requires the extensive use of accounting estimates and judgment. In cases when active market quotes are not available, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net base of the instrument. The amount of changes in fair value would differ if the Group utilized different valuation methods and assumptions. Any change in fair value of these financial assets would affect profit or loss and other comprehensive income.

(d) *Determining Net Realizable Value of Inventories*

In determining the net realizable value of inventories, management takes into account the most reliable evidence available at the dates the estimates are made. The Group's, which include perishable goods, are affected by certain factors which may cause inventory obsolescence. Moreover, future realization of the carrying amounts of inventories as presented in Note 9 is affected by price changes in different market segments of the food and hotel industry. Both aspects are considered key sources of estimation uncertainty and may cause significant adjustments to the Group's inventories within the next financial year. The Group's inventories are presented under Prepayments and Other Current Assets in the consolidated statements of financial position.

(e) *Business Combinations*

On initial recognition, the assets and liabilities of the acquired business and the consideration paid for them are included in the consolidated financial statements at their fair values. In measuring fair value, management uses estimates of future cash flows and discount rates. Any subsequent change in these estimates would affect the amount of goodwill if the change qualifies as a measurement period adjustment. Any other change would be recognized in profit or loss in the subsequent period.

(f) *Impairment of Goodwill*

The Group follows the guidance of PAS 36, *Impairment of Assets*, on determining when goodwill is impaired. This determination requires significant judgment. In making this judgment, the Group evaluates the recoverable amount of its goodwill as the value in use, based on an internal discounted cash flow evaluation, and the recoverable amount of goodwill is more than its carrying amount.

Though management believes that the assumptions used in the estimation of the recoverable amount are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

In January 31, 2014 and April 30, 2013, no impairment loss was recognized for the goodwill.

(g) *Determining Realizable Amount of Deferred Tax Assets*

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount 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.

In 2013, management has taken a conservative position of not recognizing additional deferred tax assets arising from net operating loss carry over (NOLCO) and minimum corporate income tax (MCIT) of the Parent Company, since it does not expect to have sufficient taxable profit against which the deferred tax assets can be utilized.

(b) *Estimating Impairment of Non-financial Assets*

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.17).

No impairment loss on property and equipment and investment in associates was recognized in 2014.

(i) *Valuation of Post-employment Defined Benefit Obligations*

The determination of the Group's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates, expected rate of return on plan assets, salary rate increase, and employee turnover. In accordance with PFRS, actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

The amounts of retirement benefit obligation and expense and an analysis of the movements in the estimated present value of retirement benefit obligation are presented in Note 17.2.

#### **4. RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group is exposed to a variety of financial risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity risk.

The Group's risk management is carried out in close cooperation with the BOD, and focuses on actively securing the Group's short- to medium-term cash flows by minimizing the exposure to financial markets. Long term financial investments are managed to generate lasting returns.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most relevant financial risks to which the Group is exposed to are described in the succeeding paragraphs.

#### ***4.1 Market Risk***

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk, interest rate risk and certain other price risk which result from both its operating, investing and financing activities.

##### *(a) Interest Rate Risk*

The Group's policy is to minimize interest rate cash flow risk exposures on cash and cash equivalents. As of January 31, 2014 and April 30, 2013, the Group is exposed to changes in market interest rates through short-term placements included as part of Cash and Cash Equivalents account are subject to variable interest rates, in the consolidated statements of financial position (see Note 7).

The Group keeps placements with fluctuating interest at a minimum. As such, management believes that its exposure to interest rate risk is immaterial.

##### *(b) Foreign Currency Risk*

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates arise from the Group's overseas purchases, which is primarily denominated in United States Dollars (USD). The Group also holds USD denominated cash and cash equivalents. Further, the Group has AFS financial assets denominated in USD, Malaysian Ringgit (MYR) and British Pound (GBP).

Exposures to foreign exchange rates vary during the year depending on the volume of foreign currency transactions. Nonetheless, the analysis above is considered to be representative of the Group's currency risk.

##### *(c) Other Price Risk*

The Group's market price risk arises from its investments carried at fair value (financial assets classified as AFS financial assets). The Group manages exposure to price risk by monitoring the changes in the market price of the investments and at some extent, diversifying the investment portfolio in accordance with the limit set by management.

#### ***4.2 Credit Risk***

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments arising from granting loans and selling goods and services to customers; granting advances to associates; and, placing deposits with banks, lessors and utility companies.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant proportion of sales, advance payments are received to mitigate credit risk.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the consolidated statements of financial position or in the detailed analysis provided in the notes to the consolidated financial statements, as summarized below.

	<u>Notes</u>	<b>January 31, 2014</b>	<u>April 30, 2013</u>
Cash and cash equivalents	7	<b>P 1,072,685,455</b>	P 1,409,737,406
Trade and other receivables – net	8	<b>2,016,264,455</b>	1,170,601,319
Advances to associates	12	<b>162,549,807</b>	142,363,131
Other non-current assets	13	<b><u>2,773,990</u></b>	<u>2,665,796</u>
		<b><u>P 3,254,273,707</u></b>	<u>P 2,725,367,652</u>

None of the Group’s financial assets are secured by collateral or other credit enhancements, except for cash and cash equivalents as described below.

*(a) Cash and Cash Equivalents*

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and short-term placements, which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P500,000 for every depositor per banking institution.

*(b) Trade and Other Receivables - net*

The Group’s trade receivables as of January 31, 2014 and April 30, 2013 are due mainly from PCSO. As such, the Group mitigates the concentration of its credit risk by regularly monitoring the age of its receivables from PCSO and ensuring that collections are received within the agreed credit period. In addition, the risk is reduced to the extent that PCSO has no history of significant defaults.

In respect of other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group's receivables are actively monitored to avoid significant concentrations of credit risk.

The refundable deposits of the Group under Other Non-Current Assets account in the statements of financial position pertain to security deposits made to various lessors and utility companies which the Group is not exposed to significant credit risk.

### ***4.3 Liquidity Risk***

The ability of the Group to finance increases in assets and meet obligations as they become due is extremely important to the Group's operations. The Group's policy is to maintain liquidity at all times. This policy aims to honor all cash requirements on an on-going basis to avoid raising funds above market rates or through forced sale of assets.

As of January 31, 2014 and April 30, 2013, the Group's financial liabilities pertain to Trade and Other Payables. Trade and other payables are considered to be current which are expected to be settled within 12 months from the end of each reporting period.

## 5. SEGMENT REPORTING

### *5.1 Business Segments*

The Group is organized into different business units based on its products for purposes of management assessment of each unit. In identifying its operating segments, the management generally follows the Group's three service lines. The Group is engaged in the business of Leasing, Services, and Holdings and Investments. These are also the basis of the Group in reporting to its strategic steering committee for its strategic decision-making activities.

- (a) The Leasing segment pertains to the lease of on-line lottery equipment, maintenance and repair services, and telecommunication and integration services rendered by the Group to PCSO.
- (b) The Services segment pertains to the hotel operations of PHPI.
- (c) Holdings and Investments segment relates to gains (losses) on disposal of investments and share in net gains (losses) of associates.

### *5.2 Segment Assets and Liabilities*

Segment assets are allocated based on their physical location and use or direct association with a specific segment and they include all operating assets used by a segment and consist principally of operating cash, receivables, advances, inventories and property, plant and equipment, net of allowances and provisions. Similar to segment assets, segment liabilities are also allocated based on their use or direct association with a specific segment. Segment liabilities include all operating liabilities and consist principally of accounts, taxes currently payable and accrued liabilities. Segment assets and liabilities do not include deferred taxes.

### *5.3 Intersegment Transactions*

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation.

The Group's operating business are organized and managed separately according to the nature of segment accounting policies which are the same as the policies described in Note 2.

#### 5.4 Analysis of Segment Information

The following tables present revenue and profit information regarding business segments for the years ended January 31, 2014 and April 30, 2013, and certain assets and liabilities information regarding industry segments at January 31, 2014 and April 30, 2013.

*January 31, 2014:*

	Leasing	Service	Automotive	Holdings & Investments	Elimination	Group
Revenue						
External	1,352,206,991	108,177,511	4,664,500,477	284,055,030	-	6,408,940,009
Inter-Segment				1,414,000,000	(1,414,000,000)	-
	<u>1,352,206,991</u>	<u>108,177,511</u>	<u>4,664,500,477</u>	<u>1,698,055,030</u>	<u>(1,414,000,000)</u>	<u>6,408,940,009</u>
Expenses						
External	593,657,642	108,079,099	4,632,771,101	123,574,437		5,458,082,279
Inter-Segment						-
	<u>593,657,642</u>	<u>108,079,099</u>	<u>4,632,771,101</u>	<u>123,574,437</u>	<u>-</u>	<u>5,458,082,279</u>
Profit before Tax	758,549,349	98,412	31,729,376	1,574,480,593	(1,414,000,000)	950,857,730
Net Profit	565,557,174	41,604	24,621,974	1,520,233,742	(1,414,000,000)	696,454,494
Segment Assets	810,563,805	808,506,737	5,691,264,059	5,830,686,683	(1,832,244,320)	11,308,776,964
Segment Liabilities	201,154,030	807,169,028	4,554,585,815	782,423,139	(861,013,989)	5,484,318,023
Capital Expenditures	679,773	11,478,750	634,930,494			647,089,017
Depreciation & Amortization	129,120,824	21,130,755	36,062,657			186,314,236



April 30, 2013:

	Leasing	Service	Holdings & Investments	Elimination	Group
Revenue					
External	2,066,632,302	153,087,197	152,553,364	-	2,372,272,863
Inter-Segment			1,200,000,000	(1,200,000,000)	-
	<u>2,066,632,302</u>	<u>153,087,197</u>	<u>1,352,553,364</u>	<u>(1,200,000,000)</u>	<u>2,372,272,863</u>
Expenses					
External	758,752,887	149,822,028	52,935,167		961,510,082
Inter-Segment					-
	<u>758,752,887</u>	<u>149,822,028</u>	<u>52,935,167</u>	<u>-</u>	<u>961,510,082</u>
Profit before Tax	1,307,879,415	3,265,169	1,299,618,197	(1,200,000,000)	1,410,762,781
Net Profit	1,004,620,080	2,143,428	1,296,781,239	(1,200,000,000)	1,103,544,747
Segment Assets	1,627,192,847	794,763,779	3,503,491,546	(935,330,360)	4,990,117,812
Segment Liabilities	173,340,245	789,467,675	3,612,811	(774,795,692)	191,625,039
Capital Expenditures	49,613,951	39,087,656			88,701,607
Depreciation & Amortization	193,898,741	25,398,420			219,297,161

Currently, the Group's operation is concentrated in one location; hence, it has no geographical segment.

## 5.5 Reconciliations

Presented below is a reconciliation of the Group's segment information to the key financial information presented in its financial statements.

	<u>January 31, 2014</u>	<u>April 30, 2013</u>
<b>Revenues</b>		
Total segment revenues	P 7,822,940,009	P 3,572,272,863
Elimination of intersegment revenues	( 1,414,000,000)	( 1,200,000,000)
Revenues as reported in profit or loss	<u>P 6,408,940,009</u>	<u>P 2,372,272,863</u>
<b>Profit or loss</b>		
Segment operating profit	P 2,364,857,730	P 2,610,762,781
Elimination of intersegment revenues	( 1,414,000,000)	( 1,200,000,000)
Elimination of intersegment expenses	-	-
Profit before tax as reported in profit or loss	<u>P 950,857,730</u>	<u>P 1,410,762,781</u>

	<u>January 31, 2014</u>	<u>April 30, 2013</u>
<b>Assets</b>		
Segment assets	P 13,141,021,284	P 5,925,448,172
Elimination of intercompany accounts	( 1,832,244,320)	( 935,330,360)
Total assets reported in Statements of financial position	<u>P 11,308,776,964</u>	<u>P 4,990,117,812</u>
<b>Liabilities</b>		
Segment liabilities	P 6,345,332,012	P 966,420,731
Elimination of intercompany accounts	( 861,013,989)	( 774,795,692)
Total liabilities as reported in statements of financial position	<u>P 5,484,318,023</u>	<u>P 191,625,039</u>

## 6. CONTRACTS WITH PCSO

PGMC is a party to the Equipment Lease Agreement (ELA) with PCSO covering the lease of PGMC's on-line lottery equipment (see Note 11) to PCSO under certain conditions. Under the ELA, PGMC is entitled to fees equal to a certain percentage of the gross receipts from all PCSO on-line lottery operations (the ticket sales) within a specified territory subject to an annual minimum fee as prescribed in the ELA. PGMC's revenues are derived from the ELA with PCSO.

Fees, maintenance and repair services, and telecommunication and integration services revenues recognized by PGMC from the foregoing ELA and related agreements amounted to P1,294,138,248 and P1,527,606,300 in January 31, 2014 and 2013, respectively, and are presented under the caption Rental in the Revenues section of the consolidated statements of comprehensive income. The related receivables amounting to P173,375,138 in January 31, 2014 and P210,306,891 in April 30, 2013 are shown as part of Trade and Other Receivables in the consolidated statements of financial position (see Note 8).

## 7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	<u>January 31, 2014</u>	<u>April 30, 2013</u>
Cash on hand and in banks	<b>P1,035,332,787</b>	P 150,654,625
Short-term placements	<u>37,352,668</u>	<u>1,259,082,781</u>
	<b><u>P1,072,685,455</u></b>	<b><u>P 1,409,737,406</u></b>

Cash in banks generally earn interest at rates based on daily bank deposit rates. Short-term placements have an average maturity of 7 to 32 days and average annual effective interest ranging from 1% to 1.50% in 2014.

## 8. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	<u>Notes</u>	<u>January 31, 2014</u>	<u>April 30, 2013</u>
Trade	6	<b>P 365,738,282</b>	P 215,764,749
Loans receivable		<b>538,226,337</b>	471,039,787
Payments to other related parties	19.2	<b>741,352,333</b>	379,579,136
Payment for stock subscription		<b>42,283,456</b>	42,283,456
Advances to officers and employees	19.9	<b>8,300,538</b>	9,265,921
Other receivables	14	<b>320,363,508</b>	54,524,790
		<b>2,016,264,455</b>	1,172,457,839
Allowance for impairment		<b>( - )</b>	<b>( 1,856,520 )</b>
		<b><u>P2,016,264,455</u></b>	<b><u>P1,170,601,319</u></b>

In 2013, the Parent Company granted a loan to a certain company amounting to P471,039,787. The loan is payable on demand subject to interest which will commence on January 1, 2014.

Payments to other related parties include payments made to Inter-Pacific Securities Sdn Berhad (IPSSB) & King & Spalding, who acts as stockbroker of the Group, for the future acquisition of investment securities by the Group (see Note 19.2).

Payment for stock subscription represent deposits made by the Parent Company under a Share Purchase Agreement with stockholders of a certain company.

Other receivables include receivables from TF Ventures, Inc. (TF) arising from payment made by the Group on behalf of TF. The outstanding receivable from TF, which is due upon demand, amounted to P43,750,000 as of January 31, 2014 and P52,500,000 as of April 30, 2013, respectively (see Note 14).

Other receivables also include amount which arose from the sale of the Group's investment in Roadhouse Grill, Inc. amounting to P1,856,520, which was provided with full allowance since 2008.

Trade receivables are usually due within 60 days and do not bear any interest. All receivables, except for Payments to Other Related Parties, Advances for Stock Subscription and Advances to Officers and Employees, are subject to credit risk exposure (see Note 4.2).

All of the Group's trade and other receivables have been reviewed for indications of impairment. In 2013, no receivables were found to be impaired, except for those which have already been provided with allowance.

The carrying amount of these financial assets is a reasonable approximation of their fair value.

## 9. PREPAYMENTS AND OTHER CURRENT ASSETS

The details of this account are as follows:

	<u>Notes</u>	<b>January 31, 2014</b>	<u>April 30, 2013</u>
Spare parts and accessories		<b>P 38,621,079</b>	P 43,564,244
Prepaid taxes		-	35,910,734
Input VAT		<b>23,275,885</b>	22,972,330
Inventories		<b>3,284,215,611</b>	6,611,841
Advance rental	19.7	<b>12,000,000</b>	4,990,733
Advances to suppliers		<b>56,893,331</b>	4,097,519
Creditable withholding tax		<b>2,406,617</b>	2,775,325
Prepaid withholding VAT		-	-
Other prepayments		<b><u>362,714,804</u></b>	<u>23,900,579</u>
		<b><u>P3,780,127,328</u></b>	<u>P 144,823,305</u>

The remaining advances to suppliers pertain only to payments to various suppliers for goods that were not yet received by the Group.

## 10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

This account consists of the following financial assets as of:

	<u>January 31, 2014</u>	<u>April 30, 2013</u>
Equity securities	<b>P 855,543,441</b>	P 553,932,751
Loan stocks	<b>13,533,600</b>	13,849,356
Warrants	<b><u>12,180,240</u></b>	<u>8,146,680</u>
	<b><u>P 881,257,281</u></b>	<u>P 575,928,787</u>

The Group disposed a portion of its equity securities at a selling price of P243,513,389 and P171,707,410 in January 31, 2014 and April 30, 2013, respectively. Accordingly, the cumulative fair value gains recognized in other comprehensive income amounting to P242,275,508 is reclassified from equity to profit or loss and presented as Reclassification Adjustment due to Disposal of Available-for-Sale Financial Assets in January 31, 2014 consolidated statement of comprehensive income. Realized gains from the sale transaction amounting to P207,435,413, which include the reclassification adjustment from equity to profit and loss amounting to P97,091,203 actual gain, is shown as Net Gain on Sale of Available-for-Sale Financial Assets account in the 2014 consolidated statement of comprehensive income (see Note 20.4).

The reconciliation of the carrying amounts of AFS financial assets are as follows:

	<u>Note</u>	<u>January 31, 2014</u>	<u>April 30, 2013</u>
Balance at beginning of year		<b>P 575,928,787</b>	P 297,475,142
Additions during the year		<b>2,220,587,190</b>	429,965,143
Disposals during the year		<b>( 207,435,413)</b>	( 194,433,579)
Reclassification for the year		<b>( 1,975,896,516)</b>	-
Fair value gain - net		<b><u>268,073,233</u></b>	<u>42,922,081</u>
Balance at end of year		<b><u>P 881,257,281</u></b>	<u>P 575,928,787</u>

Dividend income from these shares amounted to P35,193,883 and P5,878,326 in January 31, 2014 and 2013 respectively (see Note 18.1). The fair values of all of the Group's investments are categorized under level one, since these have been determined directly by reference to published prices in active markets.

## 11. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment for the period January 31, 2014 and April 30, 2013.

	Computers and On-line Lottery Equipment	Building	Transportation Equipment	Office Furniture, Fixtures and Equipment	Hotel and Kitchen Equipment and Utensils	Communication Equipment	Leasehold Improvements	Long Leasehold	Short Leasehold	Property, Plant & Equipment	TOTAL
Jan 31, 2014											
Cost	P 1,464,720,205	P 716,742,232	P 40,795,759	P 37,069,320	P 11,518,833	P 3,535,809	P 89,533,991	2,988,765	447,002,565	186,469,758	P 3,000,377,237
Accumulated depreciation and amortization	( 1,261,728,918)	( 51,216,917)	(29,508,765)	( 29,370,919)	( 5,260,105)	( 3,519,809)	( 50,227,572)	( 497,906)	( 20,414,166)	( 15,150,583)	( 1,466,895,660)
Exchange Difference	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(12,370)</u>	<u>(507,186)</u>	<u>(376,414)</u>	<u>(895,970)</u>
Net carrying amount	<b><u>P 202,991,287</u></b>	<b><u>P 665,525,315</u></b>	<b><u>P 11,286,994</u></b>	<b><u>P 7,698,401</u></b>	<b><u>P 6,258,728</u></b>	<b><u>P 16,000</u></b>	<b><u>P 39,306,419</u></b>	<b><u>P 2,478,489</u></b>	<b><u>P 426,081,213</u></b>	<b><u>P 170,942,761</u></b>	<b><u>P 1,532,585,607</u></b>
April 30, 2013											
Cost	P 1,471,982,237	P 708,742,232	P 43,757,447	P 36,583,984	P 10,809,552	P 3,535,809	P 86,723,871	-	-	-	P 2,362,135,132
Accumulated depreciation and amortization	( 1,147,292,128)	( 40,475,724)	( 27,505,293)	( 26,864,086)	( 3,563,959)	( 3,499,059)	( 41,124,057)	-	-	-	( 1,290,324,306)
Net carrying amount	<b><u>P 324,690,109</u></b>	<b><u>P 668,266,508</u></b>	<b><u>P 16,252,154</u></b>	<b><u>P 9,719,898</u></b>	<b><u>P 7,245,593</u></b>	<b><u>P 36,750</u></b>	<b><u>P 45,599,814</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>P 1,071,810,826</u></b>

The reconciliation of the carrying amounts at the beginning and end of fiscal year 2013, of property and equipment is shown below.

	Computers and On-line Lottery Equipment	Building	Transportation Equipment	Office Furniture, Fixtures and Equipment	Hotel and Kitchen Equipment and Utensils	Communication Equipment	Leasehold Improvements	Long Leasehold	Short Leasehold	Property, Plant & Equipment	TOTAL
Balance at May 1, 2013											
net of accumulated depreciation and amortization	P 324,690,109	P 668,266,508	P 16,252,154	P 9,719,898	P 7,245,593	P 36,750	P 45,599,814	-	-	-	P 1,071,810,826
Additions	-	8,000,000	-	560,155	709,281	-	2,889,085	2,988,765	447,002,565	186,469,758	648,619,609
Reclassifications during the year	-	-	-	-	-	-	-	-	-	-	-
Disposals	( 123,315)	-	( 398,673)	( 60,057)	-	-	( 52,577)	-	-	-	( 634,622)
Depreciation and amortization charges for the year	( 121,575,507)	( 10,741,193)	( 4,566,487)	( 2,521,595)	( 1,696,146)	( 20,750)	( 9,129,903)	( 497,906)	( 20,414,166)	( 15,150,583)	( 186,314,236)
Exchange Difference	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(12,370)</u>	<u>(507,186)</u>	<u>(376,414)</u>	<u>(895,970)</u>
Balance at Jan 31, 2014 net of accumulated depreciation and amortization	<b><u>P 202,991,287</u></b>	<b><u>P 665,525,315</u></b>	<b><u>P 11,286,994</u></b>	<b><u>P 7,698,401</u></b>	<b><u>P 6,258,728</u></b>	<b><u>P 16,000</u></b>	<b><u>P 39,306,419</u></b>	<b><u>P 2,478,489</u></b>	<b><u>P 426,081,213</u></b>	<b><u>P 170,942,761</u></b>	<b><u>P 1,532,585,607</u></b>
Balance at May 1, 2012											
net of accumulated depreciation and amortization	P 462,463,762	P 659,000,461	P 19,293,157	P 10,592,235	P 7,699,802	P 144,019	P 16,554,927	-	-	-	P 1,175,748,363
Additions	45,420,657	23,080,625	3,016,072	2,580,580	1,442,461	-	10,972,071	-	-	-	86,512,466
Reclassifications during the year	-	-	-	-	-	-	28,848,158	-	-	-	28,848,158
Disposals	-	-	( 1,000)	-	-	-	-	-	-	-	( 1,000)
Depreciation and amortization charges for the year	( 183,194,310)	( 13,814,578)	( 6,056,075)	( 3,452,917)	( 1,896,670)	( 107,269)	( 10,775,342)	-	-	-	( 219,297,161)
Balance at April 30, 2013 net of accumulated depreciation	<u>P 324,690,109</u>	<u>P 668,266,508</u>	<u>P 16,252,154</u>	<u>P 9,719,898</u>	<u>P 7,245,593</u>	<u>P 36,750</u>	<u>P 45,599,814</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>P 1,071,810,826</u>

The acquisition of on-line lottery equipment in 2013 includes a utilization of P11.6 million advances to suppliers (see Notes 9 and 19.4).

The Group recognized a gain on disposal of certain property and equipment totaling P6,417,566 and P1,361,103 in January 31, 2014 and April 30, 2013, respectively (see Note 16).



## 12. INVESTMENTS IN AND ADVANCES TO ASSOCIATES

### 12.1 Breakdown of Carrying Values

The components of the carrying values of investments in associates are shown below. These investments are accounted for under the equity method in these consolidated financial statements of the Group:

	Notes	PLPI	BPPI	BAPI	CPI	Total
<i>January 31, 2014</i>						
Investment:						
Acquisition costs						
Initial investment	10	P 399,997	P 26,000,000	P 62,700,000	P 399,996	P 89,499,993
Reclassification		-	11,400,000	-	-	11,400,000
		<u>399,997</u>	<u>37,400,000</u>	<u>62,700,000</u>	<u>399,996</u>	<u>100,899,993</u>
Accumulated equity share in net income (losses)						
Share in net income (losses) in prior years		30,755,647	( 40,265,694)	10,834,009	( 282,459)	1,041,503
Share in net income (losses) during the year		583,266	( 29,231,227)	26,569,905	( 275,285)	( 2,353,341)
		<u>31,338,913</u>	<u>( 69,496,921)</u>	<u>37,403,914</u>	<u>( 557,744)</u>	<u>( 1,311,838)</u>
Total investments in associates		31,738,910	( 32,096,921)	100,103,914	( 157,748)	99,588,155
Advances	19.1	40,309,463	121,566,848	-	673,496	162,549,807
		<b><u>P 72,048,373</u></b>	<b><u>P 89,469,927</u></b>	<b><u>P 100,103,914</u></b>	<b><u>P 515,748</u></b>	<b><u>P 262,137,962</u></b>

	Notes	PLPI	BPPI	BAPI	CPI	Total
<i>April 30, 2013</i>						
Investment:						
Acquisition costs						
Initial investment	10	P 399,997	P 26,000,000	P 62,700,000	P 399,996	P 89,499,993
Reclassification		-	11,400,000	-	-	11,400,000
		<u>399,997</u>	<u>37,400,000</u>	<u>62,700,000</u>	<u>399,996</u>	<u>100,899,993</u>
Accumulated equity share in net income (losses)						
Share in net income (losses) in prior years		29,539,873	( 8,533,813)	-	-	21,006,060
Share in net income (losses) during the year		1,215,774	( 31,731,881)	10,834,009	( 282,459)	( 19,964,557)
		<u>30,755,647</u>	<u>( 40,265,694)</u>	<u>10,834,009</u>	<u>( 282,459)</u>	<u>1,041,503</u>
Total investments in associates		31,155,644	( 2,865,694)	73,534,009	117,537	101,941,496
Advances	19.1	26,683,131	115,680,000	-	-	142,363,131
		<b><u>P 57,838,775</u></b>	<b><u>P 112,814,306</u></b>	<b><u>P 73,534,009</u></b>	<b><u>P 117,537</u></b>	<b><u>P 244,304,627</u></b>

The Group's associates are all incorporated in the Philippines.

The Group's organization of PLPI is part of its strategy of operating a hotel located in Makati City.

BAPI was incorporated on August 10, 2012 with authorized and paid-up capital of P10,000,000. From the total paid-up capital of BAPI, 40% was owned by the Group for a consideration of P4,000,000. On November 28, 2012, BAPI increased its authorized capital stock from P10,000,000 to P220,000,000. Consequently, the Group invested additional P58,700,000, bringing its total investment to P62,700,000, which is 30% of the total paid-up capital of BAPI as of April 30, 2013.

Also, during the fiscal year, CPI was incorporated on which the Group has 40% ownership interest for a total consideration of P399,996.

The accumulated equity share in net income (losses) relates to the Group's equity in the net income or loss of its associates.

## ***12.2 Summarized Financial Information***

Significant financial information as of January 31 and April 30 is presented as follows:

### **January 31, 2014**

	<b>PLPI</b>	<b>BPPI</b>	<b>BAPI</b>	<b>CPI</b>	<b>Total</b>
Total Assets	P 218,574,676	P 212,324,677	P 849,375,206	P 456,751	P 1,280,731,310
Total Liabilities	139,396,680	403,081,403	512,860,951	851,112	1,056,190,145
Total Equity					
(Capital Deficiency)	79,177,996 (	190,756,726)	336,514,255 (	394,361)	224,541,165
Net Profit (Loss)	1,458,164 (	97,437,422)	88,566,349 (	688,213) (	8,101,121)

### **April 30, 2013**

	<b>PLPI</b>	<b>BPPI</b>	<b>BAPI</b>	<b>CPI</b>	<b>Total</b>
Total Assets	P 205,502,624	P 219,878,008	P 498,798,999	P 334,372	P 924,514,003
Total Liabilities	127,782,793	313,197,312	250,851,093	40,520	691,871,718
Total Equity					
(Capital Deficiency)	77,719,831 (	93,319,304)	247,947,906	293,852	232,642,285
Net Profit (Loss)	3,039,434 (	105,772,938)	38,947,906 (	706,148) (	64,491,746)

## **13. OTHER NON-CURRENT ASSETS**

Other non-current assets of the Group pertain to security deposits refundable from various lessors and utility companies amounting to P2,773,990 and P2,665,796 as of January 31, 2014 and April 30, 2013, respectively.

#### 14. TRADE AND OTHER PAYABLES

This account consists of the following:

	<u>Notes</u>	<b>January 31, 2014</b>	<u>April 30, 2013</u>
Trade payables	19.4, 19.5	<b>P 822,035,023</b>	P 36,392,414
Deferred output VAT		<b>18,575,908</b>	22,951,215
Management fee payable	19.3	<b>24,100,000</b>	21,172,362
Due to related party	19.6	-	4,299,027
Accrued expenses		<b>338,991,042</b>	1,654,097
Withholding taxes payable		<b>2,196,882</b>	2,894,153
Other payables		<b><u>1,071,038,454</u></b>	<u>9,931,662</u>
		<b><u>P2,276,937,309</u></b>	<u>P 99,294,930</u>

The carrying amount of Trade and Other Payables is considered to be a reasonable approximation of their fair value.

#### 15. OTHER INCOME AND EXPENSES

(a) *Other Income*

Other income consists of the following:

	<b>January 31, 2014</b>	<u>January 31, 2013</u>
Excess of 7% standard input VAT over actual input VAT related to revenues with PCSO	<b>P 48,036,821</b>	P 36,618,543
Gain on sale of property and equipment	<b>6,417,566</b>	-
Miscellaneous	<b><u>28,681,344</u></b>	<u>4,029,729</u>
	<b><u>P 83,135,731</u></b>	<u>P 40,648,272</u>

Income from Excess of 7% Standard Input VAT Over Actual input VAT consists of the excess of 7% standard input VAT over actual input VAT on purchases related to revenues with the PCSO.

(b) *Other Operating Expenses*

Other Operating Expenses account is composed of the following:

	<u>January 31, 2014</u>	<u>January 31, 2013</u>
Hotel supplies	P 24,730,300	P 10,050,099
Insurance	14,962,117	4,132,704
Scholar Sponsorship	14,475,439	-
Repairs and maintenance	12,654,494	3,930,980
Cleaning and maintenance	9,477,583	1,756,569
Doubtful Account Expense	7,565,359	-
Outside services	7,296,469	5,583,790
Security services	3,875,275	2,601,065
Commissions	3,328,472	3,499,123
Listing fees	2,008,000	2,000,000
Membership fees, dues and subscription	1,954,025	1,965,066
Miscellaneous	<u>74,050,933</u>	<u>12,192,881</u>
	<u>P 176,378,466</u>	<u>P 47,712,277</u>

16. **EMPLOYEE BENEFITS**

*16.1 Salaries and Employee Benefits*

Details of Salaries and Employee Benefits are presented below.

	<u>January 31, 2014</u>	<u>January 31, 2013</u>
Salaries	P 376,413,591	P 51,927,531
Bonuses	10,709,841	14,522,755
Retirement benefits	6,520,190	3,204,000
Social security cost	2,172,308	2,239,556
Others	<u>13,168,865</u>	<u>13,745,897</u>
	<u>P 410,005,319</u>	<u>P 85,639,739</u>

## 16.2 Retirement Benefit Obligation

The Group maintains a tax-qualified, partially funded, non-contributory retirement plan that is being administered by a trustee covering all regular full-time employees. Actuarial valuations are made regularly to update the retirement benefit costs and the amount of contributions.

The amounts of retirement benefit obligation recognized in the consolidated statements of financial position are determined as follows.

	<u>January 31, 2014</u>	<u>April 30, 2013</u>
Present value of the obligation	<b>P 41,805,017</b>	P 41,805,017
Fair value of plan assets	<b>( 6,227,076)</b>	( 5,891,147)
Deficiency of plan assets	<b>35,577,941</b>	35,913,870
Unrecognized actuarial losses	<b>( 3,919,290)</b>	( 3,231,703)
	<b><u>P 31,658,651</u></b>	<u>P 32,682,167</u>

## 17. FINANCE INCOME AND FINANCE COSTS

The components of this account follow:

### 17.1 Finance Income

	Notes	<b>January 31, 2014</b>	January 31, 2013
Interest income	7, 19.1	<b>P 18,795,804</b>	P 42,560,251
Dividend income	10	<u>35,193,883</u>	<u>5,878,326</u>
		<b><u>P 53,989,687</u></b>	<b><u>P 48,438,577</u></b>

### 17.2 Finance Costs

Finance costs pertain to interest expense and commitment fee on loan and unrealized foreign currency gain (losses) amounting to (P66,519,689) and (P902,638) for the years ended January 31 2014 and 2013, respectively.

## 18. RELATED PARTY TRANSACTIONS

The significant transactions of the Group with related parties are described below.

	Note	January 31, 2014		April 30, 2013	
		Amount of Transactions	Outstanding Balance	Amount of Transactions	Outstanding Balance
<i>Associates</i>					
Cash advances	19.1	P 20,186,676	P 162,549,807	P 7,186,666	P 142,363,131
<i>Related party under common indirect ownership</i>					
Payments for future acquisition of investment securities	19.2	363,007,728	741,202,461	378,194,733	378,194,733
Purchase of spare parts and accessories	19.4	3,198,269	-	37,657,443	-
Software support services	19.5	13,911,392	-	17,890,895	-
Advance payment for on-line lottery equipment	19.4	-	-	(11,613,465)	-
Rental	19.7	4,500,000	-	6,000,000	-
Share in allocated expenses	19.6	(4,299,027)	-	2,799,650	4,299,027
Advance rental	19.8	7,009,267	12,000,000	1,076,464	4,990,733
<i>Stockholders</i>					
Buy-back of shares	19.9	-	-	85,722,300	-
<i>Entity owned by a key management personnel</i>					
Management services	19.3	91,625,723	24,100,000	121,506,359	21,172,362

### 18.1 *Advances to Associates*

The Group grants advances to its associates for working capital purposes. These advances are unsecured and due on demand, except for the loan granted to BPPI. The balances of these advances, presented as Advances to Associates account in the consolidated statements of financial position as of January 31 and April 30, are shown below.

	<u>January 31, 2014</u>	<u>April 30, 2013</u>
<i>Current –</i>		
PLPI	<b>P 40,309,463</b>	P 26,683,131
CPI	<u>673,496</u>	<u>-</u>
	<b><u>40,982,959</u></b>	<u>115,680,000</u>
<i>Non-current:</i>		
BPPI	<b>121,566,848</b>	115,680,000
PLPI	<u>-</u>	<u>-</u>
	<b><u>121,566,848</u></b>	<u>115,680,000</u>
	<b><u>P 162,549,807</u></b>	<b><u>P 142,363,131</u></b>

In 2013, based on management's current assessment, the Group may demand payment of such advances to PLPI for possible future opportunities and asset acquisitions as the need arises. Consequently, in 2013, advances to PLPI is presented as Advances to Associate account under current assets section of the consolidated statement of financial position.

In 2011, the Group provided P100,000,000 secured loan to BPPI, bearing an annual interest rate of 7% payable within two years from the borrowing date. In 2013, the Group extended the term of this loan for an additional three years. Interest earned from this transaction amounted to P5,250,000 in January 2014 and 2013 and is presented as part of Interest Income under Finance Income account in the consolidated statements of comprehensive income (see Note 18.1). Outstanding receivable from this transaction amounted to P121,566,848 and P115,680,000 as of January 31, 2014 and April 30, 2013, respectively, and is presented as Advances to Associates account under the non-current assets section of the consolidated statements of financial position.

### ***18.2 Payment to Other Related Party***

In 2013, the Group deposited funds to IPSSB and KS on client trust basis for future acquisition of investment securities. Outstanding payments to IPSSB and KS as of January 31 and April 30, 2013 amounted to P741,202,461 and P378,194,733 and is presented as part of Payments to Other Related Parties under Trade and Other Receivables account in the 2013 consolidated statement of financial position (see Note 8).

### ***18.3 Management Services Agreement***

Total management fees paid to an entity owned by a key management personnel of the Group based on Management Services Agreement amounted to P91,625,723 and P163,445,565 in January 31, 2014 and 2013, respectively, and are shown as part of Professional Fees account in the consolidated statements of comprehensive income. The net outstanding liability arising from this transaction amounted to P24,100,000 and P21,172,362 as of January 31, 2014 and April 30, 2013, respectively, and is presented as Management Fee Payable under the Trade and Other Payables account in the consolidated statements of financial position (see Note 15).

### ***18.4 Purchases of Goods and Services***

In January 31, 2014 and April 30, 2013, the Group made purchases from ILTS of spare parts and accessories amounting to USD 72,687 (P3,198,269) and USD 885,369 (P37,657,443), respectively. The Group has outstanding trade payables arising from purchases from ILTS amounting to nil as of January 31, 2014 and April 30, 2013, respectively and are presented as part of Trade Payables under Trade and Other Payables account in the consolidated statements of financial position (see Note 15).

### ***18.5 Software Support Services Agreement***

The Group entered into a Software Support Services Agreement (Software Agreement) with Sports Toto Malaysia Sdn Bhd, also a related party under common indirect ownership, for the Group's on-line lottery equipment (see Note 11). The Software Agreement is automatically renewed annually unless terminated by either party. In January 31 2014 and 2013, the Group recognized royalty expenses arising from the transaction amounting to P13,911,392 and P13,522,430 respectively, and are presented as part of Maintenance of Computer Equipment account in the consolidated statements of comprehensive income.

### ***18.6 Due to a Related Party***

Berjaya Resorts Management Services Sdn Bhd (Berjaya Resorts), a related party under common ownership, allocates costs and expenses to the Group related to advertising and promotion among others. Total amount of reimbursed expenses by Berjaya Resorts as of January 31, 2014 and April 30, 2013 amounted to nil and P2,799,650, respectively.



### ***18.7 Lease Agreement with PLPI***

In 2012, the Group and PLPI amended its existing lease agreement making the lease term good for one year for an annual rental of P6,000,000 but renewable annually, at the option of the lessee, for a maximum of 25 years.

Total rent expense related to this lease agreement amounted to P4,500,000 in January 31, 2014 and 2013, respectively, and is presented as part of Rental account in the consolidated statements of comprehensive income. PHPI also has advance rentals to PLPI amounting to P12,000,000 as of January 31, 2014 and April 30, 2013, respectively, which are presented as Advance Rentals under Prepayments and Other Current Assets in the statements of financial position (see Note 9).

### ***18.8 Buy-back of Shares***

In February 2013 and December 2012, the Parent Company reacquired additional 3,420,000 shares and 19,047,631 shares, respectively from various stockholders at a total cost of P85,722,300 and P401,040,252, respectively (see Note 20.3).

### ***18.9 Advances to Officers and Employees***

In the normal course of business, the Group grants interest-bearing advances to its officers and employees. Outstanding advances to officers and employees amounted to P8,300,538 and P9,265,921 as of January 31, 2014 and April 30, 2013, respectively, and are presented as Advances to Officers and Employees under Trade and Other Receivables account in the consolidated statements of financial position (see Note 8).

### ***18.10 Loan Guarantee***

In July 2013, the Parent Company obtained interest-bearing loans from a financial institution.

The loans of BPPI from a certain financial institution amounting to P233,500,000 and P160,000,000 as of January 31, 2014 and April 30, 2013, are secured by the Group.

### ***18.11 Related Party Transactions that are Eliminated in the Consolidated Financial Statements***

The following are the related party transactions (amounts and balances) that are eliminated in the consolidated financial statements:

#### ***a) Advances to Subsidiaries***

In 2009, the Parent Company granted advances to PHPI as a result of the execution of a MOA, which is part of the Group's strategy to acquire an interest in the operation of a hotel located in Makati City. In addition, the Parent Company made various advances to PHPI and PGMC for their operating activities, which are due upon demand. The outstanding balance as of January 31, 2014 and April 30, 2013 amounted to P791,820,810 and P772,614,070, respectively.

*b) Dividend Income*

The Parent Company recognized dividend income amounting to P1,410,000,000, P900,000,000 and P300,000,000 arising from the declaration of cash dividends by PGMC in 2013, 2012 and 2011, respectively. The Parent Company also recognized dividend income amounting to P4,000,000 from cash dividend declaration of PHPI in October 2013. Consequently, the Parent Company received the cash dividends of P1,325,000,000, P900,000,000 and P479,378,303 in 2013, 2012 and 2011, respectively. Outstanding dividend receivable amounted to 89,000,000 and nil as of October 31 and April 30, 2013, respectively.

*c) Purchase of Property and Equipment*

In 2012, PHPI bought transportation equipment from PGMC amounting to P1,325,000 which will be used for PHPI's daily operations.

## 19. EQUITY

### *19.1 Capital Management Objectives, Policies and Procedures*

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk.

The Group sets the amount of capital in proportion to its overall financing structure. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the carrying amount of equity as presented on the face of the consolidated statements of financial position and also evaluates its capital in terms of debt-to-equity ratio as shown below.

	<u>January 31, 2014</u>	<u>April 30, 2013</u>
Total liabilities	<b>P5,484,318,023</b>	P 191,625,039
Total equity	<b><u>5,824,458,942</u></b>	<u>4,798,492,773</u>
Debt-to-equity ratio	<b><u>1 : 1.06</u></b>	<u>1 : 25.04</u>

### *19.2 Capital Stock*

As of January 31, 2014 and April 30, 2013, the Parent Company has 2,000,000,000 authorized shares (with P1 par value per share) of which 953,984,448 shares are issued.

As of January 31, 2014 and April 30, 2013, there are 139 holders and 136 holders, respectively, of the Parent Company's total outstanding shares. The Parent Company's listed shares are bid at P18.10 per share and P20.50 per share as of January 31, 2014 and April 30, 2013, respectively.

The Parent Company has 118 stockholders and 116 stockholders owning 100 or more shares each of the Parent Company's capital stock, as of January 31, 2014 and April 30, 2013, respectively.

### 19.3 Treasury Shares

The Group made the following transactions for its treasury shares:

	<u>Note</u>	<u>Shares</u> <u>January 31, 2014</u>
Treasury shares at beginning of year		82,308,277
Buy-back of shares during the year	19.9	<u>3,420,000</u>
Treasury shares at end of year		<u><u>85,728,277</u></u>

	<u>Note</u>	<u>Amount</u> <u>2013</u>
Balance at beginning of year		P 902,427,725
Amount of shares bought-back during the year	19.9	<u>85,722,300</u>
Balance at end of year		<u><u>P 988,150,025</u></u>

### 19.4 Revaluation Reserves

The movements of Revaluation Reserves follow:

	<u>Note</u>	<u>January 31, 2014</u>	<u>April 30, 2013</u>
Balance at beginning of year		P 53,440,953	P 164,474,916
Net unrealized fair value gains on AFS financial assets	10	268,073,235	42,922,081
Reclassification adjustment due to disposal of on AFS financial asset	10	( 242,275,508)	( 153,956,044)
Exchange Reserve		<u>435,491</u>	<u>-</u>
Balance at end of year		<u><u>P 79,674,171</u></u>	<u><u>P 53,440,953</u></u>

## 20. EARNINGS PER SHARE

Earnings per share were computed as follows:

	<u>January 31, 2014</u>	<u>January 31, 2013</u>
Net profit	<b>P 690,256,872</b>	P 848,827,399
Divided by the weighted average number of outstanding common shares	<u>870,822,838</u>	<u>871,676,171</u>
Earnings per share	<u><b>P 1.057</b></u>	<u>P 1.298</u>

The Group has no potentially dilutive instruments; thus, basic and dilutive earnings per share are the same.

**BERJAYA PHILIPPINES, INC. AND SUBSIDIARIES**  
**(Formerly Prime Gaming Philippines, Inc. and Subsidiaries)**  
**[A Subsidiary of Berjaya Lottery Management (HK) Limited]**  
**Financial Indicators and KPI Ratios for Additional Reporting to the SEC :**

	<b>Consolidated Unaudited 31.10.2013</b>	<b>Consolidated Audited 30.04.2013</b>	<b>Consolidated Unaudited 31.01.2013</b>
<b>1</b>	<b><u>Current Ratio</u></b>		
	<b>1.28</b>	17.31	13.82
	Current Assets	<b>6,910,060,197</b>	<b>2,751,845,161</b>
	Current Liabilities	<b>5,387,416,825</b>	<b>158,942,872</b>
			<b>2,809,162,473</b>
			<b>203,257,789</b>
<b>2</b>	<b><u>Quick Ratio</u></b>		
	<b>0.67</b>	17.00	13.55
	Current Assets less Inventories	3,587,223,507	2,701,669,076
	Inventories	<b>3,322,836,690</b>	<b>50,176,085</b>
	Current Liabilities	5,387,416,825	158,942,872
			2,755,102,712
			<b>54,059,761</b>
			203,257,789
	<i>Note: The spare parts classified as Inventories under Prepaid Expenses and Other Current Assets</i>		
<b>3</b>	<b><u>Debt to Equity Ratio</u></b>		
	<b>0.54%</b>	0.68%	0.64%
	Long term Debt	<b>31,658,651</b>	<b>32,682,167</b>
	Stockholders' Equity	<b>5,824,458,942</b>	<b>4,798,492,773</b>
			<b>29,686,198</b>
			<b>4,629,108,632</b>
<b>4</b>	<b><u>Debt to Asset Ratio</u></b>		
	<b>0.28%</b>	0.65%	0.61%
	Long term Debt	<b>31,658,651</b>	32,682,167
	Total Assets	11,308,776,965	4,990,117,812
			29,686,198
			4,862,052,619
<b>5</b>	<b><u>Book Value per Share</u></b>		
	<b>6.69</b>	5.51	5.31
	Weighted Average number of BPI shares	<b>870,822,838</b>	<b>870,822,838</b>
			<b>871,676,171</b>
<b>6</b>	<b><u>PPE Turnover</u></b>		
	Net revenues/ PPE (in times) Annualized	<b>3.96</b> <b>5.27</b>	1.98 1.98
			1.47 1.96
<b>7</b>	<b><u>Return on Average Equity</u></b>		
	Net income/average equity Annualized	<b>11.96%</b> <b>15.94%</b>	23.00% 23.00%
			18.36% 24.48%
<b>8</b>	<b><u>Return on Average Assets</u></b>		
	Net income/ave. total assets Annualized	<b>6.16%</b> <b>8.21%</b>	22.11% 22.11%
			17.48% 23.31%
	Net revenues	<b>6,062,890,702</b>	<b>2,119,799,892</b>
	Plant, prop and equipment	<b>1,532,585,607</b>	<b>1,071,810,826</b>
	Total assets	<b>11,308,776,965</b>	<b>4,990,117,812</b>
	Net income	<b>696,454,493</b>	<b>1,103,544,747</b>
			<b>849,827,399</b>
	To annualize	1 1/3	1
			1 1/3

**BERJAYA PHILIPPINES, INC. AND SUBSIDIARIES**  
*(Formerly Prime Gaming Philippines, Inc. and Subsidiaries)*  
*[A Subsidiary of Berjaya Lottery Management (HK) Limited]*

**1. Aging of Accounts Receivables as of 31 January 2014**

Appendix B :

Type of Accounts Receivables	Total (Peso)	1 Month (Peso)	2 -3 Mos. (Peso)	4 - 6 Mos. (Peso)	7 Mos. to 1 year (Peso)	1 - 2 Years (Peso)	3-5 Years (Peso)	5 Years and above (Peso)	Past Due Accts & Items in Litigation (Peso)
<b>a) Trade Receivables</b>									
1) PCSO	173,375,138	173,375,138	-	-	-	-	-	-	-
2) Guest/City Ledger	5,601,799	5,601,799	-	-	-	-	-	-	-
3) Vehicle Debtor	186,761,345	186,761,345	-	-	-	-	-	-	-
3) Others	-	-	-	-	-	-	-	-	-
Subtotal	365,738,282	365,738,282	-	-	-	-	-	-	-
Less: Allow. For Doubtful Acct.	-	-	-	-	-	-	-	-	-
<b>Net Trade receivable</b>	<b>365,738,282</b>	<b>365,738,282</b>	-	-	-	-	-	-	-
<b>b) Non - Trade Receivables</b>									
1) Loans Receivables	538,226,337				538,226,337				
2) Payment to other related party	741,352,333				741,352,333				
3) Payment for future subscription	42,283,456		-	-		42,283,456			
4) Advances to employees	8,300,538	8,300,538							
5) Other Receivables	320,363,509	320,363,509							
Subtotal	1,650,526,173	328,664,047	-	-	1,279,578,670	42,283,456	-	-	-
Less: Allow. For Doubtful Acct.	-	-	-	-	-	-	-	-	-
<b>Net Non - trade receivable</b>	<b>1,650,526,173</b>	<b>328,664,047</b>	-	-	<b>1,279,578,670</b>	<b>42,283,456</b>	-	-	-
<b>Net Receivables (a + b)</b>	<b>2,016,264,455</b>	<b>694,402,329</b>	-	-	<b>1,279,578,670</b>	<b>42,283,456</b>			

Notes:

If the Company's collection period does not match with the above schedule, a revision is necessary to make the schedule not misleading.  
The proposed collection period in this schedule may be changed to appropriately reflect the Company's actual collection period.

**2. Accounts Receivable Description**

Type of Receivables	Nature/Description	Collection Period
1) Trade	gross receipt from lottery ticket sales	45 days
2) N/A		
3) N/A		

Notes:  
To indicate a brief description of the nature and collection period of each receivable accounts with major balances or separate receivable captions, both the trade and non - trade accounts.

**3. Normal Operating Cycle:**

45 days