MANILA JOCKEY CLUB, INC.

ORTIGAS CENTER OFFICE
14th FLOOR, STRATA 100 BUILDING
F. ORTIGAS JR. ROAD, ORTIGAS CENTER
PASIG CITY 1605, PHILIPPINES
Tel: (632) 6879889; Telefax: (632) 6316366
E-mail: executive@manilajockey.com or marketing@manilajockey.com
RACING SINCE 1867

NOTICE OF 2020 ANNUAL STOCKHOLDERS' MEETING

Notice is hereby given that the 2020 Annual Stockholders' Meeting ("**2020 ASM**") of **MANILA JOCKEY CLUB, INC.** (the "**Company**") will be conducted virtually through **http://manilajockeyclubinc.com.ph/ASM2020.php** on **September 18, 2020** at **9:00 a.m.**

AGENDA

1. Call to Order
2. Certification of Notice and of Quorum
3. Approval of the Minutes of the Annual Stockholders' Meeting held on 28 June 2019
4. Report of the President and Chief Executive Officer
5. Approval of the Annual Report and Audited Financial Statements of the Company for the period ended 31 December 2019
6. Approval and Ratification of Acts of the Board of Directors, Board Committees and Management since the last Annual Stockholders' Meeting
7. Election of Directors
8. Appointment of External Auditor
9. Other Matters
10. Adjournment

Only stockholders of record as of **10 August 2020** shall be entitled to notice of, and to vote at, the 2020 ASM, and any adjournment thereof.

Given the COVID-19 situation, stockholders of record may only participate via remote communication, and vote *in absentia* or by proxy.

Stockholders of record who intend to participate via remote communication, or to vote in *absentia* or by proxy, shall notify the Company via email at **ASM2020@mjc150.com** no later than **04 September 2020**. The procedures for participating via remote communication, and for voting in *absentia* or by proxy are set forth in Definitive Information Statement.

Votes can be only be cast through Ballots or Proxies. The Ballot/Proxy can be downloaded at **http://manilajockeyclubinc.com.ph/asm2020.php**. All Ballots and Proxies shall be submitted via email at corporate_secretary@mjc150.com no later than **15 September 2020.** Validation of proxies is set for **15 September 2020 at 5:00 p.m.**

We are not asking for proxies and stockholders are requested not to send us a proxy.

Pasig City, 17 August 2020.

Ferdinand A. Domingo

Atty. Ferdinand A. Domingo
Corporate Secretary

Rationale for Agenda Items

1. **Call to Order.** The Chairman of the Board, Atty. Alfonso R. Reyno, Jr., will formally open the 2020 Annual Stockholders' Meeting ("**2020 ASM")** of Manila Jockey Club, Inc. (the "**Company**")

2. **Certification of Notice and of Quorum.** The Corporate Secretary, Atty. Ferdinand A. Domingo, will certify the notice requirements of the 2020 ASM have been complied with in accordance with SEC Notice dated 20 April 2020 on Alternative Mode for Distributing and Providing Copies of the Notice of Meeting, Information Statement, and Other Documents in Connection with the Holding of Annual Stockholders' Meeting for 2020, and will attest whether a quorum is present in accordance with the Company's By-Laws and the Revised Corporation Code (RCC).

3. **Approval of the Minutes of the Annual Stockholders' Meeting held on 28 June 2019.** Copies of the Minutes are included in the Information Statement posted in the Company website and PSE EDGE.

4. **Report of the President and Chief Executive Officer.** The President and CEO's Report shall include the results of the Company's operations in 2019.

5. **Approval of the Annual Report and Audited Financial Statements of the Company for the period ended 31 December 2019.** Copies of the Annual Report and Audited Financial Statements are posted in the Company website and PSE EDGE.

6. **Approval and Ratification of Acts of the Board of Directors, Board Committees and Management since the last Annual Stockholders' Meeting.** The acts submitted for approval and ratification are contained in the Information Statement posted in the Company website and PSE EDGE.

7. **Election of Directors**. The Chairman and Corporate Secretary will present the nominees for election as members of the Board of Directors, including the independent directors. The profiles of the nominees to the Board of Directors are contained in the Information Statement posted in the Company website and PSE EDGE.

8. **Appointment of External Auditor.** The recommended external auditor will be presented to the stockholders' approval.

9. **Other Matters.** All other matters that arise after Notice and Agenda and Information Statement have been sent out, may be presented to the stockholders for consideration. Stockholders may raise such matters as may be relevant.

10. **Adjournment.** After consideration of all business, the Chairman shall declare the 2020 ASM adjourned.

PROCEDURES FOR PARTICIPATING VIA REMOTE COMMUNICATION,
AND FOR VOTING IN ABSENTIA OR BY PROXY

The 2020 Annual Stockholders' Meeting ("**2020 ASM**") of MANILA JOCKEY CLUB, INC. (the "**Company**") will be conducted virtually through **http://manilajockeyclubinc.com.ph/ASM2020.php** on **September 18, 2020** at **9:00 a.m**.

Given the COVID-19 situation, stockholders of record as of **10 August 2020** may only participate via remote communication, and vote *in absentia* or by proxy.

A. Registration Procedure

A stockholder who intends to participate via remote communication, or to vote *in absentia* or by proxy, must submit the following documentary requirements to the Company via email at ASM2020@mjc150.com no later than **04 September 2020**.

- *Certificated Stockholders (Individual)*

1. Stockholder's valid government-issued ID (e.g., Passport, Driver's License) showing photo, signature and personal details, preferably with residential address;
2. A valid and active e-mail address and contact number of the Individual Stockholder;
3. Stock Certificate Number/s; and
4. If appointing a proxy, duly accomplished and signed Proxy Form (Annex C).

- *Certificated Stockholders (Corporate)*

1. Notarized Secretary's Certificate on the resolution attesting to the authority of the representative to vote for, and on behalf of the corporate stockholder;
2. Authorized Representative's valid government-issued ID (e.g., Passport, Driver's License), showing photo, signature and personal details, preferably with residential address;
3. A valid and active e-mail address and contact number of the Authorized Representative;
4. Stock Certificate Number/s; and
5. If appointing a proxy, duly accomplished and signed Proxy Form (Annex C).

- *Stockholders with Shares PCD Participant/Broker Account*

1. Broker's Certification on the number of shares owned by the Stockholder;
2. Stockholder's valid government-issued ID (e.g., Passport, Driver's License), showing photo, signature and personal details, preferably with residential address;
3. A valid and active e-mail address and contact number of the Stockholder;
4. If appointing a proxy, duly accomplished and signed Proxy Form (Annex B).

All documents submitted shall be subject to the verification and validation of the Company. Stockholders who have successfully registered shall receive an email providing the link and log-in credentials to access the meeting room for the 2020 ASM.

Only stockholders who have notified the Company of their intention to participate, and vote in the 2020 ASM by remote communication, and have been validated to be stockholders of record of the Company will be considered in computing stockholder attendance in the ASM.

B. Voting Procedure

Stockholders who have successfully registered may cast their votes on each Agenda item through Ballots or Proxies. The Ballot/Proxy can be downloaded at http://manilajockeyclubinc.com.ph/ASM2020.php A brief description of the Agenda items for stockholders' approval is attached as **Annex A** of this Notice.

All Ballots or Proxies shall be submitted via email at **corporate_secretary@mjc150.com** no later than **15 September 2020.**

Below are the voting instructions.

1. ***For each Agenda item other than the Election of Directors***, the stockholder or proxy has the option to vote: "For", "Against", or "Abstain".

2. **For the Election of Directors**, the stockholder or proxy has the option to: (i) vote for all nominees, (ii) withhold vote for any of the nominees, or (iii) vote for certain nominees only. A stockholder may (a) vote such number of shares for as many persons as there are directors to be elected; (b) cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of shares owned, or (c) distribute them on the same principle among as many candidates as may be seen fit; provided, that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Company multiplied by the number of directors to be elected.

The Corporate Secretary will count and tabulate the votes cast by Ballot or Proxy.

C. ASM Participation via Remote Communication

Stockholders who have successfully registered can participate in the 2020 ASM via remote communication. Stockholders who have successfully registered shall receive an email providing the and log-in credentials to access the meeting room for the 2020 ASM.

Stockholders may send their questions related to the agenda by email to **corporate_secretary@mjc150.com** no later than the schedule of the 2020 ASM. The Company will endeavor to answer the questions during the Annual Meeting. For questions received but not entertained during the Annual Meeting due to time constraints, the Company will endeavor to answer said questions via email at a later time.

The proceedings of the 2020 ASM shall be recorded in audio and video format.

BALLOT/PROXY

Please mark as applicable:

☐ Vote by ballot: The undersigned stockholder of Manila Jockey Club, Inc. (the "Company") casts his/her vote on the Agenda items for the 2020 ASM, as expressly indicated with ''X'' below.

☐ Vote by proxy: The undersigned stockholder of the Company hereby names, constitutes, and appoints _______________________________________ or in his/her/its absence, the Chairman of the Meeting, as attorney-in-fact and proxy, to represent and vote all shares registered in his/her/its name at the 2020 ASM, and any adjournment(s) thereof, as fully as the undersigned can if present and voting in person, ratifying all action taken on matters that may properly come before such meeting or its adjournment(s). The undersigned directs the proxy to vote on the Agenda items which have been expressly indicated with ''X'' below.

	Agenda Items for Approval	FOR	AGAINST	ABSTAIN
1.	Approval of the Minutes of the Annual Stockholders' Meeting held on 28 June 2019			
2.	Approval of the Annual Report and Audited Financial Statements for the year ended 31 December 2019			
3.	Approval and Ratification of the acts of the Board of Directors, Board Committees and Management since the last Annual Stockholders' Meeting			
4.	Appointment of Sycip Gorres Velayo & Co. (SGV) as external auditor of the Company for the year 2020 to 2021			
5.	**Election of Directors**	**VOTE FOR ALL**	**WITHHOLD FOR ALL**	**No. of Shares Voted**
	(1) Alfonso R. Reyno, Jr.			
	(2) Mariza Santos-Tan			
	(3) Alfonso Victorio G. Reyno III			
	(4) Pedro O. Tan			
	(5) Ferdinand A. Domingo			
	(6) Christopher G. Reyno			
	(7) Patrick G. Reyno			
	(8) John Anthony B. Espiritu			
	(9) Ma. Luisa T. Morales			
	(10) Lucas C. Carpio, Jr.			
	(11) Danilo E. Ignacio			
	(12) Victor B. Valdepeñas (Independent Director)			
	(13) Victor C. Fernandez (Independent Director)			
	(14) Anel Martin S. Antero (Independent Director)			

Signed this ___________________________ 2020, at ________________________.

___________________________________ PRINTED NAME OF STOCKHOLDER

___________________________________ SIGNATURE OF STOCKHOLDER/ AUTHORIZED SIGNATORY

This Ballot/Proxy should be received by the Corporate Secretary of Manila Jockey Club, Inc. via email at corporate_secretary@mjc150.com no later than 15 September 2020. This Ballot/Proxy, when properly executed, will be voted in the manner as marked/directed herein by the stockholder. If no direction is made, this proxy will be voted for the election of all nominees and for the approval of the matters stated above and for such other matters as may properly come before the meeting as recommended by the Chairman. A stockholder giving a proxy has the power to revoke it at any time before the right granted is exercised. Notarization of the proxy is not required. For corporate stockholders, please attach to this proxy form the secretary's certificate on the authority of the signatory to appoint the proxy and sign this form.

COVER SHEET

PW803

S.E.C. Registration Number

MANILA JOCKEY CLUB, INC.

(Company's Full Name)

14TH FLOOR STRATA 100 BLDG.
F. ORTIGAS JR. ROAD
ORTIGAS CENTER, PASIG CITY

(Business Address : No. Street City / Town / Province)

ATTY. CHINO PAOLO Z. ROXAS	8687-9889
Contact Person	**Company's Telephone Number**

DEFINITIVE INFORMATION STATEMENT - 2020

1 2	3 1	20-IS	0 6	3 0
Month	***Day***	**FORM TYPE**	***Month***	***Day***
Fiscal Year			**Annual Meeting**	

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders **Domestic** **Foreign**

To be accomplished by SEC Personnel concerned

File Number **LCU**

Document I.D. **Cashier**

S T A M P S

Remarks = pls. Use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC Form 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:
   [ ] Preliminary Information Sheet
   [✓] Definitive Information Statement

2. Name of Registrant as specified in its charter: **MANILA JOCKEY CLUB, INC.**

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

4. SEC Identification Number: **PW803**

5. BIR Tax Identification Number: **000-786-765**

6. Address of principal office: **San Lazaro Leisure and Business Park Brgy. Lantic, Carmona, Cavite 4116**

7. Registrant's telephone number, including area code: **(02) 8687-9889**

8. Date, Time and Place of the meeting of security holders

18 September 2020, 9:00 a.m.
via Remote Communication at
http://manilajockeyclubinc.com.ph/ASM2020.php

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **27 August 2020**

10. Securities registered pursuant to Section 8 and 12 of the Securities Regulation Code:

Title of Each Class Outstanding	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common	**1,494,241,674**

11. Are any or all of registrant's securities listed on the Philippines Stock Exchange?

    Yes [✓] No [ ]

    If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

    Philippine Stock Exchange – Common Shares

MANILA JOCKEY CLUB, INC.

INFORMATION STATEMENT

WE ARE NOT ASKING FOR A PROXY AND
YOU ARE REQUESTED NOT TO SEND US A PROXY.

A. GENERAL INFORMATION

Item 1. Date, time and place of meeting of Security Holders (the "Annual Meeting")

(a) **Date:** 18 September 2020

Time: 9:00 a.m.

Place: Due to the COVID-19 pandemic and the Community Quarantine imposed within the National Capital Region, including Cavite, where the Company's principal office is located, the physical and actual holding of the Annual Meeting cannot be conducted. The Annual Meeting shall be conducted via remote communications at the Company website: http://manilajockeyclubinc.com.ph/asm2020.php

(b) Approximate date on which the Information Statement will first be sent or given to Security Holders:

This Information Statement shall be available beginning **27 August 2020** at the Company's website: http://manilajockeyclubinc.com.ph/asm2020.php

Item 2. Dissenters' Right of Appraisal

Section 80 of the Revised Corporation Code ("**RCC**") provides that any stockholder of the Company shall have the right to dissent and demand payment of the fair value of his shares in in the following instances: (1) in case an amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the terms of corporate existence; (2) in case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Revised Corporation Code; (3) in case of merger or consolidation; and (4) in case of investment of corporate funds for any purpose other than the primary purpose of the Company.

Pursuant to Section 81 of the RCC, the appraisal right may be exercised by the dissenting stockholder who votes against the proposed corporate action, by making a written demand on the Company within thirty (30) days after the date on which the vote was taken, for payment of the fair market value of shares held. Failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented, the Company shall pay the stockholder, upon surrender of the certificate or certificates of stock representing the stockholder's shares, the fair value thereof as of the day before the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If within sixty (60) days from the approval of the corporate action by the stockholders, the withdrawing stockholder and the corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the Company, and the third by the two (2) thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the Company within thirty (30) days after such award is made. No payment shall be made to any dissenting stockholder unless the Company has unrestricted retained earnings in its books to cover such payment. Upon payment by the Company of the agreed or awarded price, the stockholder shall forthwith transfer the shares to the Company.

No matter will be presented for stockholders' approval during the Annual Meeting that may occasion the exercise of the right of appraisal.

Item 3. Interest of Certain Persons in Matters to be Acted Upon

No director or officer of the Company since the beginning of the last fiscal year, or any nominee for election as director, or any of their associates, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon at the Annual Meeting, other than election to office.

No director of the Company has informed the Company in writing that he intends to oppose any action to be taken by the Company at the Annual Meeting.

B. <u>CONTROL AND COMPENSATION INFORMATION</u>

Item 4. Voting Securities and Principal Holders Thereof

(a) Voting securities entitled to vote at the Annual Meeting

As of 31 July 2020, the total number of common shares outstanding and entitled to vote at the Annual Meeting is 1,494,241,674 shares.

(b) Record Date

Only stockholders of record at the close of business on **10 August 2020** (the "**Record Date**") are entitled to notice of, and to vote at, the Annual Meeting.

(c) Cumulative Voting

Cumulative voting is allowed for election of members of the Board of Directors. Please refer to Item 19 (Voting Procedures) of the Information Statement.

(d) Security Ownership of Certain Record and Beneficial Owners and Management

(1) <u>Security Ownership of Record and Beneficial Owners of more than 5% of voting securities</u>

As of 31 July 2020, the following are the persons or groups known to the Company to be directly or indirectly the record and/or beneficial owner of more than 5% of the Company's voting securities:

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common	**PCD Nominee Corporation** 37F Tower 1, The Enterprise Center, 6766 Ayala Ave. cor. Paseo de Roxas, Makati City Stockholder	PCD Participants*	Filipino	779,676,407	52.18%
Common	**ARCO Equities, Inc.** 12/F, Strata 100 Building F. Ortigas Jr., Ortigas Center Pasig City Stockholder	Alfonso R. Reyno, Jr., Alfonso Victorio G. Reyno III and Christopher G. Reyno are the controlling shareholders	Filipino	198,713,048	13.30%
Common	**Alfonso R. Reyno, Jr.** 12/F, Strata 100 Building F. Ortigas Jr., Ortigas Center Pasig City Stockholder	Same as Record Owner	Filipino	98,921,910	6.62%
Common	**Exequiel D. Robles** Sta. Lucia Realty East Grandmall 3/F, Bldg. 2, Marcos Highway cor. Felix Avenue, Cainta, Rizal Stockholder	Same as Record Owner	Filipino	85,366,850	5.71%

*PCD Nominee Corporation ("PCNC") is a wholly owned subsidiary of Philippine Central Depository, Inc. ("PCD") and is registered owner of the shares in the books of the Company's transfer agent. PCD participants deposit eligible securities in PCD through a process of lodgment, where legal title to the securities is transferred and held in trust by PCNC. The participants of PCD are the beneficial owners of such shares. ARCO Equities, Inc. owns 139,484,784 shares or 9.33%, and Alfonso R. Reyno, Jr. owns 56,222,733 shares or 3.76%, which are lodged under PCNC.

The table below shows persons or groups known to the Company as of 31 July 2020 to be directly or indirectly the record or beneficial owner of more than 5% of the Company's voting securities under the PCD Nominee Corporation:

Title of Class	PCD Participant	Citizenship	No. Shares Held	Percent
Common	**BDO SECURITIES CORPORATION** 27/F Tower I & Exchange Plaza Ayala Ave., Makati City	Filipino	279,630,485	18.71%
Common	**FIRST INTEGRATED CAPITAL SECURITIES** Units 1211-1212 Tower I & Exchange Plaza, Ayala Ave. Cor. Paseo de Roxas, Makati City	Filipino	106,232,705	7.11%

As of 31 July 2020, the number of shares held by foreign stockholders is 3,722,786 common shares, or 0.25% of the Company's total issued and outstanding shares.

(2) Security Ownership of Management

As of 31 July 2020, the following are the securities beneficially owned by all directors and officers of the Company:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	%
Common	Alfonso R. Reyno, Jr.	155,144,643 (Direct) 35,568,214 (Indirect)	Filipino	10.38%
Common	Mariza Santos-Tan	7,785 (Direct)	Filipino	0.00%
Common	Alfonso Victorio G. Reyno III	7,874,998 (Direct) 31,684,692 (Indirect)	Filipino	0.53%
Common	Pedro O. Tan	125,500 (Direct)	Filipino	0.01%
Common	Christopher G. Reyno	7,874,998 (Direct) 26,086,905 (Indirect)	Filipino	0.53%
Common	Lucas C. Carpio, Jr.	1 (Direct)	Filipino	0.00%
Common	Ma. Luisa T. Morales	14,351,625 (Direct)	Filipino	0.96%
Common	John Anthony B. Espiritu	1 (Direct)	Filipino	0.00%
Common	Ferdinand A. Domingo	5,322,045 (Direct)	Filipino	0.36%
Common	Victor B. Valdepeñas	1 (Direct)	Filipino	0.00%
Common	Victor C. Fernandez	1 (Direct)	Filipino	0.00%
Common	Lemuel M. Santos	1,312,909 (Direct)	Filipino	0.09%

Directors and officers as a group hold a total of 192,014,507 common shares, equivalent to approximately 12.85% of the Company's issued and outstanding capital stock.

(3) Voting Trust Holders of 5% or More

No person holds 5% or more of the issued and outstanding shares of stock of the Company under a voting trust or similar agreement.

(4) Changes in Control

The Company is not aware of any change in control or arrangement that may result in a change in the control of the Company since the beginning of the Company's last fiscal year.

Item 5. Directors and Executive Officers

(a) The Board of Directors

The following are the incumbent members of the Board of Directors:

Names	Citizenship	Age	Year First Elected
Alfonso R. Reyno, Jr.	Filipino	76	1997
Mariza Santos-Tan	Filipino	62	1997
Alfonso Victorio G. Reyno III	Filipino	50	1997
Pedro O. Tan	Filipino	82	1997
Christopher G. Reyno	Filipino	44	2002

Names	Citizenship	Age	Year First Elected
Lucas C. Carpio, Jr.	Filipino	72	2017
Ma. Luisa T. Morales	Filipino	76	2013
John Anthony B. Espiritu	Filipino	57	2008
Ferdinand A. Domingo	Filipino	68	1995
Victor B. Valdepeñas (Independent Director)	Filipino	74	2015
Victor C. Fernandez (Independent Director)	Filipino	76	2010

Set forth below are the business experience of the members of the Board during the past five (5) years.

ALFONSO R. REYNO, JR., holds a Bachelor of Arts degree in Political Science from the University of the Philippines and a Bachelor of Laws from the same university. He formerly occupied the following government positions: Deputy Minister of Defense (*1984-1986*), Member of the Batasang Pambansa (*1984-1986*), Vice Governor of Cagayan (*1980-1984*), Member of the Board of Trustees of the Cagayan State University (*1979-1986*). He presently occupies the following positions in various entities: *Chairman and President*, Arco Management & Development Corporation; *Chairman*, Arco Equities, Inc.; *Chairman*, Arco Ventures, Inc.*; Chairman and President,* Bonaventure Development Corporation (1983 to present); *Chairman*, Palos Verdes Realty Corporation; *Chairman*, PGR Development Holdings, Inc., *Managing Partner*, Reyno Tiu Domingo & Santos Law Offices (1976 to present); *Chairman and CEO*, MJC Investments Corporation (2009 to present).

MARIZA SANTOS-TAN, holds a Bachelor of Science degree in Commerce from the San Sebastian College, and Masters degree in Economics from the University of Asia & the Pacific. She presently occupies the following positions in various companies: *Director and Treasurer*, Sta. Lucia Land, Inc.; *Director*, Unioil Resources and Holdings Co., Inc.; *Vice-President and Corporate Secretary*, Sta. Lucia Realty Development, Inc.; *Director and Corporate Secretary*, Sta. Lucia East Grandmall; *Director and Assistant Corporate Secretary*, Orchard Golf and Country Club; *President*, Royale Tagaytay Golf and Country Club; *Director and Corporate Secretary*, Rancho Palos Verdes Golf & Country Club; *Director and Corporate Secretary*, Summit Golf & Country Club; *Corporate Secretary*, Alta Vista Golf & Country Club.

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

PEDRO A. TAN, holds a degree of Bachelor of Science in Business Administration from the Far Eastern University. He presently occupies the following positions in various companies: President, General Manager and Director, Triplex Enterprises, Inc. and Gibson Manufacturing Co., Inc.; *President and Director*, Burlington Philippines Industries, Inc., Evergrow Industries, Inc., and HPT Industries, Inc.; *Treasurer and Director*, Zipporah Holding Corporation, Blue Ridge Mineral Corporation, Highland Securities Philippines and Liberty Telecoms Holdings, Inc.

CHRISTOPHER G. REYNO, holds a degree of Bachelor of Arts in Liberal Arts from De La Salle University. He presently occupies the following positions in various companies: *Director*, ARCO Management & Development Corporation; *Vice President*, ARCO Ventures, Inc.; *Director*, ARCO Equities, Inc.; *Director*, Bonaventure Development Corporation; *Director*, Palos Verdes Realty Corporation; *Director*, PGR Development Holdings, Inc.

LUCAS C. CARPIO, JR., holds a degree of Bachelor of Arts in Political Science – History from De La Salle College and a Bachelor of Laws degree from the Ateneo de Davao University. He previously occupied the following positions: Assistant City Fiscal, Davao City; Manager – Litigation Group, Security Bank and Trust Company; Junior Associate, Yulo and Bello Law Offices. He is currently the Managing Partner of Carpio and Bello Law Offices.

MA. LUISA T. MORALES, holds a Bachelor of Arts degree in Commerce from Assumption College. She is a Director of Tormil Realty Corporation.

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

FERDINAND A. DOMINGO, holds a degree of Bachelor of Arts in Political Science from the University of the Philippines, and a Bachelor of Laws from the same university. He previously occupied the following positions in various companies: Director, CICI General Insurance Corporation; Director, United Overseas Bank (*May 2001 to July 2002*); Corporate Secretary, Westmont Bank (*May 17, 2000 to January 16, 2004*); Director, PNB Holdings Ltd. and PNB Hongkong Branch (*1998 to February 2000*); Bank Attorney, Philippine National Bank (*1978-1984*); Corporate Secretary, Philippine Racing Club, Inc. (*1994-1997*); Legal Counsel and Corporate Secretary, National Steel Corporation (*May 3, 1995 to March 1997*). He currently occupies the following positions: Senior Partner, Reyno Tiu Domingo & Santos Law Offices; Corporate Secretary and General Counsel; MJC Investments Corporation.

VICTOR B. VALDEPEÑAS, holds a degree of Bachelor of Science, Major in Economics from the University of the Philippines, and a Doctor of Philosophy in Economics from the same university. He previously occupied the following positions in various institutions: Vice *President and Country Treasurer*, Citibank N.A. (1987-1994); *Executive Vice President/Treasurer*, Unionbank of the Philippines (1993-1997); *Consultant* to the Chairman of National Economic Council; *Assistant Director*, National Planning Policy Research of National Economic Development Authority; *Faculty Member*, University of the Philippines; *Professorial Lecturer*, University of Sto. Tomas; *Director*, University of the Philippines Alumni Association (2012-2015); *President and Chief Operating Officer*, Unionbank of the Philippines (1998-2015), Director, Dusit Hospitality Education Philippines. He currently occupies the following positions in various companies: *Director*, Foodsphere Inc., *Chairman*, YUM WAH Inc. Philippines; *Chairman*, V1 Bus Lines Inc.; *Chairman*, V1 Countrywide Realty Corp.

VICTOR C. FERNANDEZ, holds a degree of Bachelor of Arts, Major in Economics from the University of the Philippines and a Bachelor of Laws from the same university. He previously occupied the following positions in various institutions: *Deputy Ombudsman for Luzon*, Office of the Ombudsman (*March 2003 to March 2010*); *Senior Partner*, Fernandez, Pacheco & Dizon Law Office (*1993 to February 2003*); *Senior Partner*, Fernandez, Velasco & Grapilon Law Offices (*1987 to 1993*); *Senior Partner*, Fernandez, Ambrocio & Fernandez Law Offices (*1982 to 1987*); *Associate*, Sen. Estanislao A. Fernandez Law Offices (*1972 to 1981*), *Legal Consultant*, World Bank – Supreme Court Project on the Review of the Criminal Justice System; Lecturer for Mandatory Continuing Legal Education (MCLE). He presently occupies the following positions: *Consultant*, Local Water Utilities Administration (LWUA) and the Commission on Audit (COA); *Independent Director*, Destiny Fund Corporation.

Nomination of Directors for 2020-2021

The directors of the Company elected at the Annual Meeting shall hold office for one (1) year and until their respective successors have been elected and qualified.

The following are the nominees to the Board of Directors:

1. ALFONSO R. REYNO JR.
2. MARIZA SANTOS-TAN
3. ALFONSO VICTORIO G. REYNO III
4. PEDRO O. TAN
5. CHRISTOPHER G. REYNO
6. LUCAS C. CARPIO, JR.
7. MA. LUISA T. MORALES
8. JOHN ANTHONY B. ESPIRITU
9. FERDINAND A. DOMINGO
10. PATRICK G. REYNO
11. DANILO E. IGNACIO
12. VICTOR B. VALDEPEÑAS (Independent Director)
13. VICTOR C. FERNANDEZ (Independent Director)
14. ANEL MARTIN S. ANTERO (Independent Director)

The Company has no reason to believe that any of the aforesaid nominees will be unwilling or unable to serve if elected as a director.

Set forth below are the business experience of Mssrs. Patrick G. Reyno, Danilo E. Ignacio and Anel Martin S. Antero during the last five (5) years:

PATRICK G. REYNO, Filipino, 49 years of age, holds a degree of A.B. Economics and Social Studies, Magna Cum Laude, from Harvard College; a Diploma in French Languages and Civilizations from the University of Paris; a Masters in Business Administration (Entrepreneurship and Finance) with Honors from Columbia Business School; a Graduate Diploma in Modern and Contemporary Art from University of Glasgow; MA Asian Art History and Archeology program from University of London (School of Oriental and African Studies); Diploma, Foundations of Diplomacy from the University of Oxford; and a Post-Graduate Diploma in Diplomatic Studies (Foreign Service Programme) from the University of Oxford. He previously occupied the following positions: *Founder and President*, NOW Gallery and Auctions (2010 – 2014); *Consultant* (Private Wealth Management Dept.), Morgan Stanley Asia Ltd. (Honk Kong) (2006-2008); *Founder and CEO*, Expedite Ventures, Inc. (New York) (2000); *Investment Banking Analyst*, Morgan Stanley Asia Ltd. (Hong Kong) (*1994 - 1996*); *Senior Analyst*, SGV & Co. (*1993-1994*), and *Equities Sales and Equities Research Analyst*, Dharmala Securities Hong Kong (*1991 – 1992*). He presently occupies the following positions in various companies: *Vice President – Strategic Planning and Business Development*, Manila Jockey Club, Inc.; *Managing Director and Vice Chairman*, Apo Reef World Resorts Corporation; *Director*, ARCO Management & Development Corporation; *Director*, ARCO Ventures, Inc.; *Director*, ARCO Equities, Inc.; *Director*, Bonaventure Development Corporation; *Director*, Palos Verdes Realty Corporation; *President*, PGR Development Holdings, Inc.

DANILO E. IGNACIO, Filipino, 71 years of age, holds a Bachelor of Science degree in Electrical Engineering from the Mapua Institute of Technology. He previously occupied the following positions in various companies: President & Chief Operating Officer, Eton Properties Philippines (2007-2012); General Manager, Robinsons Land Corporation – High Rise Buildings Division (2002-2007); President, Philam Properties Corporation (1995-2001); Vice President and Business Manager, Citibank, N.A. - Citibank

Tower Building Project (1992-1996). He presently occupies the following positions in various companies: Chairman and CEO, DEI Properties, Inc. (2012 to present); Chairman, Apo Reef World Resorts Corporation (2018 to present).

ANEL MARTIN S. ANTERO, Filipino, holds a degree of Bachelor of Arts in Philosophy from the University of the Philippines, and a Bachelor of Laws from the Far Eastern University – Institute of Law. He previously occupied the following positions: Founding Partner, Mendoza Antero & Associates (2008-2011); City Legal Officer, City of San Jose Del Monte Local Government (2010-2016); City Legal Officer, City of Meycauayan Local Government (2016-2019). He currently occupies the following positions in various entities: *Trustee*, First City Providential College, Inc.; President, Ludalian Salon Services, Inc.; and *President*, Integrated Bar of the Philippines – Bulacan Chapter.

Attys. Lenito T. Serrano, Elba S. Cruz, and Cyril Marasigan nominated Atty. Victor Fernandez, Mr. Victor Valdepeñas and Atty. Anel Martin S. Antero, respectively, as independent directors of the Company. Attys. Lenito T. Serrano, Elba S. Cruz, and Cyril Marasigan are not related to any of the nominees for independent director by consanguinity or affinity, and has no professional or business dealings with any of them. Messrs. Valdepeñas, Fernandez and Antero are neither officers nor substantial shareholders of the Company.

The nominees for independent directors possess the qualifications and none of the disqualifications of independent directors under relevant rules of the Securities Regulation Code (the "SRC") and its implementing rules and regulations (the "SRC Rules").

The respective profiles of Messrs. Valdepeñas, Fernandez and Antero are set forth above.

The matter of the nomination and election of Independent Directors form part of a set of guidelines for the Nomination Committee. These guidelines define qualifications, disqualifications and procedures for the screening and short listing of candidates nominated to the Board.

The members of the Nomination Committee are as follows:

1. Alfonso Victorio G. Reyno III - Chairman
2. Ferdinand A. Domingo - Member
3. Victor C. Fernandez - Member (Independent Director)

For this Annual Meeting, the Nomination Committee shall screen and evaluate the candidates for Independent Directors, using the committee's guidelines, pertinent provisions of the Company's Revised Manual on Corporate Governance, its By-Laws and relevant issuances under the SRC and the SRC Rules.

On July 30, 2008, the SEC approved the amendments to the Company's By-laws incorporating the procedures for the nomination and election of independent directors in accordance with SRC Rule 38, as amended.

(b) The Executive Officers

The following are the Executive Officers of the Company:

Position	Names	Citizenship	Age
Chairman of the Board	Alfonso R. Reyno, Jr.	Filipino	76
President and Chief Executive Officer	Alfonso Victorio G. Reyno III	Filipino	50
Treasurer	Pedro O. Tan	Filipino	82

Position	Names	Citizenship	Age
Chief Finance Officer	Nestor N. Ubalde	Filipino	60
Corporate Secretary and General Counsel	Ferdinand A. Domingo	Filipino	68
Assistant Corporate Secretary	Lemuel M. Santos	Filipino	69
Executive Vice President and Deputy COO for Administration	Peter Francis G. Zagala	Filipino	50
Corporate Information & Compliance Officer	Chino Paolo Z. Roxas	Filipino	36

The profiles of Mssrs. Alfonso R. Reyno, Jr., Alfonso Victorio G. Reyno III, Pedro O. Tan and Ferdinand A. Domingo are provided above. Set forth below are the business experience of the Company's other executive officers during the past five (5) years:

NESTOR N. UBALDE, holds a a degree of Bachelor of Science in Business Administration from the University of East, Manila and a Bachelor of Laws from the same university. He previously occupied the following positions in various entities: Vice President for Finance and Controllership, Africa Israel Investments (AIL) (Philippines), Inc. and Africa Israel Properties (AIP) (Philippines), Inc. (January 2006 to March 2010); Chief Finance Officer, Smartpetro, Inc. (March 2010 to January 2011).

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

PETER FRANCIS G. ZAGALA, holds a degree of Bachelor of Science in Business Administration from the University of the Philippines and a Bachelor of Laws from the same university. He currently occupies the following positions in various entities: Assistant Corporate Secretary, Arco Management & Development Corporation, Corporate Secretary, Arco Ventures, Inc.; Assistant Corporate Secretary, Bonaventure Development Corporation; Corporate Secretary, Arco Equities, Inc.; Junior Partner, Reyno Tiu Domingo & Santos Law Offices (1999 to present).

CHINO PAOLO Z. ROXAS, holds a degree of BA Business Management and Entrepreneurship from San Beda College and a Juris Doctor (J.D.) from the the Ateneo Law School. He was a Junior Associate with Bernas Law Office from 2008-2010. He is currently a Senior Associate at Reyno Tiu Domingo & Santos Law Offices.

(c) Family Relationships

Alfonso Victorio G. Reyno III and Christopher G. Reyno are the sons of Alfonso R. Reyno, Jr. Ma. Luisa T. Morales is the mother-in-law of Alfonso Victorio G. Reyno III.

Aside from the abovementioned, none of the members of the Board of Directors nor any Executive Officer of the Company is related by affinity or consanguinity.

(d) Significant Employees

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

(e) Involvement in Certain Legal Proceedings

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

(f) Certain Relationships and Related Transactions

For the discussion on related party transactions, please refer to Note 27 (Related Party Transactions) of the Notes to the Consolidated Financial Statements incorporated herein by reference.

(g) Disagreement with a Director

No director has resigned or declined to stand for re-election to the Board since the date of the last annual stockholders' meeting because of a disagreement with the Company on any matter relating to the Company's operations, policies or practices.

Item 6. Compensation of Directors and Executive Officers

Information as to the aggregate compensation paid or accrued during the last two fiscal years and estimated to be paid in the ensuing year to the Company's Chief Executive Officer (CEO) and four (4) most highly compensated executive officers is presented below. Also included in the tabular presentation is the compensation paid to or accrued for other officers and directors.

<table>
<tr><th>Name and Principal Position</th><th>Year</th><th>Salary</th><th>Bonus</th><th>Other Annual Compensation</th></tr>
<tr><td rowspan="3">The CEO and four (4) most highly compensated Executive Officers:
• CEO – Alfonso Victorio G. Reyno, III
• Corporate Secretary – Ferdinand A. Domingo
• Assistant Corporate Secretary – Lemuel M. Santos
• EVP & COO – Peter Francis G. Zagala
• Chief Finance Officer– Nestor N. Ubalde</td><td>2020*</td><td>18,750,072</td><td>-</td><td>-</td></tr>
<tr><td>2019</td><td>18,750,072</td><td>-</td><td>-</td></tr>
<tr><td>2018</td><td>18,750,072</td><td>179,247</td><td>-</td></tr>
<tr><td rowspan="3">All other Executive Officers and Directors as a group unnamed</td><td>2020*</td><td>96,045,349</td><td>-</td><td>-</td></tr>
<tr><td>2019</td><td>96,045,349</td><td>-</td><td>-</td></tr>
<tr><td>2018</td><td>86,527,341</td><td>-</td><td>-</td></tr>
</table>

*Estimated compensation for the ensuring year is assumed to approximate the 2019 level.

All directors are entitled to a per diem ranging from ₱10,000.00 to ₱15,000.00 plus a ₱3,000.00 allowance to cover their transportation, communication and other expenses for every board meeting attended. Other than directors' per diem, the directors of the Company do not receive any other compensation from the Company. There are no contracts with the named executive officers for any compensation plan or arrangement that will result from the resignation, retirement or any other termination of employment of said executive officers. There are no outstanding warrants or options being held by the named executive officers or directors and neither are there any changes in control arrangements made with the named executive officers and the directors.

Item 7. Independent Public Accountants

For year 2020, the accounting firm of Sycip Gorres Velayo & Co. (SGV), with Ms. Adeline D. Lumbres as partner-in charge, is being recommended by the Audit Committee for re-appointment by the stockholders at the Annual Meeting. SGV has accepted the Company's invitation to stand for re-appointment this year. Representatives of said firm are expected to be present at the Annual Meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions. SGV has been the Company's independent public accountant/external auditor for the last five (5) years.

The Company complies with SRC Rule 68, Part I, Item 3(B)(iv)(ix) on (i) the rotation after every five (5) years of engagement of the independent auditor or in case of an audit firm, the signing partner, and (ii) the two-year cooling-off period on the re-engagement of the same signing partner or individual auditor. The Company engaged Ms. Josephine H. Estomo of SGV for the examination of the Company's financial statements for the years 2006 to 2010. She was replaced by Mr. Arnel F. de Jesus of SGV, for the years 2011 to 2015. For years 2016 to 2019, Ms. Adeline D. Lumbres was the partner-in-charge of SGV for the examination of the Company's financial statements.

External Audit Fees

The aggregate fees billed for each of the last two (2) fiscal years for professional services rendered by SGV was ₱3.5 million for the year 2019 and ₱2.9 million for the year 2018.

There are no other assurance and related services extended by the external auditors that are reasonably related to performance of audit or review of the Company's financial statements.

The Company has not had any disagreements on accounting and financial disclosures with SGV during the last five (5) years or any subsequent interim periods.

The audit findings are presented to the Company's Audit Committee which reviews and makes recommendations to the Board on actions to be taken thereon. The Board passes upon and approves the Audit Committee's recommendations.

The members of the Audit Committee of the Company are as follows:

1. Victor B. Valdepeñas - Chairman (Independent Director)
2. Alfonso Victorio G. Reyno III - Member
3. Ferdinand A. Domingo - Member
4. John Anthony B. Espiritu - Member

Item 8. Compensation Plans

No action is to be taken with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

C. <u>ISSUANCE AND EXCHANGE OF SECURITIES</u>

Item 9. Authorization or Issuance of Securities other than for Exchange

Not applicable.

Item 10. Modification or Exchange of Securities

Not applicable.

Item 11. Financial and Other Information

The Company's consolidated audited financial statements for the period ended December 31, 2019 and interim unaudited financial statements for the periods ended March 31, 2020 and June 30, 2020 are attached to this Information Statement as **Annexes "A" and "B".** Management's Discussion and Analysis of Financial Condition and Results of Operations are incorporated in the Management Report.

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

No action is to be taken with respect to any mergers, consolidations, acquisitions or similar matters.

Item 13. Acquisition or Disposition of Property

No action is to be taken with respect to any acquisition or disposition of property.

Item 14. Restatement of Accounts

No action is to be taken with respect to the restatement of any of the Company's assets, capital or surplus account.

D. <u>OTHER MATTERS</u>

Item 15. Action with Respect to Reports and Other Proposed Action

There is no action to be taken with respect to any report of the Company or of its directors, officers or committees, except the approval of (i) the minutes of the previous annual stockholders' meeting, a copy of which is attached to this Information Statement as **Annex "C"**, and (ii) the Annual Report and Audited Financial Statements of the Company for the period ended December 31, 2019, all of which will be submitted for approval of the stockholders.

Other proposed actions include ratification of all acts, investments, proceedings and resolutions of the Board, the Board Committees and the acts of the officers and management since the date of the last annual meeting. The matters for stockholders' ratification are acts of the Board, the Board Committees, officers and management from the previous stockholders' meeting up to the date of the Annual Meeting which were entered into or made in the ordinary course of business and the following transactions covered by appropriate disclosures with the PSE and SEC:

Date of Disclosure	Subject
July 16, 2019	• Signing of Agreement with AKL Properties, Inc., an affiliate of Ayala Land, Inc. (ALI), to develop the Company's 60-hectare property in Carmona, Cavite, into a business hub. The Parties have appointed as the development manager of said property.
Sept. 5, 2019	• Board approval of the amendment of the By-Laws, to make it consistent with the Revised Corporation Code, Securities Regulation Code IRR, and to comply with the Code of Corporate Governance for Publicly-Listed Companies
Sept. 24, 2019	• Acquisition of office units and appurtenant parking spaces in Vertex One Building
Oct.14, 2019	• SEC approval of amendment of Articles of Incorporation and By-Laws
Nov. 28, 2019	• Resignation of: (i) Alfonso R. Reyno, Jr. as Chief Executive Officer, and (ii) Alfonso Victorio G. Reyno III as Chief Operating Officer • Appointment of Alfonso Victorio G. Reyno III as Chief Executive Officer
February 5, 2020	• Resignation of the Company's Stock Transfer Agent, Rizal Commercial Banking Corporation-Trust and Investments Group • Engagement of Stock Transfer Service, Inc. as new Stock Transfer Agent
February 5, 2020	• Board approval of date, time, venue and agenda of the 2020 Annual Stockholders' Meeting (2020 ASM) and Record Date for determining the shareholders entitled to notice of, and vote at, the 2020 ASM
February 17, 2020	• Filing of Related Party Transaction Policy, in compliance with SEC Memorandum Circular No. 10, Series of 2019.
March 9, 2020	• Clarification of News Reports on the Copmay's wholly-owned subsidiary, Manila Cockers Club, Inc. ("MCCI")
March 16, 2020	• Filing of current report under Section 17 of the Securities Regulation Code amid COVID-19 pandemic, in compliance with SEC Notice dated 12 March 2020
May 26, 2020	• Postponement of 2020 ASM previously scheduled on 30 June 2020, as approved by the Board of Directors on 22 May 2020
July 13, 2020	• Results of the Meeting of the Board of Directors on 10 July 2020: 1. Approval of the Company's 2019 Audited Financial Statements; 2. Approval of the: (i) Setting the 2020 Annual Stockholders' Meeting ("2020 ASM") on 18 September 2020 (Friday) at 9:00 a.m., (ii) fixing 10 August 2020 (Monday) as the Record Date for determining the shareholders entitled to notice of and to vote at the 2020 ASM, and (iii) Agenda of the 2020 ASM; 3. Approval of the: (i) Conduct of the 2020 ASM via remote communication, (ii) the participation by the stockholders via remote communications, and (iii) voting by the stockholders in absentia or by proxy; and 4. Delegation to Management of the approval of the procedures for the 2020 ASM via remote communication.

The approval of the minutes, Annual Report and audited financial statements for the period ended December 31, 2019, and ratification of all acts, proceedings and resolutions of the Board, the Board Committees, officers and management since the date of the last annual meeting require the affirmative vote of a majority of the votes cast at the Annual Meeting by the stockholders entitled to vote.

Item 16. Matters Not Required to be Submitted

No action to be taken with respect to any matter which is not required to be submitted to a vote of security holders.

Item 17. Amendment of Charter, By-Laws or Other Documents

No action is to be taken with respect to the amendment of charter, by-laws or other documents required to be submitted to the vote of stockholders.

Item 18. Other Proposed Action

The following actions are also proposed to be taken up during the Annual Meeting:

1. Election of directors for 2020-2021; and
2. Appointment of external auditor.

Item 19. Voting Procedures

(a) Vote Required

Matters for Stockholders' Approval

At each stockholders' meeting of the Company, a quorum shall consist of a majority of the outstanding capital stock of the Company, except where otherwise provided by law. The majority of such quorum shall decide any matter submitted to the stockholders, except in those cases where the law requires a greater number. A majority of the quorum at the Annual Meeting shall decide the matters taken up at the meeting.

Election of Directors

Pursuant to Section 23 of the RCC, every stockholder entitled to vote shall have the right to vote in person or by proxy the number of shares of stock standing, as of the record date, in his own name in the stock and transfer book of the Company.

A stockholder may (a) vote such number of shares for as many persons as there are directors to be elected; (b) cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of shares owned, or (c) distribute them on the same principle among as many candidates as may be seen fit; provided, that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Company multiplied by the number of directors to be elected.

(b) Method of counting votes

Stockholders may vote at all meetings either in person or by proxy. All proxies must be in the hands of the Corporate Secretary before the time set for the meeting.

Unless required by law or demanded by a stockholder present or represented at the meeting and entitled to vote thereat, voting need not be by ballot and may be done by show of hands.

The Corporate Secretary will primarily be responsible for counting votes based on the number of shares entitled to vote owned by the stockholders who are present or represented by proxies at the Annual Meeting of the stockholders.

(c) Participation via Remote Communication and Voting in Absentia or by Proxy

On 10 July 2020, the Board of Directors approved the (i) conduct of the 2020 ASM via remote communication, (ii) the participation by the stockholders via remote communication, and (iii) voting by the stockholders *in absentia* or by proxy.

The procedures for participating via remote communication, and for voting *in absentia* or by proxy is attached to this Information Statement as **Annex "D".**

The agenda for the Annual Meeting is as follows:

1. Call to order
2. Certification of Notice and of Quorum
3. Approval of the minutes of the Annual Stockholders' Meeting held on June 28, 2019
4. Report of the President and Chief Executive Officer
5. Approval of the Annual Report and the Audited Financial Statements of the Company for the period ended December 31, 2019
6. Approval and ratification of all acts, investments, proceedings and resolutions of the Board, Board Committees and Management since the last annual stockholders' meeting
7. Election of the members of the Board of Directors
8. Appointment of External Auditor
9. Other Matters
10. Adjournment

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Pasig, Metro Manila, on 19 AUG 2020.

MANILA JOCKEY CLUB, INC.

By:

FERDINAND A. DOMINGO
Corporate Secretary

MANILA JOCKEY CLUB, INC.

MANAGEMENT REPORT

I. Consolidated Audited Financial Statements and Interim Financial Statements

Manila Jockey Club, Inc.'s ("MJCI", the "Company" or the "Parent Company") consolidated audited financial statements for the year ended December 31, 2019 and the interim unaudited financial statements for the period ending March 31, 2020 attached to the Information Statement are incorporated herein by reference.

II. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

There was no event in the past five (5) years where Sycip Gorres Velayo & Co. (SGV) and the Company had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure.

III. Management's Discussion and Analysis of Financial Condition and Results of Operations of the Consolidated Audited Financial Statements as of December 31, 2019

The following discussion and analysis relate to the consolidated financial position and results of operations of Manila Jockey Club, Inc. and Subsidiaries and should be read in conjunction with the accompanying audited consolidated financial statements and related notes as of and for the year ended December 31, 2019. Reference to "MJCI", "the Company", and "the Parent Company" pertains to Manila Jockey Club, Inc., while reference to "the Group" pertains to MJCI and its subsidiaries.

The year 2019 showed an unprecedented upswing in revenues for the Parent Company and for the two wholly-owned subsidiaries, MCI and Gametime. Special recognition to MCI for the company's year after year record breaking revenues which had tremendous revenue contribution to the Parent Company.

The Group remains positive on the economic viability of its companies and banks on its first-class facilities such as its race track and cockfighting arena. The Group's excellent customer service is also a key driver of its revenues and commits to its continuing improvement.

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

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

	For the Years Ended December 31				
	2019	2018	2017	% change	% change
	(*Amount in millions of Philippine peso except EPS*)			2019 vs. 2018	2018 vs. 2017
Revenue					
Club races	₱127.6	₱141.7	₱186.1	-10.0%	-23.9%
Cockfighting	1,430.6	593.9	332.7	140.9%	78.5%
Real estate	12.6	112.1	122.9	-88.8%	-8.8%
Rent	154.1	77.7	83.5	45.9%	-6.9%
Food and beverages	26.8	26.0	18.3	3.1%	42.1%
Others	3.3	2.1	12.6	57.1%	-83.3%
	1,755.0	953.4	756.1	84.1%	26.1%
Cost					
Club races	156.7	179.7	176.7	-12.8%	1.7%
Cockfighting	855.5	366.2	219.5	133.6%	66.8%
Real estate	2.3	11.2	13.3	-79.5%	-15.8%

Rent	89.2	54.7	58.7	63.1%	-6.8%
Food and beverages	28.6	30.5	17.3	-6.2%	76.3%
Others	13.3	10.2	12.5	30.4%	-18.4%
	1,145.6	652.5	498.0	75.6%	31.0%
Gross income	609.4	300.9	258.1	102.5%	16.6%
Selling and general administrative expenses	(382.5)	(315.6)	(252.3)	21.0%	25.1%
Equity in net losses of associate and joint ventures	(114.6)	(133.8)	(135.2)	-14.3%	-1.0%
Interest income	9.3	10.1	12.6	-7.9%	-19.8%
Other income – net	(3.1)	15.8	8.4	-119.6%	88.1%
Provision for income tax	(84.5)	(15.4)	(11.3)	448.7%	36.3%
Net income (loss)	₱34.0	(₱138.1)	(₱119.7)	-124.6%	-15.4%
Earnings (losses) per share	₱0.0244	(₱0.0895)	(₱0.0799)	-127.3%	-12.0%

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

Gross Revenues and Cost of Sale and Services

Gross revenues from operations includes revenue from club races, cockfighting, rentals, real estate sales, food and beverages and other ancillary services, including currency exchange operations.

For the periods ended December 31, 2019 and 2018, the Group's gross revenues amounted to ₱1,755.0 million and ₱953.4 million, respectively. Compared to 2018, the gross revenue in 2019 increased by 84.1% or ₱801.6 million. The increase came primarily from cockfighting operations which improved as a result of the increase in the number of cockfights and cockfighting days. Fights went up from 8,392 in 2018 to 17,803 in 2019. Also, rental revenue increased as a result of the Parent Company's acquisition of ALI interest in Vertex One Building ("Vertex One").

Total cost of sales and services for the periods ended December 31, 2019 and 2018 amounted to ₱1,145.6 million and ₱652.6 million, respectively. The account increased by ₱493.1 million or 75.6% in the current year. The increase is primarily a result of the expenses incurred for the cockfighting and rental operations.

Selling and general administrative expenses

Selling and general administrative expenses increased by 21.0% or ₱66.9 million from ₱315.6 million in 2018 to ₱382.5 million in 2019. The increase pertains mainly to the cost of personnel as a result of increase in volume of cockfighting operations and the increase in cockfighting days. In addition, taxes and licenses, as well as provision for doubtful accounts also increased in 2019, among others.

Equity in net losses of associates and joint venture

For the periods ended December 31, 2019 and 2018, equity in net losses of associates and joint venture amounted to ₱114.6 million and ₱133.8 million, respectively. The equity share in the net losses of MIC amounting to ₱143.2 million in 2019 and ₱166.4 million in 2018 are due to the fixed cost (including depreciation of equipment and interest from bank loans) of the Winford Hotel and Casino in Sta. Cruz, Manila. The equity losses in 2019 and 2018 in MIC were tapered by the equity share in net earnings of SLBPO amounting to ₱28.7 million and ₱32.6 million, respectively.

Earnings (losses) per share

Earnings (losses) per share in 2019 and 2018 are ₱0.0244 and (₱0.0895), respectively which increased by 0.1139 as the Group registered a net income attributable to the Parent Company in 2019 amounting to ₱34.0 million from a net loss attributable to the Parent Company in 2018 amounting to ₱138.1 million. The increase is primarily due to the increase in revenues provided by the cockfighting and rental operations of the Group.

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

Gross Revenues and Cost of Sale and Services

Gross revenues from operations includes revenue from club races, cockfighting, rentals, real estate sales, food and beverages and other ancillary services, including currency exchange operations.

For the periods ended December 31, 2018 and 2017, the Group's gross revenues amounted to ₱953.4 million and ₱756.1 million, respectively. Compared to 2017, the gross revenue in 2018 increased by 26.1% or ₱197.3 million. The increase came primarily from cockfighting operations which improved as a result of the increase in the number of cockfights and OTB stations. Fights went up from 4,743 in 2017 to 8,392 in 2018.

Total cost of sales and services for the periods ended December 31, 2018 and 2017 amounted to ₱652.6 million and ₱498.0 million, respectively. The account increased by ₱154.6 million or 31.0% in the 2018. The increase pertains mainly to expenses incurred for the cockfighting operations.

Selling and general administrative expenses

Selling and general administrative expenses increased by 25.1% or ₱63.3 million. The increase pertains mainly to the administrative costs covering the whole year of 2018 incurred for the cockfighting operations which improved as a result of the increase in cockfighting days. These costs include salaries and allowances of support workforces, professional fees, and taxes and licenses paid.

Equity in net earnings (losses) of associates and joint venture

For the period ended December 31, 2018 and 2017, equity in net losses of associates and joint venture amounted to ₱133.8 million and ₱135.2 million, respectively. The losses is due to the equity share in the net losses of MIC amounting to ₱166.4 million in 2018 from ₱174.2 million in 2017, due to the fixed cost (including depreciation of equipment and interest from bank loans) of the Winford Hotel and Casino in Sta. Cruz, Manila. These are tapered by the equity share in net earnings of SLBPO by ₱32.6 million, from ₱39.0 million in 2017 to ₱32.6 million in 2018.

Earnings (losses) per share

Earnings (losses) per share in 2018 and 2017 are (₱0.0895) and (₱0.0799), respectively which decreased by 0.0096 as the Group registered a net loss attributable to the Parent Company amounting to ₱138.1 million and ₱119.7 million in 2018 and 2017, respectively. The increase is primarily due to equity share in the net losses from MIC amounting to ₱166.4 million in 2018.

Comparison of Operating Results for the Years Ended December 31, 2017 and 2016

<u>Gross Revenues and Cost of Sale and Services</u>

Gross revenues from operations includes revenue from racing, cockfighting, rentals, real estate sales, food and beverages and other ancillary services, including currency exchange operations.

For the periods ended December 31, 2017 and 2016, the Group's gross revenues amounted to ₱756.1 million and ₱535.2 million, respectively. Compared to 2016, the gross revenue in 2017 increased by 41.3% or ₱220.9 million. The increase came primarily from cockfighting operations which improved as a result of the increase in the number of cockfights and OTB stations. Fights went up from 2,382 in 2016 to 4,743 in 2017. The increase in the sale of real estate units by ₱9.1 million also contributed to the increase in gross revenue resulting from more real estate units sold and fewer cancellations in 2017 compared to 2016.

Total cost of sales and services for the periods ended December 31, 2017 and 2016 amounted to ₱498.0 million and ₱351.0 million, respectively. It increased by ₱147.0 million or 41.9% in the current year. Bulk of the increase pertain to expenses incurred for the cockfighting operations. Cost of real estate units recognized for 2017 also increased as there were more residential and condominium units sold in 2017 compared to the prior year.

<u>Operating expenses</u>

Operating expenses increased by 14.2% or ₱31.4 million. The increase pertains mainly to the administrative costs covering the whole year of 2017 incurred for the cockfighting operations which improved as a result of the increase in cockfighting days. These costs include salaries and allowances of support workforces and service fee for the use of the Fastbet application. Marketing fee on real estate transactions also increased in 2017 due to new sales of real estate units during the year.

<u>Equity in net earnings (losses) of associates and joint venture</u>

For the period ended December 31, 2017 and 2016, equity in net losses of associates and joint venture amounted to ₱135.2 million and ₱70.5 million, respectively. The losses is due to the increase in equity share in the net losses of MIC amounting to ₱174.2 million in 2017 from ₱97.3 million in 2016, due to the fixed cost (including depreciation of equipment and interest from bank loans) of the Winford Hotel and Casino in Sta. Cruz, Manila. These are tapered by the increase in equity share in net earnings of SLBPO by ₱12.2 million, from ₱26.8 million in 2016 to ₱39.0 million in 2017.

<u>Earnings (losses) per share</u>

Earnings (losses) per share in 2017 and 2016 are (₱0.1198) and (₱0.0774), respectively which increased by 0.0424 as the Group registered a net loss attributable to the Parent Company amounting to ₱119.8 million and ₱77.1 million in 2017 and 2016, respectively. The increase is primarily due equity share in the net losses from MIC amounting to ₱174.2 million in 2017.

Discussion on Financial Condition and Changes in Financial Condition

	For the Years Ended December 31				
	2019	2018	2017	% change	% change
	(*Amount in millions of Philippine peso except EPS and ratio*)			2019 vs. 2018	2018 vs. 2017
Cash and cash equivalents	₱603.0	₱332.3	₱225.6	81.5%	47.3%
Receivables	176.9	141.2	217.4	25.3%	-35.1%
Inventories	9.1	54.6	71.2	-83.3%	-23.3%
Other current assets	26.1	9.8	11.5	166.3%	-14.8%
Total current assets	815.1	537.9	525.7	51.5%	2.3%
Real estate receivables – net of current portion	7.9	61.5	51.2	-87.2%	20.1%
Investments in associates and joint ventures	2,032.4	2,132.1	2,204.3	-4.7%	-3.3%
Property and equipment	840.4	831.8	880.6	1.0%	-5.5%
Investment properties	1,622.6	1,094.8	1,097.4	48.2%	-0.2%
Deferred tax asset	1.8	1.8	1.6	0.0%	12.5%
Other non-current assets	161.2	65.7	65.2	145.4%	0.8%
Total noncurrent assets	4,666.3	4,187.7	4,300.3	11.4%	-2.6%
Total assets	5,481.4	4,725.6	4,826	16.0%	-2.1%
Short-term loans and borrowings	₱-	₱288.6	₱234.0	-100.0%	23.3%
Current portion of long-term loans and borrowings	63.0	-	-	100.0%	0.0%
Accounts payable and other liabilities	507.6	386.1	342.0	31.5%	12.9%
Due to related parties	13.7	13.7	14.7	0.0%	-6.8%
Income tax payable	34.2	14.6	0.7	134.2%	1985.7%
Total current liabilities	618.6	703.1	591.4	-12.0%	19.0%
Long term loans and borrowings - net of current portion	236.2	-	-	100.0%	0.0%
Deferred tax liabilities – net	170.4	188.9	218.5	-9.8%	-13.5%
Advances from third parties	505.1	–	–	100.0%	0.0%
Other non current liabilities	143.5	55.9	39.9	156.7%	40.1%
Total non-current liabilities	1,055.2	244.8	258.4	331.1%	-5.3%
Total liabilities	1,673.8	947.9	849.8	76.6%	11.5%
Capital stock	1,494.3	996.2	996.2	50.0%	0.0%
Additional paid-in capital	27.6	27.6	27.6	0.0%	0.0%
Actuarial gains on accrued retirement benefits	13.7	17.4	27.6	-21.3%	-37.0%
Net cumulative changes in fair values of AFS financial assets	4.3	4.6	5.0	-6.52%	-8.00%
Retained earnings	2,208.9	2,670.5	2,854.1	-17.3%	-6.4%
Treasury shares	(0.007)	(0.007)	(0.007)	0.0%	0.0%
Non-controlling interests	58.9	61.4	65.7	-4.0%	-6.5%
Total equity	3,807.6	3,777.7	3,976.2	0.8%	-5.0%
Total liabilities and equity	5,481.4	4,725.6	4,826.0	16.0%	2.1%

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

Total assets increased due to the following:

1. The Group’s cash and cash equivalents increased by ₱270.7 million for the period ended December 31, 2019.

    a. The net cash generated from operating activities amounting to ₱414.2 million came significantly from the cockfighting and horseracing operations as well as from leasing and foreign currency exchange activities and sale of food and beverages.

    b. The Group used cash for its investing activities amounting to ₱645.1 million, which was the net result of the following major investing activities during the year:

a. Payment on lease liabilities amounting to ₱11.6 million.
b. Payment for the acquisition of property and equipment amounting to ₱112.1 million
c. Payment for the acquisition of FVOCI amounting to ₱48.0 million
d. Increase in other noncurrent assets amounting to ₱49.8 million
e. Acquisition of investment property amounting to ₱476.3 million
f. Advances to an associate amounting to ₱73.1 million.
g. Increase in other noncurrent liabilities amounting to ₱62.5 million.
h. Interest received amounting to ₱9.3 million
i. Proceeds from sale of property and equipment amounting to ₱0.4million.
j. Dividends received amounting to ₱53.6 million.

c. The net cash provided by financing activities amounted to ₱501.6 million. Cash from financing activities includes the proceeds from a long-term loan availed from a local bank amounting to ₱315.0 million and advances from third parties amounting to ₱505.1 million. Cash was used to pay the outstanding principal of short and long-term bank loans as well as interest expense from these loans and borrowings amounting to ₱304.4 million and ₱14.1 million, respectively.

2. The net increase in receivables by ₱35.7 million is due primarily to the significant movement in receivables from rental, OTB/OCB and real estate sales. Additional allowances for doubtful accounts were also recognized during the current year.

3. Inventories decreased by ₱45.5 million resulting from the sale of real estate units during the current year and the reclassification to investment properties of inventories relating to the land held for development and the residential and condominium units for sale.

4. Other current assets increased by ₱16.3 million due primarily to the input VAT recognized from the purchase by the Parent Company of the 70% interest of Ayala Land Inc. in SLBPO. Prepaid expenses also increased by ₱6.6 million in 2019.

5. Investment in and advances to associates and joint ventures decreased by ₱99.7 million. Advances made to MIC during the year totaled to ₱84.0 million and equity share recognized on the net losses of MIC amounted to ₱143.2 million. Investment in SLBPO joint venture amounting to ₱40.5 million was derecognized as a result of the buy-out by the Parent Company of ALI's interest in SLBPO during the year.

6. The increase in property and equipment by ₱8.6 million resulted from the additions to property and equipment amounting to ₱75.8 million and the impact of PFRS 16 amounting to ₱36.4 million, which was partially offset by the depreciation recognized in 2019 amounting to ₱88.6 million, and the disposals, reclassifications and adjustments of property and equipment amounting to ₱15.0 million.

7. The increase in investment properties by ₱527.8 million came from the reclassification of real estate inventories amounting to ₱52.2 million, acquisition of additional parcel of land situated in Mamburao, Mindoro amounting to ₱8.0 million and the additions to the investment in building amounting to ₱488.5 million. Depreciation during the year was also recognized amounting to ₱20.9 million.

8. Other non-current assets increased by ₱95.5 million. The increase is due primarily to the acquisition in the current year of financial assets amounting to ₱47.7 million and software application amounting to ₱2.2 million. The deferred input VAT and deposits increased by ₱47.4 million due to the noncurrent portion of the input vat from the purchased building and the decrease of franchise fee by ₱1.8 million.

Total current liabilities decreased due to the following:

9. Short term loans and borrowings amounting to ₱288.6 were fully paid in 2019.

10. Current portion of the ₱315.0 million long-term loan availed from a local bank during the current year is recognized amounting to ₱63.0 million.

11. Accounts payable and other liabilities increased by ₱121.5 million. Significant increases, among others, came from accounts payable due to suppliers of goods and services amounting to ₱53.4 million; increases in percentage taxes, documentary stamp taxes amounting to ₱27.0 million and ₱12.4 million, respectively. Lease liability as at year end amounting to ₱10.4 million is recognized in 2019 to adopt PFRS 16. Others pertains to various payables of the Group such as accrued expenses, rental deposits, cash bond from operators, unclaimed winnings and rental deposits amounting to ₱18.3 million.

12. The Group's income tax payable amounting to ₱34.2 million pertains to income tax due at year end from the Parent Company amounting to ₱0.3 million and subsidiaries, Manilacockers Club, Inc., Gametime Sports and Technologies Inc. and SLBPO Complex Joint Venture amounting to ₱17.4 million, ₱8.5 million and ₱8.0 million, respectively.

Noncurrent liabilities increased due to the following:

13. Noncurrent portion of the ₱315.0 million long-term loan availed from a local bank in 2019 is recognized amounting to ₱236.3 million.

14. Deferred tax liabilities – net decreased by ₱18.5 million from ₱188.9 million as of December 31, 2018 to ₱170.4 million as of December 31, 2019.

15. Other noncurrent liabilities increased by ₱87.6 million. Lease liabilities – net of current portion amounting to ₱16.8 million were recognized during the current year. Accrued retirement benefit also increased by ₱8.2 million in 2019. Others pertains to various security deposits amounting to ₱62.6 million.

Total equity increased due to the following:

16. Capital stock increased by ₱498.1 million due to the 50% stock dividend declared by the Parent Company in 2019.

17. Actuarial gains on accrued retirement benefits decreased by ₱3.7 million from ₱17.4 million as of December 31, 2018 to ₱13.7 million as of December 31, 2019.

18. Retained earnings is decreased by the 50% stock dividends declared by the Parent Company amounting to ₱498.1 million and increased by the net income recognized by the Group for 2019 amounting to ₱34.0 million.

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

Total Assets decreased due to the following:

1. For the year ended December 31, 2018, cash and cash equivalents of the Group increased by ₱106.7 million, which were generated from the following activities:

   a. Cash generated from operating activities amounted to ₱200.2 million, which are significantly coming from its horse racing, cockfighting, leasing activities and other activities such as food and beverage and foreign currency exchange activities.

   b. The Group used cash for its investing activities amounting to ₱89.9 million, which was the net result of the following major investing activities during the year:

      - Dividends received amounting to ₱22.4 million
      - Interest received amounting to ₱10.2 million
      - Payment for advances to an associate amounting to ₱84.98 million
      - Payment for the acquisition of financial assets at fair value through other comprehensive income (FVOCI)/AFS financial assets amounting to ₱25.0 million
      - Payment for the acquisition of property and equipment amounting to ₱31.7 million
      - Payment for the acquisition of investment property amounting to ₱4.6 million
      - Increase in other noncurrent assets amounting to Php3.2 million
      - Proceeds from sale of property and equipment amounting to Php0.01 million
      - Proceeds from sale of AFS financial assets amounting to Php27 million

   c. The Group's financing activities during the year used cash amounting to ₱3.5 million, which is the net result of payment of interest, dividends and loans amounting to ₱10.1 million, ₱48.0 million and ₱69.4 million, respectively, which were partially offset by the proceeds from short-term loan obtained during the year which amounted to ₱124.0 million.

2. Receivable decreased mainly due to collection of trade receivables from real estate sales amounting to Php207.6 million which led to the overall decrease of total trade receivable by 53%.

3. Decrease in inventories amounting to Php16.6 million pertains mainly to the sale of condominium units, specifically in ALVEO during the year, and reclassification of inventories to investment properties for condominium units being leased out during the year which amounted to Php5.5 million.

4. The decrease in other current assets amounting to ₱1.7 million is due to prepaid income taxes applied against the Company's income tax payable.

5. The decrease in investment in associates and joint ventures pertains to the equity share in the net loss of MIC amounting to ₱166.4 million in 2018. This is offset by the equity in net earnings of SLBPO amounting to ₱32.6 million in 2018.

6. The decrease in property and equipment amounting to ₱48.8 million in 2018 is the net effect of the acquisitions made during the year amounting to ₱31.7 million, and the recognition of depreciation charges for the year amounting to ₱78.9 million.

7. Deferred tax asset represents NOLCO of ₱0.2 million and MCIT of ₱0.8 million of MCI, GSTI and Biohitech.

8. Noncurrent assets increased due to the following:

   a. Acquisition of treasury bonds by MJCI and MCI amounting to ₱15.0 million and ₱10.0 million, respectively. This was offset by the sale of retail treasury bonds (presented as financial assets as FVOCI) amounting to ₱0.9 million and downward fluctuation of the fair value of their financial assets amounting to ₱1.4 million.
   b. Increase in deferred input vat by ₱1.9 million and the amortization of franchise fee amounting to ₱1.8 million.

Total current liabilities in 2018 increased due to the following:

9. Short-term loans and borrowings increased by ₱54.6 million in 2018 from ₱234.0 million as of December 31, 2017 to ₱288.6 million as of December 31, 2018. The increase is the net result of additional short-term loans availed in 2018 totaling to ₱124.0 million and the repayments made during the year amounting to ₱69.4 million.

10. Accounts payable and other liabilities mainly increased as a result of the following:
    a. Increase in percentage tax payable ₱27.4 million (from ₱18.5 million as of December 31, 2017 and ₱45.9 million as of December 31, 2018). This pertains to taxes on commission income from cockfighting operations.
    b. Increase in cash bond on OTB/OCB operators of ₱5.5 million.
    c. Increase in unclaimed winnings of ₱9.0 million.
    d. Increased in documentary stamp tax payable for house racing activity of ₱1.9 million.

11. The Group's income tax payable amounted to Php14.6 million in 2018 which pertains to income tax due from the Parent Company and Manila Cockers Club, Inc. (MCI) (Php9.5 million and Php5.1 million, respectively).

Total noncurrent liabilities decreased due to the following:

12. As of December 31, 2018 and 2017, net deferred tax liabilities amounted to ₱188.9 million and ₱218.5 million, respectively. The decrease of ₱29.6 million in 2018 is primarily attributable to the decrease in deferred tax liabilities on the unrealized gain from real estate transaction and unrealized deemed cost adjustment on real properties.

Total Equity decreased due to the following:

13. Decrease in actuarial gains on accrued retirement benefits of ₱10.2 million (from ₱27.6 million as of December 31, 2017 to ₱17.4 million as of December 31, 2018).

14. Decrease in retained earnings of ₱183.6 million (from ₱2,854.1 million as of December 31, 2017 to ₱2,670.5 as of December 31, 2018). The decrease pertains to the following:

    a. Cash dividend decreased in 2018 totaling ₱49.8 million.
    b. Net loss recognized by the Group for the year 2018 amounting to ₱138.1 million.

Discussion on some Significant Changes in Financial Condition as of December 31, 2017 and 2016

Total Assets decreased due to the following:

1. For the year ended December 31, 2017, cash and cash equivalents of the Group increased by ₱53.7 million, which were generated from the following activities:

    a. Cash provided by operating activities amounted to ₱149.9 million, which are significantly generated from its horse racing, cockfighting, leasing activities and other activities such as food and beverage and foreign currency exchange activities.
    b. The Group used cash for its investing activities amounting to ₱184.0 million, which were net result of the following major investing activities during the year:

        - Dividends received amounting to ₱20.9 million
        - Interest received amounting to ₱12.5 million
        - Payment on advances to an associate amounting to ₱152.3 million
        - Payment for the acquisition of Retail Treasury Bonds amounting to ₱22.0 million
        - Payment for the acquisition of property and equipment amounting to ₱30.7 million
        - Payment for the acquisition of investment property amounting to ₱10.2 million
        - Increase in other noncurrent assets amounting to Php2.5 million

    c. The Group's financing activities during the year provided cash amounting to ₱87.9 million, which is the net result of payment of interest, dividends and loan amounting to ₱6.1 million, ₱50.0 million and ₱73.0 million, respectively, which were partially offset by the proceeds from short term loan obtained during the year amounting to ₱217.0 million.

2. Decrease in receivables is due to the following:

    a. Decrease in receivables from real estate, rent, and off-track betting (OTB) operators amounting to ₱21.1 million, ₱2.3 million, and ₱8.1 million, respectively, is primarily due to improvement of the Company's cash collection policy.

    b. Decrease in non-trade receivable amounting to ₱38.9 million is as a result of the following:
        - Collection of dividends from SLBPO amounting to ₱2.4 million
        - Cash collection from third parties amounting to ₱1.5 million

    c. Decrease in allowance for doubtful accounts amounting to ₱1.5 million is write off of certain receivables deemed uncollectible.

3. Inventories decreased by ₱12.7 million as a result of the sale of residential and condominium units during 2017.

4. The increase in other current assets amounting to ₱0.2 million relates to input vat and overpayment of income taxes.

5. The decrease in investment in associates and joint ventures is due to the equity share in the net loss of MIC amounting to ₱174.2 million in 2017. This is offset by the equity in net earnings of SLBPO amounting to ₱39.0 million in 2017 and advances made to MIC for future stock subscription amounting to ₱152.3 million.

6. Increase in AFS financial assets amounting to ₱22.0 million pertains to the acquisition of the retail treasury bonds and unrealized mark to market loss of ₱0.1 million.

7. The decrease in property and equipment amounting to ₱40.3 million in 2017 is the net effect of the acquisitions made during the year amounting to ₱30.7 million, and the recognition of depreciation charges for the year amounting to ₱71.0 million.

8. The decrease is the net result of the acquisition by the Parent Company of additional parcel of land situated in Mamburao, Mindoro amounting to ₱10.2 million, and the depreciation charges of the Vertex One building amounting to ₱12.4 million.

9. Deferred tax asset represents NOLCO and MCIT of Gametime amounting to ₱1.3 million and ₱0.3 million, respectively.

10. The increase in noncurrent assets is net result of the fluctuation in deferred input vat by ₱2.3 million and the amortization of franchise fee amounting to ₱1.8 million.

Total current liabilities in 2017 increased due to the following:

11. Short-term loans and borrowings increased by ₱144.0 million in 2017 from ₱90.0 million as of December 31, 2016 to ₱234.0 million as of December 31, 2017. The increase is the net result of additional short-term loans availed in 2017 totaling to ₱217.0 million and the repayments made during the year amounting to ₱73.0 million.

12. Accounts payable and other liabilities increased by ₱29.6 million mainly as a result of the following:
    a. Accrued expenses increased by ₱12.8 million from ₱14.8 million as of December 31, 2016 to ₱27.8 million as of December 31, 2017 mainly pertains to accruals of security services and contracted services.
    b. Unclaimed winnings increased by ₱2.0 million in 2017 as a net result of effective operations both in cockfighting and horse racing in year of 2017.
    c. Vat payable also increased by ₱2.4 million as a result of real estate sales during the year.
    d. Taxes on winnings and documentary stamp tax payable increased by ₱2.5 million and ₱2.6 million, respectively, mainly due to the increase in sales from horse racing for the month of December 2017 compared to the same month in the previous year.
    e. Increase in commission income from cockfighting operations in 2017 compared to the same period 2016 resulted to the increase in the computed percentage tax payable from cockfighting operations amounting to ₱7.8 million.

13. Due to related parties remained in the amount of ₱14.7 million as of December 31, 2017 and 2016, respectively. The amount pertains mainly to payables of ARWRI to its related parties as a result of its acquisition by the Parent Company.

14. Income tax payable increased from ₱0.6 million in 2016 to ₱0.7 million as of December 31, 2017. The increase came mainly from the income tax expense recognized from cockfighting operations.

Total noncurrent liabilities decreased due to the following:

15. The decrease amounting to ₱4.1 million is mainly due to the retirement expense recognized by the Group amounting to ₱8.9 million, increased by the contributions to the plan assets amounting to ₱8.1 million and remeasurement of ₱5.0 million.

16. As of December 31, 2017 and 2016, net deferred tax liabilities amounted to ₱218.5 million and ₱228.7 million, respectively. The decrease of ₱10.2 million in 2017 is primarily attributable to the decrease in deferred tax liabilities on the unrealized gain from real estate transaction and unrealized deemed cost adjustment on real properties.

Total Equity decreased due to the following:

17. Actuarial gains on accrued retirement benefits increased by ₱3.5 million from ₱24.1 million as of December 31, 2016 to ₱27.6 million as of December 31, 2017.

18. Retained earnings decreased by ₱169.2 million from ₱3,023.3 million as of December 31, 2016 to ₱2,854.1 as of December 31, 2017. The decrease pertains to the declaration of cash dividend by the Parent Company in 2017 aggregating to ₱49.8 million and net loss recognized by the Group for year 2017 amounting to ₱119.8 million.

19. Non-controlling interest decreased by ₱0.4 million in 2017 primarily due to share in net loss.

TOP KEY PERFORMANCE INDICATORS:

	2019	2018
Current ratio	**1.32**	0.76
Debt to equity ratio	**0.08**	0.08
Interest rate coverage ratio	**18.33**	N/A
Earnings (Loss) per share	**₱0.0244**	(₱0.0895)

Ratio Computation

Current ratio is computed by dividing current assets amounting to ₱815.1 million and ₱537.9 million as of December 31, 2019 and 2018, respectively, over the current liabilities amounting to ₱618.6 million and ₱703.0 million as of December 31, 2019 and 2018, respectively. This indicates the ability of the Group to pay its current liabilities using its current assets.

Debt to equity ratio shows the capital structure of the Group. It is computed by dividing interest-bearing debts by total equity. Total interest-bearing debts as of December 31, 2019 and 2018 amounted to ₱299.2 million and ₱288.6 million, respectively, while total equity as of December 31, 2019 and 2018 amounted to ₱3,807.6 million and ₱3,777.7 million, respectively.

Interest rate coverage ratio indicates the Group's ability to cover interest charges or finance costs. The ratio is derived by dividing the group's earnings before interests, taxes, depreciation and amortization (EBITDA) over interest charges. For the year 2019, EBITDA amounted to ₱245.5 million. Finance costs amounted to ₱16.4 million in 2019.

Earnings (loss) per share is computed by dividing net income/(loss) attributable to equity holders of the parent company against the weighted average number of outstanding common shares. Net income attributable to equity holders of the Parent Company amounts to ₱34.0 million for year ended 2019 while net losses attributable to equity holders of the Parent Company amounts to ₱138.1 million for year ended 2018. In 2019 and 2018, the weighted average of outstanding common shares is 1,494.3 million after the declaration of the stock dividend.

All ratios are computed and are compared to previous year's ratios.

	Dec-17	Dec-16
1. Current Ratio	**0.89**	1.09
2. Debt to Equity Ratio	**0.06**	0.02
3. Asset to Liability Ratio	**5.68**	7
4. Asset to Equity Ratio	**1.21**	1.17
5. Interest Rate Coverage Ratio	**3.09**	7.97
6. Sales to Revenue Ratio	**0.25**	0.35
7. Earnings Per Share	**(₱0.1198)**	**(₱0.0774)**

Ratio Computation

Current ratio is computed by dividing current assets amounting to ₱525.7 million and ₱455.5 million as of December 31, 2017 and 2016, respectively over current liabilities amounting to ₱591.4 million and ₱417.7 million as of the same years. This indicates the ability of the company to pay its current liabilities using its current assets. Current ratio decreased in 2017 by 0.20.

Debt to equity ratio shows the extent to which the firm is financed by debt. It is computed by dividing interest-bearing debts by total equity. Total interest-bearing debts as of December 31, 2017 and 2016 amounted to ₱234.0 million and ₱90.0 million, respectively, while total equity as of December 31, 2017 and 2016 amounted to ₱3,976.2 million and ₱4,142.3 million, respectively.

The asset to liability ratio is also computed. This shows the relationship of the total assets of the Group with its total liabilities. Total assets as of December 31, 2017 and 2016 amounted to ₱4,826.0 million and ₱4,832.7 million, respectively, while the corresponding total liabilities as of December 31, 2017 and 2016 amounted to ₱849.8 million and ₱690.4 million, respectively.

Asset to equity ratio shows the relationship of total assets to the portion owned by shareholders. The formula for this ratio is total assets over total equity. As of December 31, 2017 and 2016, total assets amounted to ₱4,826.0 million and ₱4,832.7 million, respectively, while total equity amounted to ₱3,976.2 million and ₱4,142.3 million as of December 31, 2017 and 2016, respectively.

Interest rate coverage ratio indicates a group’s ability to cover interest charges or finance costs. The ratio is derived by dividing the group’s earnings/(losses) before interests, taxes, depreciation and amortization (EBITDA) over interest charges. For the year 2017 and 2016, EBITDA amounted to ₱17.6 million and ₱18.6 million, respectively. Finance costs, exclusive of bank charges amounted to ₱5.7 million and ₱2.3 million for years 2017 and 2016, respectively.

Sales to total revenue ratio is computed by dividing the income from horse racing amounting to ₱186.1 million and ₱188.5 million for years 2017 and 2016, respectively, to total revenue of the Group amounting to ₱756.1 million for the year ended December 31, 2017 and ₱535.2 million for the year ended December 31, 2016. It indicates the performance by percentage of the income from horse racing to total revenue of the Group. Sales and other revenues indicate the over-all performance of the Group as it conducts horse races.

Earnings (loss) per share is computed by dividing net income/(loss) attributable to equity holders of the parent company against the weighted average number of outstanding common shares. Net losses attributable to equity holders of the Parent Company amounts to ₱119.4 million and ₱77.1 million for years ended 2017 and 2016, respectively. In 2017 and 2016, the weighted average of outstanding common shares is 996.2 million.

All ratios are computed and are compared to previous year’s ratios.

Significant Disclosures

(i) Events that will trigger direct or contingent financial obligation that is material to the Company

Included in the Company's non-current liabilities is the amount of Php500 million presented as part of advances from third parties. The amount was received from AKL Properties, Inc. (AKL) on July 16, 2019 for the purchase of the Company's land properties located in Carmona, Cavite. The Company agrees to vacate the land properties no later than three years from the signing of the memorandum of agreement which was on July 16, 2019, or upon the expiration of the congressional franchise on November 23, 2022, whichever is later and subject to a phase-out plan acceptable by AKL. If the agreement is terminated, the advances shall be paid within 90 days from the termination date.

Manila Cockers Club, Inc., the Company's wholly-owned subsidiary, is at the stage of Informal Conference with the BIR on its tax compliance relative to the applicability of VAT, DST and Final withholding taxes on gross revenues. As of date, there has been no Preliminary Assessment Notice (PAN) nor a Final Assessment Notice (FAN) issued by the BIR.

(ii) Material off-balance sheet transactions, arrangement, obligations, and other relationships of the Company with unconsolidated entities or other persons

There were no material off-balance sheet transactions, arrangement, obligation, contingent or otherwise that occurred during the fiscal year. There were no other relationships of the Company with unsolicited entities or other persons created during the fiscal year.

(iii) Material Commitments for Capital Expenditures

There were no material commitments for capital expenditures during the fiscal year.

(iv) Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations

The Company considers the events surrounding the COVID-19 outbreak as non-adjusting subsequent events which do not impact its comprehensive income and financial position for the period ended and as of December 31, 2019.

(v) Significant elements of income or loss that did not arise from the Company's continuing operations

There were no significant elements of income or loss that did not arise from the Company's continuing operations for the period ended and as of December 31, 2019.

(vi) Seasonal aspects

The Company is not aware of any seasonal aspects or known events or uncertainties which will have a material effect on the sales and overall financial condition or results of operations of the Company.

IV. Management's Discussion and Analysis of Financial Condition and Results of Operations of the Interim Financial Statements as of March 31, 2020 and 2019

Discussion on Operating Results for the Periods Ended March 31, 2020 and 2019

Revenues

Income from club races decreased by ₱12.2 million from ₱33.6 million for the period ended March 31, 2019 to ₱21.4 million for the same period in 2020. There were twenty-six racing days from January to March 2019 compared to twenty racing days covering the same period in 2020.The Parent Company operated for only two racing days in March 2020 as operations has been disrupted by the COVID-19 outbreak.

Income from cockfighting operations for the period March 31, 2019 amounted to ₱324.7 million and ₱234.9 million for the same period in 2020 or a decrease of ₱89.8 million. Fights/derbies were down from 3,343 in first quarter of 2019 to 3,299 for the same period in 2020. There were sixty-eight cockfighting days in 2019 compared to fifty days in 2020.

The Group recognizes income from real estate sale which is the subject of Joint Venture Agreements with Ayala for Sta. Cruz property and Century Communities Corp. for Carmona property. Revenue from real estate is recognized under the percentage of completion (POC) method. The company recognized a loss in real estate revenue for the period ended March 31, 2019 amounting to ₱0.5 million which was due to the cancellation of a previously sold unit. There was also no sale during the period. In 2020, there were no sale nor cancellation of real estate units.

Rental revenue from the leasing of stables, buildings and other facilities amounted to ₱18.7 million and ₱118.5 million for the periods ended March 31, 2019 and 2020, respectively. Rental revenue increased as a result of the Parent Company's acquisition of ALI interest in Vertex One Building in September 2019.

Revenue from sale of food and beverages increased by ₱0.2 million from ₱6.1 million for the period ended March 31, 2019 to ₱ 6.3 million covering the same period in 2020. Sales from food and beverages slightly increased in 2020 by ₱0.2 million.

Other revenues increased by ₱1.1 million from ₱0.4 million for the period ended March 31, 2019 to ₱1.6 million for the same period in 2020.

Other Income

For the period ended March 31, 2019, equity in net losses of associates and joint venture amounted to ₱22.8 million and ₱21.1million for the same period in 2020. The losses recognized in the current period is due to the equity share in the net losses of MIC amounting to ₱21.1 million. For the period ended March 31, 2019, equity losses from MIC amounted to ₱30.7 million tapered by the equity share in net earnings of SLBPO amounting to ₱7.9 million.

Interest income relates to real estate receivables, cash and cash equivalents and advances and loans to officers and employees. Interest income for the period ended March 31, 2019 amounted to ₱2.9 million compared to ₱ 0.1million for the same period in 20120 or a decrease of ₱2.8 million. The decrease came primarily from the interest income from accretion of real estate receivables due to the cancellation of previously sold real estate units.

Other income – net increased by ₱1.1 million from ₱5.9 million for the period ended March 31, 2019 to ₱ 7.0 million for the same period in 2020. The increase came primarily from revenue recognized for the use of property and facilities.

Expenses

Cost of Sale and Services

Cost of racing services decreased by ₱4.1 million from ₱41.1 million for the period ended March 31, 2019 to ₱37.0 million for the same period in 2020. Utilities, repairs and maintenance, personnel costs and rental expenses, among others, decreased in 2020. The lesser number of operating days is directly related to the incurrence of these expenses.

Direct costs from cockfighting increased by ₱12.9 million from ₱179.5 million for the period ended March 31, 2019 compared to ₱ 192.3 million for the same period in 2020. Significant expenses in 2020 that caused the increase in the cost of services of cockfighting are taxes and licenses particularly the local business tax paid during the period and the percentage tax.

Cost of real estate pertains to the cost of real estate property recognized under the percentage of completion method, if the criteria of full accrual method are not satisfied. For the periods ended March 31, 2019, cost of real estate amounted to (₱0.2) million and nil for the same period in 2020. There were no units sold nor cancelled in 2020. The amount in 2019 was net result of the new unit sales and the reversal to inventory account of the cost of previously sold real estate units that were cancelled during that period.

Rental cost of services increased by ₱23.7 million from ₱12.2 million for the period ended March 31, 2019 to ₱35.9 million for the same period in 2020. Notable increases came from utilities and depreciation expense from the leasing operations of the Vertex One building. The Parent Company acquired ALI's interest in Vertex One Building in September 2019.

Cost of food and beverage amounted to ₱7.4 million for the period ended March 31, 2019 and ₱5.9 million for the same period in 2020. The decrease amounting to ₱1.6 million came primarily from purchased stocks.

The cost of sales for "Others" amounted to ₱3.0 million and ₱2.1 million for the periods ended March 31, 2020 and 2019, respectively or a decrease of ₱0.9 million in 2019.

General Operating Expenses

General and administrative expenses constitute costs of administering the business. For the period ended March 31, 2019, general and administrative expenses amounted to ₱85.1 million compared to ₱77.2 million for the same period in 2020. It decreased by ₱7.9 million. Significant decreases in general and administrative expenses include taxes and licenses, professional fees and contracted services.

Selling expenses pertain to marketing fees related to the sale of real estate properties. It amounted to ₱0.04 million for the period ended March 31, 2019 and nil for the same period in 2020.

Finance costs pertain to interest expenses on bank loans availed for working capital requirements. It amounted to ₱4.5 million for the period March 31, 2019 and ₱3.9 million for the same period in 2020. The increase of ₱0.6 million which is due to the increase in outstanding principal balances of bank loans as of the end of year 2019.

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

Total assets decreased due to the following:

1. For the period ended March 31, 2020, cash and cash equivalents amounted to ₱364.2 million from ₱603.0 million as of December 31, 2019. The decrease of ₱238.8 million can be attributed to the payment of matured payables to suppliers, principal and interest payments on loans, acquisition of property and equipment as well as investment property.

2. Receivables, including real estate receivables-net of current portion increased by ₱30.3 million from ₱184.8 million as of December 31, 2019 to ₱215.1 million as of March 31, 2020. Rent receivable and advances to officers and employees increased in the current period.

3. Inventories increased by ₱2.1 million in the current period from ₱9.1 million as of December 31, 2019 to ₱11.2 million as of March 31, 2020. The increase came from purchased stocks for the food and beverage operations.

4. Other current assets increased by ₱46.1 million from ₱26.1 million as of December 31, 2019 to ₱72.3 million as of March 31, 2020. The increase came from primarily from the reclass of Input VAT from noncurrent to current.

5. Investments in and advances to associates and joint ventures amounted to ₱2,032.4 million and ₱2,011.3 million as of March 31, 2020 and December 31, 2019, respectively. This account was decreased by the equity share in the net losses of MIC for the current period amounting to ₱21.1million.

6. Property and equipment decreased from ₱840.3 million as of December 31, 2019 to ₱832.6 million as of March 31, 2020. The decrease in property and equipment amounting to ₱7.7 million in the current period is the net effect of the depreciation charges recognized and the acquisitions of property and equipment during the period.

7. Investment properties increased by ₱4.7 million from ₱1,622.6 million as of December 31, 2019 to ₱1,627.4 million as of March 31, 2020. The net increase is the result of the depreciation recognized during the period and the additional purchase of investment property.

8. Other noncurrent assets decreased by ₱43.0 million from ₱161.2 million as of December 31, 2019 to ₱118.2 million as of March 31, 2020. The decrease is due primarily to the reclass of Input VAT from noncurrent to current.

Total Current Liabilities decreased due to the following:

9. Accounts payable and other liabilities decreased by ₱225.4 million from ₱507.6 million as of December 31, 2019 to ₱282.2 million as of March 31, 2020.Accounts payable, percentage and documentary stamps taxes payable decreased.

10. Income tax payable increased by ₱9.5 million from ₱34.2 million as of December 31, 2019 to ₱43.7 million as of March 31, 2020. The increase refers mainly to the income tax expense recognized by the Group covering the first quarter of 2020.

Total Noncurrent Liabilities decreased due to the following:

11. Noncurrent portion of the long-term loans and borrowings decreased by ₱10.5 million as a result of the monthly payment of the principal balance.

12. Accrued retirement benefits as of December 31, 2019 amounted to ₱64.1 million and ₱59.9 million as of March 31, 2020. The decrease amounting to ₱4.2 million is the net effect of the contributions made to the retirement fund and the retirement expense recognized in the current period.

Total Equity increased due to the following:

13. Retained earnings increased by ₱4.9 million from ₱2,208.9 as of December 31, 2019 to ₱ 2,213.7 million as of March 31, 2020. The increase pertains to the net earnings of the Group covering the first quarter of 2020.

14. Non-controlling interest decreased by ₱0.9 million in the current period which represents primarily the 56.87% share of minority interest in the net losses of ARWRI for the period ended March 31, 2020.

OTHERS

No known trends, events, commitments or uncertainties that will have an effect on the company's liquidity. The company is not expecting anything that will have a material favorable or unfavorable impact on the company's current operation. All the figures reflected or presented during the reporting period arose from normal conditions of operation.

TOP FIVE (5) KEY PERFORMANCE INDICATORS:

The Group looks closely at the following to determine its over-all performance:

	MAR 2020	DEC 2019
Current Ratio	**1.59**	1.32
Asset to Liability Ratio	**3.64**	3.27

	MAR 2020	MAR 2019
Sales to Revenue Ratio	**0.06**	0.09
Sales to Expenses Ratio	**0.06**	0.10
Earnings Per Share	**₱0.0033**	₱0.0189

Current ratio or working capital ratio is a measure of a company's liquidity or its ability to meet maturing obligations. It is computed by dividing current assets over current liabilities. Total current assets as of March 31, 2020 and December 31, 2019 amounted to ₱641.9 million and ₱815.1 million, respectively. As of March 31, 2020, and December 31, 2019, total current liabilities amounted to ₱402.7 million and ₱618.6 million, respectively. The Group's current ratio of 1.59 shows that it has ₱1.59 current assets to support ₱1.00 current liabilities.

The asset to liability ratio or solvency ratio exhibits the relationship of total assets with total liabilities. It is computed by dividing total assets over total liabilities. As of March 31, 2020, and December 31, 2019, total assets amounted to ₱5,253.9 million and ₱5,481.4 million, respectively while total liabilities as of

March 31, 2020 amounted to ₱1,442.3 million and ₱1,673.8 million as of December 31, 2019. The Group's asset to liability ratio of 3.27 shows that for every ₱1.00 liability, it has a ₱3.27 asset to support it.

Sales to revenue ratio is computed by dividing the income from horse racing over total operating revenue. Income from club races for the periods ended March 31, 2020 and 2019 amounted to ₱21.4 million and ₱33.6 million, respectively. Total operating revenue for the period ended March 31, 2020 amounted to ₱382.7 million and ₱383.0 million for the same period in 2019.

Sales to expenses ratio is computed by dividing income from horse racing over total expenses which include cost of sales and services, general and administrative expenses, selling expenses and finance costs. Income from club races for the periods ended March 31, 2020 and 2019 amounted to ₱21.4 million and ₱33.6 million, respectively, while total expenses amounted to ₱ 355.2 million for the period ended March 31, 2020 and ₱331.7 million for the same period in 2019.

Earnings per share is computed by dividing net income (loss) attributable to equity holders of the parent company over the weighted average number of outstanding common shares. Net income attributable to equity holders of the parent company for the period ended March 31, 2020 amounted to ₱4.9 million ₱18.8 million for the same period in 2019. The weighted average number of outstanding common shares as of March 31, 2020 is 1,494.3 million and 996.2 million as of March 31, 2019.

Significant Disclosures

(i) Events that will trigger direct or contingent financial obligation that is material to the Company

Included in the Company's non-current liabilities is the amount of Php500 million presented as part of advances from third parties. The amount was received from AKL Properties, Inc. (AKL) on July 16, 2019for the purchase of the Company's land properties located in Carmona, Cavite. The Company agrees to vacate the land properties no later than three years from the signing of the memorandum of agreement which was on July 16, 2019, or upon the expiration of the congressional franchise on November 23, 2022, whichever is later and subject to a phase-out plan acceptable by AKL. If the agreement is terminated, the advances shall be paid within 90 days from the termination date.

Manila Cockers Club, Inc., the Company's wholly-owned subsidiary, is still at the stage of Informal Conference with the BIR on its tax compliance relative to the applicability of VAT, DST and Final withholding taxes on gross revenues. As of date, there has been no Preliminary Assessment Notice (PAN) nor a Final Assessment Notice (FAN) issued by the BIR.

(ii) Material off-balance sheet transactions, arrangement, obligations, and other relationships of the Company with unconsolidated entities or other persons

There were no material off-balance sheet transactions, arrangement, obligation, contingent or otherwise that occurred during the interim period ended March 31, 2020. There were no other relationships of the Company with unsolicited entities or other persons created during the interim period.

(iii) Material Commitments for Capital Expenditures

There were no material commitments for capital expenditures during the interim period ended March 31, 2020.

(iv) *Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations*

The imposition of the Enhanced Community Quarantine (ECQ) over the entire Luzon effective March 17, 2020 due to the COVID-19 situation, resulted in the stoppage of the horse racing and cockfighting operations of the Company and its subsidiary, Manila Cockers Club, Inc.

(v) *Significant elements of income or loss that did not arise from the Company's continuing operations*

There were no significant elements of income or loss that did not arise from the Company's continuing operations for the period ended and as of March 31, 2020.

(vi) *Seasonal aspects*

The Company is not aware of any seasonal aspects or known events or uncertainties which will have a material effect on the sales and overall financial condition or results of operations of the Company.

V. Management's Discussion and Analysis of Financial Condition and Results of Operations of the Interim Financial Statements as of June 30, 2020 and 2019

Discussion on Operating Results for the Periods Ended June 30, 2020 and 2019

Revenues

Income from club races decreased by ₱39.9 million from ₱61.3 million for the period ended June 30, 2019 to ₱21.4 million for the same period in 2020. There were fifty racing days in the half of 2019 compared to only twenty racing days covering the same period in 2020.The Parent Company operated for only two racing days in March 2020 as operations has been disrupted by the COVID-19 outbreak. Racing operations has not yet resumed.

Income from cockfighting operations for the period June 30, 2019 amounted to ₱645.8 million and ₱234.9 million for the same period in 2020 or a decrease of ₱410.9 million. Fights/derbies were down from 7401 in first half of 2019 to 3,299 for the same period in 2020. There were 125 cockfighting days in 2019 compared to only 50 days in 2020 as operations were disrupted by the pandemic. Operations have not resumed as of August 14, 2020.

The Group recognizes income from real estate sale which is the subject of Joint Venture Agreements with Ayala for Sta. Cruz property and Century Communities Corp. for Carmona property. Revenue from real estate is recognized under the percentage of completion (POC) method. The company recognized a loss in real estate revenue for the period ended June 30, 2019 amounting to ₱0.8 million which was due to the cancellation of a previously sold unit. There was also no sale during the period. In 2020, there were no sale nor cancellation of real estate units.

Rental revenue from the leasing of stables, buildings and other facilities amounted to ₱37.6 million and ₱176.7 million for the periods ended June 30, 2019 and 2020, respectively. Rental revenue increased as a result of the Parent Company's acquisition of ALI interest in Vertex One Building in September 2019.

Revenue from sale of food and beverages decreased by ₱5.9 million from ₱12.7 million for the period ended June 30, 2019 to ₱ 6.8 million covering the same period in 2020.

Other revenues increased by ₱0.6 million from ₱1.0 million for the period ended June 30, 2019 to ₱1.6 million for the same period in 2020.

Other Income

For the period ended June 30, 2019, equity in net losses of associates and joint venture amounted to ₱50.8 million and ₱62.4 million for the same period in 2020. The ₱62.4 million losses recognized in the current period is due to the equity share in the net losses of MIC. For the period ended June 30, 2019, equity losses from MIC amounted to ₱66.2 million tapered by the equity share in net earnings of SLBPO amounting to ₱15.4 million.

Interest income relates to real estate receivables, cash and cash equivalents and advances and loans to officers and employees. Interest income for the period ended June 30, 2019 amounted to ₱3.3 million compared to ₱ 0.8 million for the same period in 2020 or a decrease of ₱2.4 million. The decrease came primarily from the interest income from accretion of real estate receivables.

Other income – net decreased by ₱7.8 million from ₱16.4 million for the period ended June 30, 2019 to ₱ 8.6 million for the same period in 2020. The decrease came primarily from advertising revenue.

<u>Expenses</u>

Cost of Sale and Services

Cost of racing services decreased by ₱26.6 million from ₱82.3 million for the period ended June 30, 2019 to ₱55.7 million for the same period in 2020. Direct costs such as personnel costs, utilities, commission, contracted services, repairs and maintenance, among others, decreased in 2020. Since the start of the lockdown in March 2020 due to the COVID-19 pandemic, the racing operations has not yet resumed.

Direct costs from cockfighting decreased by ₱156.4 million from ₱365.8 million for the period ended June 30, 2019 compared to ₱209.4 million for the same period in 2020. Significant expenses in 2020 that decreased are percentage taxes, breeder's subsidies, commission and cost of gamefowls. These expenses are directly related to the conduct of cockfighting operations that has not yet resumed until now due to the pandemic.

Cost of real estate pertains to the cost of real estate property recognized under the percentage of completion method, if the criteria of full accrual method are not satisfied. For the periods ended June 30, 2019, cost of real estate amounted to (₱0.2) million and nil for the same period in 2020. There were no units sold nor cancelled in 2020. The amount in 2019 was net result of the new unit sales and the reversal to inventory account of the cost of previously sold real estate units that were cancelled during that period.

Rental cost of services increased by ₱25.0 million from ₱24.8 million for the period ended June 30, 2019 to ₱49.8 million for the same period in 2020. Notable increases came from utilities, security services, repairs and maintenance as well as contracted service from the leasing operations of the Vertex One building. The Parent Company acquired ALI's interest in Vertex One Building in September 2019.

Cost of food and beverage amounted to ₱14.4 million for the period ended June 30, 2019 and ₱6.6 million for the same period in 2020. The decrease amounting to ₱7.7 million came primarily from utilities and cost of purchased stocks. The food and beverage business segment of the Company was affected by the lockdown brought about by the pandemic.

The cost of sales for “Others” amounted to ₱4.6 million and ₱11.3 million for the periods ended June 30, 2020 and 2019, respectively or a decrease of ₱6.7 million in 2019.

General Operating Expenses

General and administrative expenses constitute costs of administering the business. For the period ended June 30, 2019, general and administrative expenses amounted to ₱152.4 million compared to ₱ 140.6 million for the same period in 2020. It decreased by ₱11.8 million. Significant decreases in general and administrative expenses include taxes and licenses, professional fees, contracted services and rental expenses, among others.

Selling expenses pertain to marketing fees related to the sale of real estate properties. It amounted to nil for periods ended June 30, 2020 and 2019.

Finance costs pertain to interest expenses on bank loans availed for working capital requirements. It amounted to ₱8.6 million for the period June 30, 2019 and ₱9.1 million for the same period in 2020. The increase of ₱0.5 million is due to the increase in outstanding principal balances of bank loans as of the end of year 2019.

CHANGES IN FINANCIAL CONDITION

Discussion on some Significant Changes in Financial Condition as of June 30, 2020 and December 31, 2019

Total assets decreased due to the following:

1. For the period ended June 30, 2020, cash and cash equivalents amounted to ₱414.4 million from ₱603.0 million as of December 31, 2019. The decrease of ₱188.6 million can be attributed to the payment of matured payables to suppliers, principal and interest payments on bank loans, acquisition of property and equipment as well as investment property and the payment of taxes.

2. Receivables, including real estate receivables-net of current portion decreased by ₱78.9 million from ₱184.8 million as of December 31, 2019 to ₱105.9 million as of June 30, 2020. Receivables that decreased during the current period include rent receivables, receivable from off-track/off-cockpit operators and advances to suppliers and contractor.

3. Inventories increased by ₱1.8 million in the current period from ₱9.1 million as of December 31, 2019 to ₱10.9 million as of June 30, 2020.

4. Prepayments and other current assets increased by ₱39.5 million from ₱26.1 million as of December 31, 2019 to ₱65.7 million as of June 30, 2020. The increase came from primarily from the reclass of Input VAT from noncurrent to current.

5. Investments in and advances to associates and joint ventures amounted to ₱1,970.0 million and ₱2,032.4 million as of June 30, 2020 and December 31, 2019, respectively. This account was decreased by the equity share in the net losses of MIC for the current period amounting to ₱62.4 million.

6. Property and equipment decreased from ₱840.4 million as of December 31, 2019 to ₱807.2 million as of June 30, 2020. The decrease in property and equipment amounting to ₱33.2 million in the current period is the net effect of the depreciation charges recognized and the acquisitions of property and equipment during the period.

7. Investment properties decreased by ₱6.5 million from ₱1,622.6 million as of December 31, 2019 to ₱1,616.1million as of June 30, 2020. The net decrease is the result of the depreciation recognized during the period and the additional purchase of investment property.

8. Other noncurrent assets decreased by ₱43.4 million from ₱161.2 million as of December 31, 2019 to ₱117.9 million as of June 30, 2020. The decrease is due primarily to the reclass of Input VAT from noncurrent to current.

Total Current Liabilities decreased due to the following:

9. Accounts payable and other liabilities decreased by ₱225.4 million from ₱507.6 million as of December 31, 2019 to ₱282.2 million as of March 31, 2020.Accounts payable, percentage and documentary stamps taxes payable decreased.

10. Income tax payable increased by ₱9.5 million from ₱34.2 million as of December 31, 2019 to ₱43.7 million as of March 31, 2020. The increase refers mainly to the income tax expense recognized by the Group covering the first quarter of 2020.

Total Noncurrent Liabilities decreased due to the following:

11. Noncurrent portion of the long-term loans and borrowings decreased by ₱31.5 million as a result of the monthly payment of the principal balance.

12. Accrued retirement benefits as of December 31, 2019 amounted to ₱64.1 million and ₱66.1 million as of June 30, 2020. The decrease amounting to ₱2.0 million is the net effect of the contributions made to the retirement fund and the retirement expense recognized in the current period.

Total Equity increased due to the following:

13. Retained earnings decreased by ₱105.9 million from ₱2,208.9 as of December 31, 2019 to ₱2,102.9 million as of June 30, 2020. The increase pertains to the net earnings of the Group covering the first half of 2020.

14. Non-controlling interest decreased by ₱1.0 million in the current period which represents primarily the 56.87% share of minority interest in the net losses of ARWRI for the period ended June 30, 2020.

OTHERS

No known trends, events, commitments or uncertainties that will have an effect on the company's liquidity. The company is not expecting anything that will have a material favorable or unfavorable impact on the company's current operation. All the figures reflected or presented during the reporting period arose from normal conditions of operation.

TOP FIVE (5) KEY PERFORMANCE INDICATORS:

The Group looks closely at the following to determine its over-all performance:

	JUN 2020	DEC 2019
Current Ratio	**1.49**	1.32
Asset to Liability Ratio	**3.63**	3.27

	JUN 2020	JUN 2019
Sales to Revenue Ratio	**0.05**	0.08
Sales to Expenses Ratio	**0.05**	0.09
Earnings Per Share	**₱0.0709**	₱0.0197

Current ratio or working capital ratio is a measure of a company's liquidity or its ability to meet maturing obligations. It is computed by dividing current assets over current liabilities. Total current assets as of June 30, 2020 and December 31, 2019 amounted to ₱572.6 million and ₱815.1 million, respectively. As of June 30, 2020, and December 31, 2019, total current liabilities amounted to ₱383.7 million and ₱618.6 million, respectively. The Group's current ratio of 1.49 shows that it has ₱1.49 current assets to support ₱1.00 current liabilities.

The asset to liability ratio or solvency ratio exhibits the relationship of total assets with total liabilities. It is computed by dividing total assets over total liabilities. As of June 30, 2020, and December 31, 2019, total assets amounted to ₱5,109.8 million and ₱5,481.4 million, respectively while total liabilities as of June 30, 2020 amounted to ₱1,409.1 million and ₱1,673.8 million as of December 31, 2019. The Group's asset to liability ratio of 3.63 shows that for every ₱1.00 liability, it has a ₱3.63 asset to support it.

Sales to revenue ratio is computed by dividing the income from horse racing over total operating revenue. Income from club races for the periods ended June 30, 2020 and 2019 amounted to ₱21.4 million and ₱61.3 million, respectively. Total operating revenue for the period ended June 30, 2020 amounted to ₱441.5 million and ₱757.6 million for the same period in 2019.

Sales to expenses ratio is computed by dividing income from horse racing over total expenses which include cost of sales and services, general and administrative expenses, selling expenses and finance costs. Income from club races for the periods ended June 30, 2020 and 2019 amounted to ₱21.4 million and ₱61.3 million, respectively, while total expenses amounted to ₱476.0 million for the period ended June 30, 2020 and ₱659.5 million for the same period in 2019.

Earnings per share is computed by dividing net income (loss) attributable to equity holders of the parent company over the weighted average number of outstanding common shares. Net loss attributable to equity holders of the parent company for the period ended June 30, 2020 amounted to ₱105.9 million and net income attributable to equity holders of the parent company amounted to ₱29.5 million for the same period in 2019. The weighted average number of outstanding common shares as of June 30, 2020 is 1,494.3 million and 996.2 million as of June 30, 2019.

Significant Disclosures

(i) Events that will trigger direct or contingent financial obligation that is material to the Company

Included in the Company's non-current liabilities is the amount of Php500 million presented as part of advances from third parties. The amount was received from AKL Properties, Inc. (AKL) on July 16, 2019 for the purchase of the Company's land properties located in Carmona, Cavite. The Company agrees to vacate the land properties no later than three years from the signing of the memorandum of agreement which was on July 16, 2019, or upon the expiration of the congressional franchise on November 23, 2022, whichever is later and subject to a phase-out plan acceptable by AKL. If the agreement is terminated, the advances shall be paid within 90 days from the termination date.

Manila Cockers Club, Inc., the Company's wholly-owned subsidiary, is still at the stage of Informal Conference with the BIR on its tax compliance relative to the applicability of VAT, DST and Final withholding taxes on gross revenues. As of date, there has been no Preliminary Assessment Notice (PAN) nor a Final Assessment Notice (FAN) issued by the BIR.

(ii) Material off-balance sheet transactions, arrangement, obligations, and other relationships of the Company with unconsolidated entities or other persons

There were no material off-balance sheet transactions, arrangement, obligation, contingent or otherwise that occurred during the period ended June 30, 2020. There were no other relationships of the Group with unsolicited entities or other persons created during the interim period.

(iii) Material Commitments for Capital Expenditures

There were no material commitments for capital expenditures during the interim period ended June 30, 2020.

(iv) Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations

The imposition of the Enhanced Community Quarantine (ECQ) due to the COVID-19 situation was subsequently extended until May 15, 2020. On May 16, 2020, NCR and other parts of the Philippines were placed under a modified form of ECQ (MECQ) until May 31, 2020. For the whole month of June 2020, NCR was placed under general community quarantine (GCQ).

Under the foregoing classifications of community quarantine, the Company's racing and cockfighting operations were not allowed to operate. However, the Company's non-gaming operations continued to generate revenues.

(v) Significant elements of income or loss that did not arise from the Company's continuing operations

There were no significant elements of income or loss that did not arise from the Company's continuing operations for the period ended and as of ended June 30, 2020.

(vi) Seasonal aspects

The Company is not aware of any seasonal aspects or known events or uncertainties which will have a material effect on the sales and overall financial condition or results of operations of the Company.

Analysis of plan of operations

The year 2019 showed an unprecedented upswing in revenues for the Parent Company and for the two wholly-owned subsidiaries, MCI and Gametime. Special recognition to MCI for the company's year after year record breaking revenues which had tremendous revenue contribution to the Parent Company.

The Group remains positive on the economic viability of its companies and banks on its first-class facilities such as its race track and cockfighting arena. The Group's excellent customer service is also a key driver of its revenues and commits to its continuing improvement.

VI. BUSINESS AND GENERAL INFORMATION

ITEM 1. BUSINESS

(1) Business Development

Manila Jockey Club, Inc. (the "Parent Company") and Subsidiaries (collectively referred to as the "Group") was incorporated in the Philippines on March 22, 1937 and was listed in the Philippine Stock Exchange (PSE) on October 11, 1963.

In 1987, the Philippine Securities and Exchange Commission (SEC) approved the extension of the Parent Company's corporate life for another 50 years starting March 22, 1987.

The Parent Company is presently engaged in the construction, operations and maintenance of a racetrack located in Cavite, Philippines and in the holding or conducting of horse races therein with bettings both directly or indirectly by means of mechanical, electric and/or computerized totalizator. It has a congressional franchise granted on November 23, 1997 under Republic Act (R.A.) No. 8407 to hold such races and to maintain the race track, which will expire on November 23, 2022. The Parent Company is also engaged in the development and sale of condominium units and residential properties, and lease of an office building through joint venture (JV) arrangements with certain developers.

Subsidiaries, Joint Ventures and Associates

	Place of incorporation	Nature of business	Functional currency	Percentage of ownership 2019 Direct	2019 Indirect	2018 Direct	2018 Indirect
Subsidiaries							
Gametime Sports and Technologies, Inc. (GSTI)	Philippines	Gaming	Philippine Peso	**100.00**	**–**	100.00	–
Manilacockers Club, Inc. (MCI)	Philippines	Gaming	Philippine Peso	**100.00**	**–**	100.00	–
MJC Forex Corporation (MFC)	Philippines	Money changer	Philippine Peso	**100.00**	**–**	100.00	–
New Victor Technology, Ltd. (NVTL)	Hong Kong	Gaming	Philippine Peso	**100.00**	**–**	100.00	–
San Lazaro Resources and Development Corporation (SLRDC) [(a)]	Philippines	Real estate	Philippine Peso	**100.00**	**–**	100.00	–
SLLP Holdings, Inc. (SLLPHI) [(a)]	Philippines	Holdings	Philippine Peso	**100.00**	**–**	100.00	–
Hi-Tech Harvest Limited [(a)]	Hong Kong	Marketing	Philippine Peso	**100.00**	**–**	100.00	–
Apo Reef World Resorts, Inc. (ARWRI) [(a)]	Philippines	Beach Resorts Complex	Philippine Peso	**56.87**	–	56.87	–
Biohitech Philippines, Inc. (Biohitech) [(a)]	Philippines	Waste managemen	Philippine Peso	**50.00**	–	50.00	–

	Place of incorporation	Nature of business	Functional currency	Percentage of ownership 2019 Direct	Indirect	2018 Direct	Indirect
		t					
San Lazaro BPO Complex (SLBPO) [b]	Philippines	Real estate	Philippine Peso	**90.00**	**10.00**	30.00	–
Joint Ventures							
Gamespan, Inc. (Gamespan) [a]	Philippines	Gaming	Philippine Peso	**50.00**	–	50.00	–
Associates							
MJC Investments Corporation Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino (MIC)	Philippines	Gaming	Philippine Peso	**22.31**	–	22.31	–
Techsystems, Inc. (Techsystems) [a]	Philippines	Information Technology	Philippine Peso	**33.33**	–	33.33	–

(a) Not yet started commercial operation as of December 31, 2019
(b) Acquired in 2019 (see Note 1.5)
(c) Accounted for as investment in subsidiaries, associates and joint ventures in 2019.

Subsidiaries

The Parent Company holds 100% interest in SLLP Holdings, Inc. (SLLPHI) and San Lazaro Resources and Development Corporation (SLRDC), which are both incorporated and domiciled in the Philippines. The Parent Company holds a 50% interest in Biohitech Philippines, Inc. (Biohitech), a domestic corporation. To date, SLLPHI, SLRDC and Biohitech have yet to start commercial operations.

On August 16, 2010, the Parent Company formed and organized another wholly owned domestic corporation, MJC Forex Corporation (MFC). It is engaged in the business of money changing or currency exchange and dealing and brokering in all currencies with local or foreign individuals and other entities. It started its commercial operations on May 29, 2012.

On July 23, 2013, the Parent Company formed and organized a wholly owned domestic corporation, Gametime Sports & Technologies, Inc. (Gametime). The primary purpose of Gametime is to design, conceptualize, operate and provide technological service and advancements and/or alternative technological facilities for sports and recreational gaming through multiple platforms. It started its commercial operations in 2016.

On September 23, 2013, another wholly owned domestic corporation was organized, the Manilacockers Club, Inc. Its primary purpose is to engage in the business of cockfighting which include but not limited to the construction, establishment and operation of cockpits, the conduct and broadcast of cockfights, and the accepting of bets thereon through conventional and electronic means. It started its commercial operations on December 5, 2015.

The Parent Company also formed New Victor Technology Limited (NVTL), which is incorporated in Hong Kong and domiciled in the Philippines. The business purpose of NVTL is to purchase slot machines for lease to the Philippine Amusement and Gaming Corporation (PAGCOR), which operates the casino of the Parent Company located within the Turf Club at Carmona.

In October 2013, the Parent Company entered into a lease agreement with PAGCOR to lease 1,427 sqm. property, with modern slot machines, including the rights to a proprietary system of linking and networking the said slot machines, in Turf Club Bldg., San Lazaro Leisure Park, Carmona, Cavite.

In 2015, a new wholly owned subsidiary was incorporated in Hong Kong under the corporate name of Hi-Tech Harvest Limited. The primary purpose of this subsidiary is for the marketing and advertising of the cockfighting operations of MCI and the services provided by Gametime to the international setting and possible customers. As of December 31, 2019, Hi-tech Harvest Limited has not yet started commercial operations.

On February 22, 2016, the Parent Company entered into a share purchase agreement with ACL Development Corporation ("ACL") to purchase 9.8 million shares of ARWRI, a company owning parcels of land in Mamburao, Mindoro, for a total consideration of P9.9 million. Furthermore, on August 25, 2016, the Company paid P20.0 million to subscribe to 80.0 million shares of ARWRI at par value of P1.00 per share, equivalent to P80.0 million, after ARWRI increased its authorized capital stock from 100.0 million shares to 200.0 million shares. The acquisition did not qualify as an acquisition of a business in accordance with PFRS 3, Business Combination, and was therefore accounted for as an acquisition of assets.

As of December 31, 2019 and 2018, the Parent Company has an outstanding subscription payable to ARWRI amounting to P20.0 million and P37.0 million, respectively, which are eliminated in the consolidated financial statements.

Associates

On January 23, 2009, the Parent Company acquired a 50.23% interest in MJC Investments Corporation, doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino (MIC), a publicly listed company incorporated and domiciled in the Philippines. The acquisition was made in accordance with the provisions of the Memorandum of Agreement (MOA) entered into by both parties in 2008, wherein the Parent Company will transfer its non-core assets to MIC under a property for share exchange subject to agreed conditions. In 2013, after the investments made by the 18 Strategic Investors in MIC, the Parent Company still has significant influence over MIC through its retained interest of 28% in MIC. As of December 31, 2019 the Parent Company still has a 22.31% interest in MIC.

The Parent Company has a 33% ownership in Techsystems, Inc. Techsystems undertakes to facilitate the short message service betting or online betting for the races conducted by the Parent Company. As of December 31, 2019, Techsystems has not yet started commercial operations.

Joint Ventures

The Parent Company entered into a Joint Venture Agreement (JVA) with Ayala Land, Inc. (ALI) on December 12, 2008 to create SLBPO, an unincorporated taxable joint venture (JV), for the purpose of leasing, managing and administering the developed office units and retail development area in the building complex at the Sta. Cruz property (the Building Complex). The Building Complex was also constructed and developed under a Joint Development Agreement (JDA) with ALI.

In September 2019, the Parent Company acquired from Ayala Land, Inc. ("ALI"), developed office units and parking lots (the "Subject Property") and ALI's equity interest in SLBPO for a total consideration of P511.7 million, excluding applicable taxes. This resulted in the Group owning 100% of SLBPO. In connection with acquisition of the Subject Property, ALI assigned, transferred and conveyed all its rights and interest under the Subject Agreements to the Parent Company and its assignees, together with the tenant and service contracts for Vertex One Building.

On the same date, the Parent Company and SLLPHI, the designated property manager of the developed office and parking units, amended the division of net rental income from leasing of the developed office units by the unincorporated joint venture for a more equitable distribution of the net income of the joint venture, proportionate to and taking into account SLLPHI's contribution.

Gamespan was incorporated on June 20, 2012 to operate and manage the totalizator hardware and software owned by the Parent Company, set-up new media infrastructure for offering and taking bets in horse racing and other sports. It shall also have the exclusive broadcast rights to all the races and other games operated by the Parent Company which it may distribute to different broadcasters to maximize viewership and participation. As of December 31, 2019, Gamespan has not yet started its commercial operations.

Bankruptcy Proceedings

The Company is not a party to any bankruptcy, receivership or similar proceedings.

Material Reclassification, Merger, Consolidation

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

(2) Business Description

RACING OPERATIONS

(1) Horse Races

The Company transferred its racing operations on April 1, 2003 to its new horse racing facility of world class standards in Carmona, Cavite.

The Company conducts its races 2 days every week on an alternating schedule with the other racing clubs.

(2) Off Track Betting Stations ("OTBs")

OTBs are stations where the betting public may place bets outside the race track on the horse races conducted by the Company. The OTBs are strategically located at designated areas in Metro Manila and other parts of the country.

The Parent Company is expanding its OTB network in Metro Manila as well as in provincial areas. As of December 31, 2019, the Parent Company now has a total of 202 quality OTB stations, 45 of which are located in provincial areas. The OTB sales account for 91.63% of the total sales generated from the races.

(3) Competition

The other racing clubs that conduct horse races and accept betting thereon are the Philippine Racing Club, Inc. ("PRCI"), and the Metro Manila Turf Club, Inc., ("MMTC") which started its operations at Malvar, Batangas in February 2013. PRCI and MMTC hold races on days when the Company does not hold its own races. Thus, there is no real competition between the three (3) clubs in obtaining their respective revenue targets. There is a healthy competition as to which club can provide better services and/or facilities which do not materially affect revenue.

(4) Government Regulations

The Parent Company does not foresee any effect of existing or probable governmental regulations on its racing business. There is no need for any other government approval on the conduct of races and the taking of bets thereon given the Parent Company's congressional franchise. The Parent Company's racing operations are under the supervision of the Philippine Racing Commission while the betting aspects of racing are under the supervision of the Gaming and Amusements Board.

(5) Risks

(a) Disease

Horse disease can lead to mortality of racehorses and, at the very least, disability of horses to participate in races. In 1998, the Parent Company suffered a disease outbreak in its stables which severely afflicted the horses. As a result of the disease, horse racing was suspended pending the remedial measures to cure said disease and to halt its spread. The Parent Company implemented measures to minimize the occurrence of such disease outbreak such as the regular injection of preventive medicines.

The Parent Company created a task force within management to carefully monitor the conditions of the horse stables for possible disease outbreaks. Measures have been taken to improve the cleanliness and sanitation of the stables to prevent the recurrence of said disease. The Parent Company also bars horses afflicted with the Equine Infectious Anemia (EIA) virus from entering the SLLP complex. It screens running horses for the EIA virus using imported kits to apply the Coggins test. Said test is now mandatory for all racehorses and is periodically conducted.

(b) Weather

The Philippine experiences severe tropical storms occurring usually during the months of June until October.

Strong storms may pose as a safety risk to the jockeys, horses, employees and patrons of the Parent Company such that there might be a necessity to stop the conduct of races.

Management has instituted measures to reduce the risk of dangerous weather by providing guidelines on emergency cases in the event of harsh weather as well as guidelines for warnings. Given these guidelines, the Parent Company will have sufficient basis whether or not to stop the conduct of races.

REAL ESTATE DEVELOPMENT

Pursuant to the Parent Company's rationalization and maximization of its corporate assets, the Parent Company branched out into the development of its non-racing unutilized real estate assets.

I. **Carmona Township, Carmona, Cavite (San Lazaro Leisure and Business Park)**

The Parent Company has seventy seven (77) hectares of property located in Carmona, Cavite now known as the San Lazaro Leisure Park (SLLP).

Township Development Components:

1. Racing Business
   a. Two (2) new race tracks of world-class standards
   b. A modern Turf Club building
   c. A stabling complex housing 1,800 horses.

2. Gaming Business – PAGCOR Club Carmona, 3rd floor, Turf Building
   a. 200 slot machines
   b. 8 tables

3. Real Estate Business

Canyon Ranch

In 2004, the Parent Company entered into a joint venture agreement with prominent real estate developer Century Communities Corporation ("CCC") for the development of the 17.09-hectare portion of the Carmona property into a mixed-use commercial and upscale residential community that offers a serene environment not far from Metro Manila. The development currently known as "Canyon Ranch" is was said to be the first Wifi community in the country, which boasts of a clubhouse complete with a basketball court, swimming pool, gym facilities, a village shopping center, and a serene chapel - the Nuestra Señora de la Visitacion.

The development sells only house-and-lot packages. There are eleven models offered: Napa, a duplex with floor area of 50 sq. m. per house; Stanford (91.5 sq. m.); Delano (101 sq. m).; Fremont (105 sq. m.); Berkeley (sq. m.); Atherton (280 sq. m.); Redmont (101 sq. m.); Calistoga (130 sq. m.); Casitas (81 sq. m.); Irvine (80 sq. m.); and Malibu (140 sq. m.)

Phase I has a total of 428 residential and commercial units. The Parent Company received a total sales proceeds of P259 million from its share of the project.

Phase II has a total of 363 units with no commercial areas assigned to it with expected sales of P195 million. Market demand is expected to dictate pricing and some allotted models may be converted to the more affordable Napa or Stanford.

Phase III of the development has already expanded and has maximized its allocated area with a midrise townhouse development called the Casitas, which was fully sold in by year-end 2014.

4. MCC Arena

The Manila Cockers Club, Inc. (MCC) officially started its operations early December 2015 during the inauguration of its world class cockfighting studio, Cockers Arena, located at the Turf Building of the San Lazaro Leisure and Business Park (SLLBP) complex in Carmona, Cavite. The wholly-owned subsidiary of Manila Jockey Club (MJC) is part of a grand development plan for SLLBP to expand its sporting facilities and leisure potential in the Metro South.

Manila Cockers is duly-licensed and recognized by the Sangguniang Bayan of Carmona, Cavite. Under Municipal Ordinance No. 017-2014, it was granted authority to: (1) establish, operate and maintain a cockpit arena at San Lazaro Leisure and Business Park, (2) hold or conduct cockfights with sports wagering, and (3) offer, take or arrange wagers for cockfights.

The venue, Cockers Arena, is an exclusive, fully air-conditioned cockfighting studio which features an impressive steel-and-glass fighting pit; deluxe theater seats; full wait service; and high-definition 65-inch LED TVs located inside and outside the studio.

In 2019, there were 33 derbies held at the Cockers Arena which happened across 276 cockfighting days. Total sales amounted to Php19,883,187,905.00 which came from the following: OCB sales Php17,394,556,197.00, On-site sales Php1,874,400,824.00, and Fastbet sales Php614,230,884.00. Guaranteed cash prize for 2019, amounted to Php144,125,000 and additional breeders' assistance fund amounted to Php 17,500,000 given every two (2) months.

Through a partnership with Cignal TV, matches are broadcasted live on GameTime TV Channel 109 and to MJC's network of over 250 Off-Track Betting in Metro Manila and nearby provinces.

5. PFF-FIFA Football National Training Center

The Manila Jockey Club Inc. (MJC) and the Philippine Football Federation (PFF) entered an agreement last April 2014 to initially lease 2 hectares of land within the San Lazaro Leisure and Business Park (SLLBP) complex. As part of the agreement, PFF will construct a FIFA Qaulity Pro (formerly FIFA 2-Star) rated artificial turf football pitch through the FIFA Goal Project Programme. The MJC-PFF partnership will effectively turn SLLBP into the National Football Training Center. The venue will host all football related activities of our National Football teams (Azkals & Malditas) including the respective age-grouped teams. Try-outs, training, tune-up games, and FIFA and AFC sanctioned matches and International friendlies will all be held in SLLBP. Additional appurtenances such as dressing rooms, dormitories, cafeteria, gym, bleachers, field lighting, a training center and the relocation of the Philippine Football Federation's Headquarters will also be constructed.

The construction of the pitch from the sub base layer, drainage system up to the turf and infill of the pitch was done by ACT Global and Specicon Philipines Inc., the accredited contractors for the Goal Project 3. The artificial turf has also been installed with aluminum goal posts, nets, team benches and pathways. The field was inaugurated 9 September 2017. Shortly thereafter, the field was tested and passed the requirements as a FIFA Quality Pro Turf pitch.

6. MJC Multi-Purpose Pitch

MJC has also started to redevelop its centerfield area for use in sporting and special events. Rehabilitation and groundwork have been conducted to flatten the surface area, improve playing surface, and remove boulders and other obstructions from the ground. Apart from the re-grassing of the area, new pipes have been installed to improve drainage and water flow during the wet season. New shower rooms and restrooms were also installed.

Thru 2016 & 2017, the centerfield hosted several MJC-sponsored sporting events, including: Copa San Lazaro, MJC's very own bi-annual football tournament; Mabuhay Futbol League tune-up games; Kiwanis Futbol Festival and several practice games from different football clubs in the area. Of note in 2017 MJC Partnered with the Manila Nomads Rugby Club top bring the Manila 10s to the San Lazaro Leisure & Business Park. This International Social Rugby Tournament was dubbed by ESPN as the "BEST SOCIAL RUGBY TOURNAMENT IN THE WORLD". To complement these events, twenty (20) 20-seater bleachers and outdoor tents were purchased. Further plans are being studied to further improve the area and increase foot traffic.

As part of its CSR activities, the Company also launched the MJC Football Academy. The program holds free football clinic is open to all children and young adults residing in the surrounding barangays with the aim of providing better opportunities to the youth through sports.

Memorandum of Agreement with AKL Properties, Inc.,

On July 16, 2019, a memorandum of agreement has been executed between the Parent Company and AKL Properties, Inc. (AKL), an affiliate of Ayala Land, Inc. (ALI) to purchase the Parent Company's land properties located in Carmona, Cavite with 608,712 sqm., for the purpose of developing it into a mixed-used township project with complementary uses. This excludes the MJC Turf Club Building with 36,000 sqm. where the Parent Company shall retain its ownership. The parties have appointed ALI as development manager of said property.

II. **Manila Township, Sta. Cruz, Manila (San Lazaro Tourism & Business Park)**

Township Development Components:

1. SM City San Lazaro

2. Ayala Land Inc. Joint Venture Developments

   a. ALVEO

      a.1. Celadon Residences (Townhouses)
      a.2. Celadon Park Residences – a 3-tower condominium complex

   b. AVIDA Towers San Lazaro – a 5-tower condominium complex

   c. Vertex One- a 15-storey BPO Building with retail units at the ground floor

The Parent Company's 16-hectare property in Sta. Cruz, Manila (the "Sta. Cruz Property") did not remain idle land after it transferred its racing operations to Carmona, Cavite. In 2001, SM Prime Holdings, Inc. erected the SM San Lazaro Mall at the 4-hectare portion of the property.

As part of the over-all development of the Sta. Cruz property, the Company signed on February 26, 2005 Joint Development Agreements ("JDAs") with the country's largest real property developer, Ayala Land Inc. ("ALI"), through ALI's wholly-owned subsidiaries, Avida Land Corporation ("AVIDA") and

Alveo Land Corporation (Alveo), formerly Community Innovations Inc. ("CII") for the construction of townhouses and residential condominium buildings at the 6.47-hectare portion of the Sta. Cruz property.

Under the JDAs, the Company will contribute the land, Alveo and AVIDA will contribute the financial and technical resources required for the development of the townhouses and condominium buildings.

Celadon Residences (Alveo)

"Celadon Residences" is an upscale 202-unit Mediterranean-inspired townhouse community spread over 4.2 hectares. Buyers may choose from three (3) types of units, with floor areas ranging from 168 to 204 sq. m. All units will have three (3) bedrooms and pocket gardens on the ground floor. The additional option of a guestroom or home office affords residents more breathing room for their needs. For relaxation and recreational purposes, they may visit the centrally-located 3,200 sq. m. village park and pavilion, which boast of landscaped gardens, adult and child swimming pools, a children's playground, and an open playfield, and a multi-purpose court.

Celadon Park (Alveo)

"Celadon Park" is a three (3) tower condominium structure to be erected built on a one (1) hectare portion of the Sta. Cruz Property. Completion of tower three was finished early 2019, wherein pre-sold units are continuously being turned- over to its buyers. The unit types range from one bedroom to three bedrooms. It also has two (2) kinds of penthouse suites and house an integrated leisure club facility that will have a 25m. lap pool and a lounge pool, basketball court, a fitness center, function rooms, children's activity area and a multi-purpose amphitheater.

Avida Towers (AVIDA)

"Avida Towers" is envisioned to be a cluster of five (5) condominium towers, priced within reach of middle-income earners. The floor area of each unit ranges from 22 to 66 sq. m., offering studios, one-bedrooms, two-bedrooms, and lofts. The facilities include a clubhouse, adult and child swimming pools, children's playground, basketball court, and jogging path.

The projects are sanctuaries conveniently located near schools like University of Santo Tomas, Far Eastern University, and University of the East; hospitals such as the UST hospital, St. Jude, and Chinese General; shopping areas including SM San Lazaro, SM Manila, Lucky Chinatown and Divisoria; key government offices such as the Manila City Hall and the Malacañang Palace, the official residence of the President are among other famous landmarks in Manila.

Vertex One Building

In 21 November 2007, construction started for the BPO Building at the property of the Company at Sta. Cruz, Manila. The BPO Building is a joint venture project with Ayala Land, Inc. (ALI) with ALI having 70% interest and MJCI 30%. Construction for said tower was completed on March 2009. The tower is named Vertex One.

Vertex One, is a 15-storey, 21,000 square meter Grade-A facility designed to address the office space requirements and to cater to the 24x7 work environment of BPO firms. It provides large and efficient building floor plates, telco & data redundancies, large capacity, high-speed elevators, 100% back-up power, support retail amenities and parks & open spaces. The project site is considered an ideal location for BPO firms due to its close proximity to the University Belt and its accessibility to the major business districts, airports and seaports in the Metropolis. The project is the largest BPO facility in the city of Manila providing approximately 6,000 job opportunities for the residents of the city. Concentrix (formerly Convergys), one of the leading BPO firms in the country, occupies 8 storeys in Vertex One being one of its largest recruitment hubs in the country. The ground floor, has a retail component to complement the 24-hour operation of the building. Highly regarded establishments such as 7/11, Mang Inasal, Macao Imperial Tea, Romantic Baboy, BPI bank, and Unionbank are among the ground floor anchor tenants.

On 12 December 2008, the Parent Company entered into a JVA with Ayala Land, Inc. (ALI) to create the San Lazaro JV, an unincorporated taxable JV and a jointly controlled entity, for the purpose of leasing, managing and administering the developed office units in the building complex at the Sta. Cruz property (the Building Complex). The Building Complex was constructed and developed under a JDA also with ALI.

In September 2019, the Parent Company acquired from Ayala Land, Inc. (“ALI”), developed office units and parking lots (the “Subject Property”) and ALI’s equity interest in SLBPO for a total consideration of P511.7 million, excluding applicable taxes. This resulted in the Group owning 100% of SLBPO. In connection with acquisition of the Subject Property, ALI assigned, transferred and conveyed all its rights and interest under the Subject Agreements to the Parent Company and its assignees, together with the tenant and service contracts for Vertex One Building.

On the same date, the Parent Company and SLLPHI, the designated property manager of the developed office and parking units, amended the division of net rental income from leasing of the developed office units by the unincorporated joint venture for a more equitable distribution of the net income of the joint venture, proportionate to and taking into account SLLPHI’s contribution.

<u>Philippine Economic Zone Authority (PEZA) – Carmona Property</u>

Presidential Proclamation No. 1517 was signed by President Gloria Macapagal Arroyo on May 26, 2008, which created and designated several parcels of land owned by the Parent Company consisting of 542,294 square meters situated at Barangay Lantic, Municipality of Carmona, Province of Cavite as a Tourism Economic Zone. The proclamation entitled the Parent Company to establish, develop, construct, administer, manage, and operate a Special Economic Zone to be known as San Lazaro Leisure and Business Park (SLLBP). Pursuant to the proclamation, the Parent Company and the PEZA signed on June 5, 2008, the Registration Agreement entitling MJCI to develop and operate the special economic zone. The Parent Company filed a request to change the status of SLLBP from tourism economic zone to a tourism economic zone with information technology component. On December 2016, said application was approved and a supplemental agreement was signed thereafter.

<u>Philippine Economic Zone Authority – Sta. Cruz Property</u>

Presidential Proclamation No. 1727 signed by President Arroyo on February 13, 2009, created and designated several parcels of land owned by the Parent Company at the site of the former San Lazaro race track in Sta. Cruz, Manila consisting of 74,244 square meters, as a tourism economic zone with information technology component and to be known as the San Lazaro Tourism and Business Park.

Pursuant to the proclamation, the Parent Company and the PEZA signed on February 24, 2009, the Registration Agreement to entitle MJCI to develop and operate the aforementioned special economic zone. A certificate of registration was thereafter issued.

Apo Reef World Resorts Inc. / Mamburao Property

APO Reef World Resorts Inc. (ARWRI) is a subsidiary of Manila Jockey Club Inc. that owns a beach property of approximately 100 hectares located along the west coastline of Mamburao, Occidental Mindoro. ARWRI aims to develop a multi-tiered resort township project in support of the regional developments of the province. Its large size enables the development flexibility necessary to create a stand-alone development that emulates the feeling of a destination getaway. Its long coastline, approximately 4.5 kilometers, is appropriate for diverse water facilities and sports activities.

In addition, ARWRI has also acquired an additional 48 hectares across the beach property, with in the valley region of Mamburao. This shall serve as a supplementary development to the beach property which will include an 18-hole golf course as well as other world class leisure facilities.

Moreover, Apo Reef World Resorts Inc. is approximately 34 nautical miles, from Apo Reef, the second largest contiguous coral reef in the world and the largest in the Philippines. The government has declared it as a Protected Area under the category of National Park. Its diverse coral reef system encompasses approximately 34 square kilometers, where different species of fish, marine mammals and invertebrates thrive. This shall serve as the main attraction for the development, which aims to boost both local and international tourism in the country. Apo Reef World Resorts aims to become a diving mecca and getaway destination to tourists all around the world.

GAMING OPERATIONS

As part of its business diversification, the Parent Company commenced its gaming operation in October 2003. The Parent Company entered into an agreement with PAGCOR for the establishment of a VIP Club with gaming pit at the 3rd Floor of the Turf Club Building in Carmona Cavite.

The Parent Company has a total of 200 slot machines, 42 of which are company-owned, while 65 are on a revenue-sharing arrangement with Jade Entertainment and Gaming Technologies Inc., and 93 from other machine manufacturers. Based on the lease contract with PAGCOR, the company shall supply 200 slot machines together with the floor management system. In consideration thereof, the Company shall receive thirty-five percent (35%) of the gross win as its share from the VIP Club.

With regards to the gaming pit, PAGCOR leases from the Company an area of 189.231 square meters for the table games P587.08 per square meter subject to an escalation rate of 5% per year. The Lease commenced on January 16, 2019 and will end on January 15, 2022.

Employees

The Parent Company has raceday and monthly employees.

As of December 31, 2019, the total number of raceday employees is 402 employees. On the other hand, the total number of monthly rank and file employees 123 employees and 91 officers.

The following are the Collective Bargaining Agreements (CBA) of the Company:

(i) Monthly CBA - January 1, 2016 to December 31, 2020
(ii) Raceday CBA - July 1, 2014 to June 30, 2019.

Both CBAs contain supplemental benefits for the employees such as vacation and sick leaves and retirement benefits. The Parent Company has not experienced any labor strike in the last three (3) years.

ITEM 2. PROPERTIES

(1) Sta. Cruz and Carmona, Cavite Property

The real estate properties of the Club are located in Sta. Cruz, Manila with an area of 2.1 hectares and The real estate properties of the Club are located in Sta. Cruz, Manila with an area of 2.1 hectares and Carmona, Cavite with an area of 77 hectares.

The investment properties, Sta. Cruz property held for capital appreciation and the Sta. Cruz property held for lease have carrying values as of December 31, 2019 amounting to P397.8 million and P238.2 million.

(2) Undivided Interest in a parcel of land

The Parent Company also has an undivided interest in a parcel of land in Batangas which has a carrying value amounting to P56.7 million as of December 31, 2019.

ITEM 3. LEGAL PROCEEDINGS

As of date, there are pending claims and legal actions by third parties against or involving the Company arising from the normal course of business. In the opinion of the Parent Company's management and its counsel, liabilities arising from these claims, if any, would not have material effect on the Company and any liability or loss arising therefrom would be taken up when final resolution of the claims and actions are determined.

Pending material legal proceedings involving the Company are described in **Annex "E"** of the Information Statement.

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

Except for the matters taken up during the last annual meeting of the stockholders covered by the Company's Information Statement, no matter was submitted to a vote of security holders through solicitation of proxies or otherwise during the calendar year covered by this report.

VII. COMPANY'S DIRECTORS AND EXECUTIVE OFFICERS

Please refer to the Information Statement for the discussion of the identity of each of the Company's Board of Directors and Executive Officers including their principal occupation or employment, name and principal business of any organization by which such persons are employed.

VIII. MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCHOLDER MATTERS

1. *Market Information*

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

Quarter Period	CY 2020		CY 2019		CY 2018	
	High	Low	High	Low	High	Low
1st Quarter	3.33	1.99	5.34	4.64	6.82	4.10
2nd Quarter	2.98	1.60	3.98	2.94	5.91	3.83
3rd Quarter	-	-	4.20	2.85	6.22	4.00
4th Quarter	-	-	3.50	3.27	5.91	4.50

Source: Philippine Stock Exchange, Inc.

As of 18 August 2020, the closing price of the Company's common shares in the PSE is at PhP 2.40 per share.

2. *Holders*

As of 31 July 2020, there are approximately 958 holders of common shares of the Company.

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

Top Twenty (20) Stockholders as of 31 July 2020

	Stockholder Name	Number Of Shares	Percentage
1.	PCD Nominee Corporation (Filipino)	779,676,407	52.18%
2.	ARCO EQUITIES INC.	198,713,048	13.30%
3.	REYNO JR., ALFONSO R.	98,921,910	6.62%
4.	ROBLES, EXEQUIEL D.	85,366,650	5.71%
5.	REDWOOD OAK VENTURES, INC.	63,786,457	4.27%
6.	ESPIRITU, EDGARDO B.	37,081,280	2.48%
7.	PALOS VERDES REALTY CORP.	35,152,714	2.35%
8.	JUT HOLDINGS, INC.	17,245,615	1.15%
9.	TORMIL REALTY & DEVELOPMENT CORP.	15,878,988	1.06%
10.	PALOS VERDES REALTY CORP.	15,552,650	1.04%
11.	MORALES, DANTE D. MORALES &/OR MARIA LUISA T.	14,351,596	0.96%
12.	VILLARAZA, F. ARTHUR L.	13,773,369	0.92%
13.	BONAVENTURE DEVELOPMENT CORPORATION	10,375,942	0.69%
14.	GOLDEN ERA HOLDINGS, INC.	10,177,800	0.68%
15.	TAN, RUDDY C.	5,967,249	0.40%
16.	DOMINGO, FERDINAND A.	5,322,045	0.36%
17.	APEX MANAGEMENT & DEVELOPMENT GROUP INC.	5,097,412	0.34%
18.	STA. LUCIA REALTY DEVELOPMENT,INC.	4,303,599	0.29%
19.	CHAN, VICTOR G.	3,699,691	0.25%
20.	YOLANDA G. REYNO &/OR ROSENDO GUEVARA	3,465,467	0.23%
	TOTAL	**1,423,909,889**	**95.29%**

3. ***Dividends***

Cash dividends declared for the years ended December 31, 2019, 2018 and 2017, are as follows:_

	2019	2018	2017
Cash Dividend Per Share (PhP)	-	₱0.05	₱0.05
Declaration Date	-	April 12, 2018	July 4, 2017
Record Date	-	May 7, 2018	July 18, 2017
Payment Date	-	May 31, 2018	July 30, 2017

Stock dividends declared for year ended December 31, 2019, 2018 and 2017, are as follows:

	2019	2018	2017
Stock Dividend Rate	50%	-	-
Date of Board Approval	Sept. 11, 2018		
Date of Stockholder Approval	Dec. 7, 2018	-	-
Date of SEC Approval	May 3, 2019		
Record Date	May 17, 2019	-	-
Payment Date	June 13, 2019	-	-

There are no restrictions other than profit levels or retained earnings that limit the payment of dividend on common shares.

4. ***Recent sale of unregistered securities***

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

IX. CORPORATE GOVERNANCE

(a) Evaluation System To Measure Compliance with Manual of Corporate Governance

The Company evaluates compliance with the Code of Corporate Governance for Publicly-Listed Companies ("CG Code") using the Integrated Annual Corporate Governance Report ("I-ACGR").

(b) Measures Being Undertaken to Fully Comply with Leading Practices on Good Corporate Governance

The Company exerts its best efforts to comply with the provisions of the CG Code and its Revised Manual on Corporate Governance (the "Manual"). The directors and key officers of the Company attend the Corporate Governance Seminar mandated by the SEC.

(c) Deviation from the Company's Manual of Corporate Governance

There has been no known deviation from the Company's Manual on Corporate Governance.

(d) Plan to Improve Corporate Governance

The Company shall continue to exert its best efforts to comply with the provisions embodied in the CG Code and its Manual. It shall also endeavor to address the recommendations of the I-ACGR said Manual.

THE ANNUAL REPORT FOR YEAR ENDED 31 DECEMBER 2019 (SEC FORM 17-A) AND THE QUARTERLY REPORT FOR THE FIRST AND SECOND QUARTERS OF 2020 (SEC FORM 17-Q) ARE AVAILABLE AT THE COMPANY'S WEBSITE (WWW.MANILAJOCKEYCLUBINC.COM.PH) OR UPON THE WRITTEN REQUEST OF THE STOCKHOLDERS ADDRESSED TO THE OFFICE OF THE CORPORATE SECRETARY OF MANILA JOCKEY CLUB, INC., AT 12TH FLOOR, STRATA 100 BUILDING, F. ORTIGAS, JR. ROAD, ORTIGAS CENTER, PASIG CITY.

REPUBLIC OF THE PHILIPPINES)
PASIG CITY) S.S.

SECRETARY'S CERTIFICATE

I, **FERDINAND A. DOMINGO**, of legal age, Filipino, and with office address at 12th Floor, Strata 100 Bldg., F. Ortigas Jr. Road, Ortigas Center, Pasig City, after having been sworn in accordance with law, hereby certify that:

1. I am the duly elected and incumbent Corporate Secretary of **MANILA JOCKEY CLUB, INC. ("Corporation")**, a corporation duly organized and existing under Philippine laws, with principal office address at San Lazaro Leisure and Business Park, Brgy. Lantic, Carmona, Cavite.

2. At the duly constituted meeting of the Board of Directors of the Corporation held on 10 July 2020, during which a quorum was present and acting throughout, the following resolutions were passed and approved:

> "**RESOLVED, AS IT IS HEREBY RESOLVED**, that the Corporation hereby authorizes and approves: (i) the conduct of the 2020 Annual Stockholders' Meeting (the "**2020 ASM**") via remote communication, (ii) the participation by the stockholders in the 2020 ASM via remote communication, and (iii) voting in the 2020 ASM by the stockholders *in absentia* or by proxy."
>
> "**RESOLVED, FURTHER**, that the Corporation hereby delegates to Management the approval of the procedures for the 2020 ASM via remote communications."

3. The foregoing resolutions have not been amended nor rescinded, are still in force and effect, and are in accordance with the records of the Corporation.

IN WITNESS WHEREOF, this Certification is signed this 1 8 AUG 2020 at Pasig City.

Ferdinand A. Domingo

FERDINAND A. DOMINGO
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 1 8 AUG 2020 at Pasig City, affiant exhibiting to me his TIN 145-006-236.

Doc. No. 290;
Page No. 59;
Book No. VII;
Series of 2020.

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

REPUBLIC OF THE PHILIPPINES)
PASIG CITY) S.S.

SECRETARY'S CERTIFICATE

I, **FERDINAND A. DOMINGO**, of legal age, Filipino, and with office address at 12th Floor, Strata 100 Bldg., F. Ortigas Jr. Road, Ortigas Center, Pasig City, after having been sworn in accordance with law, hereby certify that:

1. I am the duly elected and incumbent Corporate Secretary of **MANILA JOCKEY CLUB, INC. ("Corporation")**, a corporation duly organized and existing under Philippine laws, with principal office address at San Lazaro Leisure and Business Park, Brgy. Lantic, Carmona, Cavite.

2. As of date of this Certification, none of the Directors and Officers of the Corporation is connected with any government agencies and or its instrumentalities.

3. This Certification is issued in connection with the requirements of the Securities and Exchange Commission, in connection with the Corporation's Information Statement (SEC Form 20-IS) for year 2020.

IN WITNESS WHEREOF, this Certification is signed this 18 AUG 2020 at Pasig City.

Ferdinand A. Domingo

FERDINAND A. DOMINGO
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 18 AUG 2020, in Pasig City, affiant exhibiting to me his TIN 145-006-236.

Doc. No. 288;
Page No. 59;
Book No. VII;
Series of 2020.

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

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **VICTOR C. FERNANDEZ**, Filipino, of legal age and a resident of No. 1570 Princeton Street, Wack-Wack Village, Mandaluyong City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for Independent Director of Manila Jockey Club, Inc. ("MJC") and have been its Independent Director since 2010.

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations)

Company	Position/Relationship	Period of Service
Destiny Fund Corporation	Independent Director	2015 up to Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of MJC as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

5. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

6. I shall inform the Corporate Secretary of MJC of any changes in the abovementioned within five (5) days from its occurrence.

DONE this day of 18 AUG 2020 2020 at Pasig City.

VICTOR C. FERNANDEZ
Affiant

SUBSCRIBED AND SWORN to before me this day of 18 AUG 2020 at Pasig City, affiant personally appeared before me and exhibited to me his Tax Identification No. 155-565-214 issued in the Philippines.

Doc. No. 289;
Page No. 59;
Book No. VII;
Series of 2020.

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

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **VICTOR B. VALDEPEÑAS**, Filipino, of legal age and a resident of No. 6 Vernon Street Filinvest Homes I, Quezon City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for Independent Director of Manila Jockey Club, Inc. ("MJC") and have been its Independent Director since 2015.

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations)

Company	Position/Relationship	Period of Service
Foodsnpere Inc.	Director	
Yum Wah Inc	Chairman	
V1 Countrywide Realty Corp	Chairman	
V1 Bus Lines Inc.	Chairman	

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of MJC as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

5. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

6. I shall inform the Corporate Secretary of MJC of any changes in the abovementioned within five (5) days from its occurrence.

DONE this day of 18 AUG 2020 2020 at Pasig City.

Valdepeñas

VICTOR B. VALDEPEÑAS
Affiant

SUBSCRIBED AND SWORN to before me this day of 18 AUG 2020 at Pasig City, affiant personally appeared before me and exhibited to me his Tax Identification No. 106-906-639 issued in the Philippines.

Doc. No. 291 ;
Page No. 60 ;
Book No. VII ;
Series of 2020.

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

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **ANEL MARTIN S. ANTERO**, Filipino, of legal age and a resident of Block 2A Lot 2, Phase F-1, Francisco Homes, City of San Jose del Monte, Bulacan, after having been duly sworn in accordance with law do hereby declare that:

1. I am a nominee for Independent Director of Manila Jockey Club, Inc. ("MJC").

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations)

Company	Position/Relationship	Period of Service
First City Providential College, Inc.	Trustee	15 years
Ludalian Salon Services, Inc.	President	4 years
Integrated Bar of the Philippines	Bulacan Chapter President	1 Year

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of MJC as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

5. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

6. I shall inform the Corporate Secretary of MJC of any changes in the abovementioned within five (5) days from its occurrence.

DONE this day of AUG 18 2020 of August 2020 at CSJDM, BULACAN City.

ANEL MARTIN S. ANTERO
Affiant

SUBSCRIBED AND SWORN to before me this AUG 18 2020 day of August at CSJDM, BULACAN City, affiant personally appeared before me and exhibited to me his DRIVERS LICENSE C07-97-105087 as competent evidence of his identity.

Doc. No. 410;
Page No. 83;
Book No. IV;
Series of 2020.

ATTY. WARLITO DM. GOGOLIN
NOTARY PUBLIC
UNTIL DEC. 31, 2021
IBP NO. 102535/1-3-20/BULACAN
PTR NO. 2279808/1-2-20/CSJDM, BULACAN
ROLL NO. 52714/MAY 2006
MCLE COMPLIANCE NO. VII-0002403/2-13-20
SAN FRANCISCO ST., POBLACION I
CITY OF SAN JOSE DEL MONTE, BULACAN

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

MANILA JOCKEY CLUB, INC.

RACING SINCE 1867

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of **MANILA JOCKEY CLUB, INC.** Is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, as of **December 31, 2019 and 2018** and for the years ended **December 31, 2019, 2018 and 2017**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Alfonso R. Reyno, Jr.
Chairman of the Board

Alfonso G. Reyno III
President and Chief Executive Officer

Nestor N. Ubalde
Chief Financial Officer

SUBSCRIBED AND SWORN to before me ____ day of JUL 14 2020 at MANDALUYONG affiant exhibiting to me their respective government issued identification cards as follows

	Passport/Driver's License No.	Date/Place Issued
Alfonso R. Reyno, Jr.	P4293732A	DFA Manila
Alfonso Victorio G. Reyno, III	P1394618A	DFA Manila
Nestor N. Ubalde	N04 89 106906	Quezon City

Doc.No. 100 ;
Page No. 27 ;
Book No. 83 ;
Series of 2020.

ATTY. JAMES R. ABUGAN
NOTARY PUBLIC
Appt. No. 0442-19
Until Dec 31, 2020
IBP No. 101013 01/03/2020 Rizal Chapter
Roll No. 34890 Lifetime
MCLE No. VI-0013875 Until 4/14/2022
TIN No. 114-739-956
PTR No. 43330065 /01-03-2020
Tel. No. 631-40-90
Mandaluyong City

MANILA JOCKEY CLUB, INC.

RACING SINCE 1867

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **MANILA JOCKEY CLUB, INC.** Is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, as of and for the years ended **December 31, 2019 and 2018**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Alfonso R. Reyno, Jr.
Chairman of the Board

Alfonso G. Reyno III
President and Chief Executive Officer

Nestor N. Ubalde .
Chief Financial Officer

14th Floor, Strata 100 Bldg., Emerald Avenue, Ortigas Center, Pasig City 1605, Philippines
E-mail: executive@manilajockey.com Web site: www.manilajockey.com Tels: (632) 6879889 Fax: (632) 9144846 / 6316366
San Lazaro Leisure Park: Governor's Drive, Barangay Lantic, Carmona, Cavite Tel: (046) 430-2631

SUBSCRIBED AND SWORN to before me JUL 1 4 2020 day of ___ at MANDALUYONG CITY affiant exhibiting to me their respective government issued identification cards as follows

	Passport/Driver's License No.	Date/Place Issued
Alfonso R. Reyno, Jr.	P4293732A	DFA Manila
Alfonso Victorio G. Reyno, III	P1394618A	DFA Manila
Nestor N. Ubalde	N04 89 106906	Quezon City

Doc.No. 128 ;
Page No. 27 ;
Book No. 83 ;
Series of 2020.

ATTY. JAMES K. ABUGAN
NOTARY PUBLIC
Appt. No. 0442-19
Until Dec 31, 2020
IBP No. 101013, 01/03/2020 Rizal Chapter
Roll No. 26890 Lifetime
MCLE No. VI-0012875 Until 4/14/2022
TIN No. 116-239-956
PTR No. 43330065 /01-03-2020
Tel. No. 631-40-90
Mandaluyong City

MANILA JOCKEY CLUB, INC.

RACING SINCE 1867

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The management of **MANILA JOCKEY CLUB, INC.** is responsible for all information and representations contained in the Annual Income Tax Return for the year ended **December 31, 2019**. Management is likewise responsible for all information and representations contained in the financial statements accompanying the (Annual Income Tax Return or Annual Information Return) covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended **December 31, 2019** and the accompanying Annual Income Tax Return are in accordance with the books and records of Manila Jockey Club, Inc., complete and correct in all material respects. Management likewise affirms that:

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

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

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

Alfonso R. Reyno, Jr.
Chairman of the Board

Alfonso G. Reyno III
President and Chief Executive Officer

Nestor N. Ubalde
Chief Financial Officer

14th Floor, Strata 100 Bldg., Emerald Avenue, Ortigas Center, Pasig City 1605, Philippines
E-mail: executive@manilajockey.com Web site: www.manilajockey.com Tels: (632) 6879889 Fax: (632) 9144846 / 6316366
San Lazaro Leisure Park: Governor's Drive, Barangay Lantic, Carmona, Cavite Tel: (046) 430-2631

SUBSCRIBED AND SWORN to before me this ____day of JUL 14 2020 __________, affiants personally appeared before me, exhibiting to me their respective government issued identification cards with photographs as follows:

NAMES	PASSPORT / DRIVER'S LICENCE / PRC NO.	DATE OF ISSUE	PLACE OF ISSUE
Alfonso R Reyno, Jr.	P4293732A	SEPT 7, 2017	DFA Manila
Alfonso G. Reyno III	P1394618A	DEC 27, 2016	DFA Manila
Nestor N. Ubalde	N04-89-106906	Expiration 3/4/2023	Quezon City

Doc. No. 129
Page No. 27
Book No. 83
Series of 2020.

ATTY. JAMES K. ABUGAN
NOTARY PUBLIC
Appt. No. 0442-19
Until Dec 31, 2020
IBP No. 101013 01/03/2020 Rizal Chapter
Roll No. 26890 Lifetime
MCLE No. VI-0012875 Until 4/14/2022
TIN No. 118-239-956
PTR No. 43330065 /01-03-2020
Tel. No. 631-40-90
Mandaluyong City

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

P	W	0	0	0	0	0	8	0	3	

COMPANY NAME

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES

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

San Lazaro Leisure and Business Park, Brgy. Lantic, Carmona, Cavite

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
admin@manilajockey.com	(632) 8687-9889	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
959	06/30	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Nestor N. Ubalde	nestorubalde@yahoo.com	7914-4758	0917-5576284

CONTACT PERSON's ADDRESS

14th Floor. Strata 100 Bldg., F. Ortigas Jr. Road, Ortigas Center, Pasig City

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

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

SyCip Gorres Velayo & Co.
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1226 Makati City
Philippines

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

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

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Manila Jockey Club, Inc.
San Lazaro Leisure and Business Park
Brgy. Lantic, Carmona, Cavite

Opinion

We have audited the consolidated financial statements of Manila Jockey Club, Inc. (the "Parent Company") and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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

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

Assessment of the going concern basis

The Group is engaged in the gaming industry related business and operates a racetrack and a cockpit arena in Carmona, Cavite. On March 5, 2020, Manilacockers Club, Inc. (MCI) voluntarily suspended its operations. In addition, on March 16, 2020, in a move to contain the COVID 19 outbreak, the Office of the President of the Philippines issued a directive declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed community quarantine. In line with this, the government decided to cease all non-essential business operations, which impacted the Group's cash flow from operations. As of the date of this report, the Group has not yet resumed its operation. The ability of the Group to generate revenue and control its operating cash outflows and the availability of sufficient funding to enable the Group to meet its currently maturing obligations is important for the going concern assumption and, as such, is significant to our audit.

The Group's disclosures related to this matter are included in Notes 1.3 and 31 to the consolidated financial statements.

Audit response

We obtained management's assessment of the Group's ability to continue as a going concern. We reviewed the cash flow forecast prepared by management and evaluated the key assumptions and inputs against the Group's historical performance, tax position and underlying basis, and the Group's operating and strategic plans, including cost savings measures. We obtained and reviewed the terms of debt facilities, including unused credit facilities, and assessed compliance with relevant covenants. We also assessed the adequacy of the related disclosures in the notes to the consolidated financial statements.

Accounting for Acquisition of Ayala Land, Inc.'s Rights, Title and Interest in San Lazaro BPO Complex Joint Venture's (SLBPO) Vertex One Building

In September 2019, the Parent Company acquired from its joint venture partner Ayala Land, Inc. ("ALI"), developed office units and parking lots (the "Subject Property") and ALI's equity interest in SLBPO for a total consideration of ₱511.7 million, excluding applicable taxes. This resulted in the Group owning 100% of SLBPO. In connection with acquisition of the Subject Property, ALI assigned, transferred and conveyed to the Parent Company and its assignees, all its rights and interest under the tenant and service contracts for Vertex One Building.

On the same date, the Parent Company and SLLP Holdings, Inc. (SLLPHI), the designated property manager of the developed office units, amended the division of net rental income from leasing of the developed office units by the unincorporated joint venture for a more equitable distribution of the net income of the joint venture, proportionate to and taking into account SLLPHI's contribution. These transactions are eliminated in the 2019 consolidated financial statements.

The acquisition qualified as an acquisition of a business in accordance with PFRS 3, *Business Combinations*, and was accounted for under the purchase method. The Parent Company has determined that the purchase price allocation as of the acquisition date are provisional This is significant to our audit because the acquisition is material to the consolidated financial statement. In addition, accounting for this acquisition required significant management judgments and estimates, specifically the determination of the fair values of the assets acquired and liabilities assumed and the disclosures in relation to the acquisition.

The Group's disclosure related to the acquisition are disclosed in Note 1.5 to the consolidated financial statements.

Audit Response

We reviewed the assumptions and methodologies used by the Group for the purchase price allocation exercise, specifically on the determination of the fair values of assets and liabilities. For the fair values of investment properties, we assessed the competence and objectivity of the appraiser by reference to their qualification, experience and reporting responsibilities. We reviewed the methodology and assumptions used in the appraisal. We assessed the methodology adopted by referencing common valuation models and reviewed the relevant information supporting the sales and listing of comparable properties. We also inquired from the external appraiser the basis of adjustments made to the sales price.

Assessment of Impairment of Property and Equipment

Under PFRS, the Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any such indication exists, the Group estimates the assets' recoverable amount, which is the value higher between the cash-generating unit's fair value less cost to sell or value in use. In 2019, due to continuous decline in revenues from club races, the Group performed impairment testing on its property and equipment used in its racing activities amounting to ₱433.9 million. The recoverable amount of the cash generating unit has been determined based on fair value less cost to sell. This impairment test is significant to our audit because the property and equipment related to the Group's racing activities is material to the consolidated financial statements. In addition, the calculation made by the independent appraiser depends on certain assumptions, such as sales and listing of comparable properties registered within the vicinity and adjustments to sales prices based on internal and external factors.

The Group's policy on impairment assessment and the related judgment are disclosed in Notes 4 and 5 to the consolidated financial statements while the carrying values of property and equipment are included in Note 11 to the consolidated financial statements.

Audit Response

We reviewed the assumptions and methodologies used by the Group in the appraisal performed by an independent party. We assessed the methodology adopted by referencing common valuation models and reviewed the relevant information supporting the sales and listing of comparable properties. We also inquired from the external appraiser the basis of adjustments made to the sales price. We also assessed the competence and objectivity of the appraiser by reference to their qualification, experience and reporting responsibilities.

Provisions and Contingencies

The Group is involved in legal proceedings and assessments for national taxes. This matter is significant to our audit because the estimation of the potential liability resulting from these tax assessments requires significant judgment by management. The inherent uncertainty over the outcome of these tax matters is brought about by the differences in the interpretation and implementation of the laws and tax rulings.

The Group's disclosures about provisions and contingencies are included in Note 31 to the consolidated financial statements.

Audit Response

We involved our internal specialist in the evaluation of management's assessment on whether any provision for tax contingencies should be recognized, and the estimation of such amount. We discussed with management the status of the tax assessment, and obtained correspondences with the relevant tax authorities and opinions of the external legal/tax counsels. We evaluated the tax position of the Group by considering the tax laws, rulings and jurisprudence.

Impairment of Investment in a Significant Associate

The Group has an investment in MJC Investments Corporation (MIC) that is accounted for under the equity method. As of December 31, 2019, the Group's investment in and advances to MIC amounted to ₱2.0 billion, representing 37% of the total consolidated assets. For the year ended December 31, 2019, the Group's equity in the net loss of MIC amounted to ₱143.2 million. Under PFRS, the Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any such indication exists, the Group estimates the assets' recoverable amount, which is the value higher between the cash-generating unit's fair value less cost to sell or value in use. We considered this as a key audit matter because management's assessment process is highly judgmental and involves significant estimation based on assumptions, specifically the discount rates including cost of debt and cost of capital, growth rates, working capital and capital expenditure, which are affected by expected future market or economic conditions.

The Group's policy on impairment assessment and the related judgment are disclosed in Notes 4 and 5 to the consolidated financial statements while the carrying values and related disclosures of the investment in a MIC are included in Note 10 to the consolidated financial statements.

Audit Response

We evaluated the assumptions and methodologies used by the Group in its value-in-use calculations. These assumptions include the forecasted free cash flow, revenue growth, and weighted average cost of capital. We reviewed the basis and assumptions for estimates of free cash flows, in particular those relating to the forecasted revenue growth, which we compared against historical performance of the cash-generating unit and available comparable market data. We tested the parameters used in the determination of the discount rate against market data. We also focused on the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive, specifically those that have the most significant effect on the determination of the recoverable amount.

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SYCIP GORRES VELAYO & CO.

Adeline D. Lumbres

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

July 10, 2020

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Building a better working world

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

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
Manila Jockey Club, Inc.
San Lazaro Leisure and Business Park
Brgy. Lantic, Carmona, Cavite

We have audited in accordance with Philippine Standards on Auditing (PSAs), the accompanying consolidated financial statements of Manila Jockey Club, Inc. and Subsidiaries (the Group) as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 included in this Form 17-A and have issued our report thereon dated July 10, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with Revised Securities Regulation Code Rule 68 and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Adeline D. Lumbres

Adeline D. Lumbres
Partner
CPA Certificate No. 0107241
SEC Accreditation No. 1799-A (Group A),
December 10, 2019, valid until December 9, 2022
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SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT
ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders
Manila Jockey Club, Inc.
San Lazaro Leisure and Business Park
Brgy. Lantic, Carmona, Cavite

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Manila Jockey Club, Inc. and Subsidiaries (the Group) as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, and have issued our report thereon dated July 10, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedules on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Adeline D. Lumbres

Adeline D. Lumbres
Partner
CPA Certificate No. 0107241
SEC Accreditation No. 1799-A (Group A),
December 10, 2019, valid until December 9, 2022
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November 6, 2018, valid until November 5, 2021

**INDEPENDENT AUDITOR'S REPORT
ON THE SCHEDULE OF RECONCILIATION
OF RETAINED EARNINGS AVAILABLE
FOR DIVIDEND DECLARATION**

The Board of Directors and Stockholders
Manila Jockey Club, Inc.
San Lazaro Leisure and Business Park
Brgy. Lantic, Carmona, Cavite

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Manila Jockey Club, Inc. and Subsidiaries (the Group) as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, and have issued our report thereon dated July 10, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Group's management. This schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not part of the basic financial statements. This has been subjected to the auditing procedures applied in the audit of the Group's consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Adeline D. Lumbres

Adeline D. Lumbres
Partner
CPA Certificate No. 0107241
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January 28, 2019, valid until January 27, 2022
PTR No. 8125251, January 7, 2020, Makati City

July 10, 2020

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	**₱602,987,261**	₱332,347,036
Receivables (Note 7)	**176,853,170**	141,247,956
Inventories (Note 8)	**9,104,522**	54,573,219
Prepayments and other current assets (Note 9)	**26,127,770**	9,811,267
Total Current Assets	**815,072,723**	537,979,478
Noncurrent Assets		
Real estate receivables - net of current portion (Note 7)	**7,944,094**	61,541,708
Investments in and advances to associates and joint ventures (Note 10)	**2,032,407,093**	2,132,053,983
Property and equipment (Notes 11 and 31)	**840,366,743**	831,782,460
Investment properties (Notes 10 and 12)	**1,622,622,254**	1,094,755,913
Deferred tax assets - net (Note 26)	**1,799,260**	1,812,371
Other noncurrent assets (Note 13)	**161,224,234**	65,734,395
Total Noncurrent Assets	**4,666,363,678**	4,187,680,830
	₱5,481,436,401	₱4,725,660,308
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term loans and borrowings (Note 14)	**₱–**	₱288,636,040
Current portion of long-term loans and borrowings (Note 14)	**63,000,000**	–
Accounts payable and other liabilities (Note 15)	**507,619,135**	386,149,748
Income tax payable (Note 26)	**34,249,717**	14,592,986
Due to related parties (Note 27)	**13,734,482**	13,734,482
Total Current Liabilities	**618,603,334**	703,113,256
Noncurrent Liabilities		
Long term loans and borrowings - net of current portion (Note 14)	**236,250,000**	–
Deferred tax liabilities - net (Note 26)	**170,419,412**	188,910,254
Advances from third parties (Note 31)	**505,076,000**	–
Other noncurrent liabilities (Note 16)	**143,480,712**	55,944,377
Total Noncurrent Liabilities	**1,055,226,124**	244,854,631
	1,673,829,458	947,967,887
Equity		
Capital stock (Note 28)	**1,494,251,391**	996,170,748
Additional paid-in capital	**27,594,539**	27,594,539
Actuarial gains on accrued retirement benefits	**13,708,769**	17,413,770
Net cumulative changes in fair value of financial assets measured at FVOCI (Note 13)	**4,260,960**	4,620,965
Retained earnings (Note 28)	**2,208,852,475**	2,670,524,084
Treasury shares (Note 28)	**(7,096)**	(7,096)
Equity attributable to equity holders of the parent company	**3,748,661,038**	3,716,317,010
Non-controlling interests (Note 1)	**58,945,905**	61,375,411
Total Equity	**3,807,606,943**	3,777,692,421
	₱5,481,436,401	₱4,725,660,308

See accompanying Notes to Consolidated Financial Statements.

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2019	2018	2017
REVENUES (Note 17)	**₱1,754,997,939**	₱953,445,204	₱756,079,968
COST OF SALES AND SERVICES (Note 18)	**(1,145,630,855)**	(652,592,920)	(498,004,318)
GROSS INCOME	**609,367,084**	300,852,284	258,075,650
General and administrative expenses (Note 19)	**(356,707,835)**	(294,925,280)	(234,115,796)
Equity in net losses of associates and joint ventures (Note 10)	**(114,568,044)**	(133,821,849)	(135,219,490)
Finance costs (Notes 14, 24 and 31)	**(16,426,007)**	(10,136,613)	(6,096,804)
Selling expense (Note 8)	**(9,387,315)**	(10,508,951)	(12,072,532)
Interest income (Notes 6, 7, 13, and 23)	**9,329,018**	10,053,611	12,574,451
Other income (charges) - net (Note 25)	**(3,080,219)**	15,773,394	8,367,127
INCOME (LOSS) BEFORE INCOME TAX	**118,526,682**	(122,713,404)	(108,487,394)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 26)			
Current	**106,452,798**	42,223,245	24,573,178
Deferred	**(21,905,644)**	(26,848,453)	(13,261,272)
	84,547,154	15,374,792	11,311,906
NET INCOME (LOSS)	**33,979,528**	(138,088,196)	(119,799,300)
OTHER COMPREHENSIVE INCOME (LOSS)			
Items of other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods			
Net changes in fair value of financial assets measured at FVOCI (Note 13)	–	77,943	(12,473)
Items of other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods			
Actuarial gains (losses) on remeasurement of retirement benefits, net of tax (Note 22)	**(3,705,001)**	(10,223,937)	3,503,985
Net changes in fair value of financial assets measured at FVOCI (Note 13)	**(360,005)**	(407,126)	–
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱29,914,522**	(₱148,641,316)	(₱116,307,788)
Net income (loss) attributable to:			
Equity holders of the parent company	**₱36,409,034**	(₱133,765,093)	(₱119,358,594)
Noncontrolling interests	**(2,429,506)**	(4,323,103)	(440,706)
	₱33,979,528	(₱138,088,196)	(₱119,799,300)
Total comprehensive income (loss) attributable to:			
Equity holders of the parent company	**₱32,344,028**	(₱144,318,213)	(₱115,867,082)
Non-controlling interests	**(2,429,506)**	(4,323,103)	(440,706)
	₱29,914,522	(₱148,641,316)	(₱116,307,788)
Basic/Diluted Income (Loss) Per Share (Note 29)	**₱0.0244**	(₱0.0895)	(₱0.0799)

See accompanying Notes to Consolidated Financial Statements.

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017

	Capital Stock (Note 28)	Additional Paid-In Capital	Actuarial Gains on Accrued Retirement Benefits (Note 22)	Net Cumulative Changes in Fair Values of AFS Financial Assets (Note 13)	Retained Earnings (Note 28)	Treasury Shares (Note 28)	Total	Non-controlling Interests	Equity
BALANCES AT DECEMBER 31, 2018	**₱996,170,748**	**₱27,594,539**	**₱17,413,770**	**₱4,620,965**	**₱2,670,524,084**	**(₱7,096)**	**₱3,716,317,010**	**₱61,375,411**	**₱3,777,692,421**
Total comprehensive income (loss) for the year	–	–	**(3,705,001)**	(360,005)	36,409,034	–	32,344,028	(2,429,506)	29,914,522
Stock dividends declared (Note 28)	498,080,643	–	–	–	(498,080,643)	–	–	–	–
BALANCES AT DECEMBER 31, 2019	**₱1,494,251,391**	**₱27,594,539**	**₱13,708,769**	**₱4,260,960**	**₱2,208,852,475**	**(₱7,096)**	**₱3,748,661,038**	**₱58,945,905**	**₱3,807,606,943**
BALANCES AT DECEMBER 31, 2017	**₱996,170,748**	**₱27,594,539**	**₱27,637,707**	**₱4,950,148**	**₱2,854,097,244**	**(₱7,096)**	**₱3,910,443,290**	**₱65,698,514**	**₱3,976,141,804**
Total comprehensive income (loss) for the year	–	–	(10,223,937)	(329,183)	(133,765,093)	–	(144,318,213)	(4,323,103)	(148,641,316)
Cash dividends declared (Note 28)	–	–	–	–	(49,808,067)	–	(49,808,067)	–	(49,808,067)
BALANCES AT DECEMBER 31, 2018	**₱996,170,748**	**₱27,594,539**	**₱17,413,770**	**₱4,620,965**	**₱2,670,524,084**	**(₱7,096)**	**₱3,716,317,010**	**₱61,375,411**	**₱3,777,692,421**
BALANCES AT DECEMBER 31, 2016	**₱996,170,748**	**₱27,594,539**	**₱24,133,722**	**₱4,962,621**	**₱3,023,263,901**	**(₱7,096)**	**₱4,076,118,435**	**₱66,139,220**	**₱4,142,257,655**
Share in acquisition of net assets (Note 1)	–	–	–	–	–	–	–	–	–
Total comprehensive income (loss) for the year	–	–	3,503,985	(12,473)	(119,358,594)	–	(115,867,082)	(440,706)	(116,307,788)
Cash dividends declared (Note 28)	–	–	–	–	(49,808,063)	–	(49,808,063)	–	(49,808,063)
BALANCES AT DECEMBER 31, 2017	**₱996,170,748**	**₱27,594,539**	**₱27,637,707**	**₱4,950,148**	**₱2,854,097,244**	**(₱7,096)**	**₱3,910,443,290**	**₱65,698,514**	**₱3,976,141,804**

See accompanying Notes to Consolidated Financial Statements.

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**₱118,526,682**	(₱122,713,404)	(₱108,487,394)
Adjustments for:			
Equity in net losses of associates and joint ventures (Note 10)	**114,568,044**	133,821,849	135,219,490
Depreciation and amortization (Notes 11, 12, 13, 18, 19 and 20)	**110,518,075**	91,569,353	83,382,678
Finance costs (Note 24)	**16,426,007**	10,136,613	6,096,804
Interest income (Note 23)	**(9,329,018)**	(10,053,611)	(12,574,451)
Gain on reversal of liabilities (Notes 15 and 25)	**–**	(5,400,000)	–
Amortization of franchise fee (Notes 13 and 18)	**1,794,000**	1,794,000	1,794,000
Dividend income (Notes 13 and 25)	**(108,000)**	(374,750)	(392,750)
Loss (gain) on disposal:			
Property and equipment (Notes 11 and 25)	**(30,982)**	1,646,482	(91,900)
Financial assets at FVOCI/AFS financial assets (Notes 13 and 25)	**–**	271,966	–
Gain on bargain purchase (Note 1)	**(14,673,256)**	–	–
Unrealized foreign exchange loss - net	**162,293**	89,737	54,973
Sales cancellation (Notes 8 and 25)	**32,110,494**	–	–
Impairment loss on financial assets at FVOCI/AFS financial assets (Notes 13 and 25)	**–**	–	50,000
Loss on impairment of property and equipment (Note 11)	**14,637,381**	–	–
Operating income before working capital changes	**384,601,720**	100,788,235	105,051,450
Decrease (increase) in:			
Receivables	**21,494,585**	67,079,694	26,187,905
Inventories	**2,922,031**	11,135,642	12,684,807
Other current assets	**(10,980,362)**	1,684,427	(239,657)
Increase (decrease) in:			
Accounts payable and other liabilities	**102,608,112**	47,714,425	29,814,946
Accrued retirement benefits (Notes 16 and 22)	**2,891,531**	1,924,861	828,035
Due to related parties	**–**	(999,999)	–
Cash generated from operations	**503,537,617**	229,327,285	174,327,486
Income taxes paid, including creditable withholding and final taxes (Note 26)	**(92,148,652)**	(29,091,224)	(24,433,972)
Net cash provided by operating activities	**411,388,965**	200,236,061	149,893,514
CASH FLOWS FROM INVESTING ACTIVITIES			
Advances to an associate (Note 10)	**(84,000,000)**	(84,979,217)	(152,254,429)
Acquisitions of property and equipment (Note 11)	**(64,995,405)**	(31,729,334)	(30,700,704)
Acquisitions of financial assets at FVOCI/AFS financial assets (Note 13)	**(48,000,000)**	(25,000,000)	(22,000,000)
Dividends received (Notes 10 and 25)	**48,878,708**	22,411,131	20,923,259
Interest received	**9,329,018**	10,158,983	12,492,583
Acquisitions of investment property (Note 12)	**(8,005,310)**	(4,557,726)	(10,162,850)
Acquisition of a subsidiary, net of cash received (Note 1)	**(442,139,487)**	–	–
Decrease (increase) in other noncurrent assets	**(48,134,385)**	(3,191,891)	(2,456,722)
Increase (decrease) in other noncurrent liabilities	**5,978,938**	–	–
Payment of lease liabilities (Notes 16 and 31)	**(9,187,224)**		
Proceeds from sale of:		–	–
Financial assets at FVOCI/AFS financial assets (Note 13)	**–**	26,993,494	–
Property and equipment	**424,747**	10,000	148,710
Net cash used in investing activities	**(639,850,400)**	(89,884,560)	(184,010,153)

(Forward)

	Years Ended December 31		
	2019	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES			
Advances from third parties (Note 16)	**₱505,076,000**	₱–	₱–
Availments of short-term and long-term loans and borrowings (Note 14)	**315,000,000**	124,000,000	217,000,000
Payment of short-term loans and borrowings (Note 14)	**(288,636,040)**	(69,363,960)	(73,000,000)
Payment of long-term loans and borrowings (Note 14)	**(15,750,000)**	–	–
Dividends paid by the Parent Company (Note 25)	–	(48,014,674)	(49,968,707)
Interest paid	**(16,426,007)**	(10,136,613)	(6,096,804)
Net cash provided by (used in) financing activities	**499,263,953**	(3,515,247)	87,934,489
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(162,293)**	(89,737)	(54,973)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**270,640,225**	106,746,517	53,762,877
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**332,347,036**	225,600,519	171,837,642
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱602,987,261**	₱332,347,036	₱225,600,519

See accompanying Notes to Consolidated Financial Statements

1. Corporate Information

1.1 General Corporate Information

Manila Jockey Club, Inc. (the “Parent Company”) and Subsidiaries (collectively referred to as the “Group”) was incorporated in the Philippines on March 22, 1937 and was listed in the Philippine Stock Exchange (PSE) on October 11, 1963. In 1987, the Philippine Securities and Exchange Commission (SEC) approved the extension of the Parent Company’s corporate life for another 50 years starting March 22, 1987.

The Parent Company is presently engaged in the construction, operations and maintenance of a racetrack located in Cavite, Philippines and in the holding or conducting of horse races therein with bettings both directly or indirectly by means of mechanical, electric and/or computerized totalizator. It has a congressional franchise granted on November 23, 1997 under Republic Act (R.A.) No. 8407 to hold such races and to maintain the race track, which will expire on November 23, 2022 (see Note 13). The Parent Company is also engaged in the development and sale of condominium units and residential properties, and lease of an office building through joint venture (JV) arrangements with certain developers.

Under R.A. No. 8407, the Parent Company shall pay annually to the National Treasury a franchise tax equivalent to 25% of its gross earnings from horse races in lieu of all taxes, except income tax, that are imposed by the national or local government on the activities covered by the franchise. Starting 2001, the Parent Company pays value-added tax (VAT) in lieu of the franchise tax by virtue of the provision of R.A. No. 7716 or the Expanded VAT Law.

The registered office address of the Parent Company is San Lazaro Leisure and Business Park, Brgy. Lantic, Carmona, Cavite.

1.2 Subsidiaries, Joint Ventures and Associates

				Percentage of ownership			
	Place of incorporation	Nature of business	Functional currency	**2019**		2018	
				Direct	**Indirect**	Direct	Indirect
Subsidiaries							
Gametime Sports and Technologies, Inc. (GSTI)	Philippines	Gaming	Philippine Peso	**100.00**	**–**	100.00	–
Manilacockers Club, Inc. (MCI)	Philippines	Gaming	Philippine Peso	**100.00**	**–**	100.00	–
MJC Forex Corporation (MFC)	Philippines	Money changer	Philippine Peso	**100.00**	**–**	100.00	–
New Victor Technology, Ltd. (NVTL)	Hong Kong	Gaming	Philippine Peso	**100.00**	**–**	100.00	–
San Lazaro Resources and Development Corporation (SLRDC) [(a)]	Philippines	Real estate	Philippine Peso	**100.00**	**–**	100.00	–
SLLP Holdings, Inc. (SLLPHI) [(a)]	Philippines	Holdings	Philippine Peso	**100.00**	**–**	100.00	–
Hi-Tech Harvest Limited [(a)]	Hong Kong	Marketing	Philippine Peso	**100.00**	**–**	100.00	–
Apo Reef World Resorts, Inc. (ARWRI) [(a)]	Philippines	Beach Resorts Complex	Philippine Peso	**56.87**	–	56.87	–
Biohitech Philippines, Inc. (Biohitech) [(a)]	Philippines	Waste management	Philippine Peso	**50.00**	–	50.00	–
San Lazaro BPO Complex (SLBPO) [(b, c)]	Philippines	Real estate	Philippine Peso	**90.00**	**10.00**	30.00	–

	Place of incorporation	Nature of business	Functional currency	Percentage of ownership 2019 Direct	2019 Indirect	2018 Direct	2018 Indirect
Joint Ventures							
Gamespan, Inc. (Gamespan) [(a)]	Philippines	Gaming	Philippine Peso	**50.00**	–	50.00	–
Associates							
MJC Investments Corporation Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino (MIC)	Philippines	Gaming	Philippine Peso	**22.31**	–	22.31	–
Techsystems, Inc. (Techsystems) [(a)]	Philippines	Information Technology	Philippine Peso	**33.33**	–	33.33	–

[(a)] *Not yet started commercial operation as of December 31, 2019*
[(b)] *Acquired in 2019 (see Note 1.5)*
[(c)] *Accounted for as investment in subsidiaries, associates and joint ventures in 2019.*

1.3 Status of Operations

Pursuant to Letter of Authority No. eLOA/LOA SN: eLA201600068464 (LOA) dated January 23, 2019, the books of accounts and accounting records of MCI was audited by the Bureau of Internal Revenue (BIR). After the BIR's audit, the BIR National Investigation Division (BIR-NID) issued a Notice for Informal Conference dated October 3, 2019 with attached Details of Discrepancy.

MCI, through counsel, filed its reply to the BIR findings. On account of the legal questions involved, the BIR-NID and MCI held conferences to resolve the issues but the process was interrupted when the Enhanced Community Quarantine (ECQ) was imposed by the Government on account of the COVID-19 situation.

One of the issues raised in the informal conference is the registration of the MCI's totalizator system and its betting terminals claiming that the same should be registered with the BIR as Cash Register Machines (CRM) / Point of Sale (POS) machines. MCI contended that said machines should not be registered since they do not record sale / transfer of merchandise or services rendered within the purview of BIR Revenue Memorandum Circular No. 68-2015. However, BIR stood pat on its position and issued a Mission Order No MSO201700015566 which directs the sealing of the MCI's betting terminals on March 5, 2020 and MCI voluntarily suspended its operations.

The BIR-NID and MCI are still in the stage of informal conference and to date, the BIR has not issued any Preliminary Assessment Notice (PAN), Final Assessment Notice (FAN), or Formal Letter of Demand (FLD) pursuant to the LOA.

In addition, on March 13, 2020, in a move to contain the COVID-19 outbreak, the Office of the President of the Philippines issued a memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No.929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed community quarantine (see Note 35). As a result, the government suspended operations related to non-essential businesses, which includes horse racing operations of the Parent Company and cockfighting operations of MCI.

As of July 10, 2020, the Group has not yet resumed its operation as a result of the suspension of operations mandated by the government in relation to COVID-19 containment measures.

The Group's ability to continue as a going concern is dependent upon its ability to generate sufficient cash flows to meet its maturing obligations. To address such condition, the Group implemented certain cost-saving measures to reduce its fixed and variable costs. The Group also continuously boosts its marketing efforts, while closely working with the BIR and the government for the resumption of its operations and exploring new business opportunities. The Group also has unused credit facilities from local banks that it can tap, if needed.

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

1.4 Authorization for Issuance of the Consolidated Financial Statements

The consolidated financial statements as at and for the years ended December 31, 2019, 2018 and 2017 was authorized for issuance by the Board of Directors (BOD) on July 10, 2020.

1.5 Acquisition of Ayala Land, Inc.'s rights, title and interest in San Lazaro BPO Complex Joint Venture (SLBPO)

In September 2019, the Parent Company acquired from its joint venture partner Ayala Land, Inc. ("ALI"), developed office units and parking lots (the "Subject Property") and ALI's equity interest in SLBPO for a total consideration of ₱511.7 million, excluding applicable taxes. This resulted in the Group owning 100% of SLBPO. In connection with acquisition of the Subject Property, ALI assigned, transferred and conveyed all its rights and interest under the Subject Agreements to the Parent Company and its assignees, together with the tenant and service contracts for Vertex One Building.

On the same date, the Parent Company and SLLPHI, the designated property manager of the developed office units, amended the division of net rental income from leasing of the developed office units by the unincorporated joint venture for a more equitable distribution of the net income of the joint venture, proportionate to and taking into account SLLPHI's contribution. These transactions are eliminated in the 2019 consolidated financial statements.

The acquisition qualified as an acquisition of a business in accordance with PFRS 3, *Business Combinations*, and was accounted for under the purchase method. The Parent Company has determined that the purchase price allocation as of the acquisition date are provisional. The Parent Company has one year to finalize the purchase price allocation in accordance with the standard. The identifiable assets and liabilities at the date of acquisition were:

	Provisional values
Assets	
Cash	₱69,513,613
Receivables	45,281,367
Other current assets	5,336,141
Investment properties	9,564,084
Property and equipment	10,786,500
Other noncurrent assets	2,738,747
	₱143,220,452

(Forward)

	Provisional values
Liabilities	
Accounts payable and other current liabilities	₱12,962,601
Deposits and advances	3,980,935
Construction bond	2,644,335
Income tax payable	5,352,585
Other noncurrent liabilities	50,586,201
	75,526,657
Total net assets acquired	67,693,795
Previously held interest of the Group	(20,308,139)
Investment property separately acquired	478,940,700
Less gain on bargain purchase	(14,673,256)
Purchase consideration	₱511,653,100
Cash paid at acquisition date	₱511,653,100
Less cash and cash equivalents acquired	69,513,613
Net cash outflow at acquisition date	₱442,139,487

For the year ended December 31, 2019, derecognition of equity in SLBPO joint venture amounted to ₱20.3 million (see Note 10). Revenue and net income attributable to equity holders of the parent from acquisition date to December 31, 2019 amounted to ₱78.4 million and ₱39.6 million, respectively.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation
The consolidated financial statements have been prepared using the historical cost basis, except for financial assets at fair value through other comprehensive income (FVOCI), which are carried at fair value. The consolidated financial statements are presented in Philippine Peso (₱ or Peso), the Group's functional and presentation currency. All values are rounded to the nearest Peso, unless otherwise indicated.

Statement of Compliance
The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS), which include the availment of the relief granted by the SEC under Memorandum Circular Nos. 14-2018 and 3-2019 as of 2018 for the implementation issues of PFRS 15 affecting real estate industry on the Adoption of PIC Q&A No. 2018-14: PFRS 15 – Accounting for Cancellation of Real Estate Sales.

PFRS includes both standard titles PFRS and Philippine Accounting Standards (PAS) and Philippine Interpretations based on equivalent interpretations from International Financial Reporting Interpretations Committee (IFRIC) as issued by the Financial Reporting Standards Council (FRSC).

3. Summary of Significant Changes in Accounting Policies and Disclosures

Changes in Accounting Policies
The accounting policies adopted are consistent with those of the previous financial year except that the Group has adopted the following amended standards as at January 1, 2019:

- PFRS 16, *Leases*

PFRS 16 supersedes PAS 17, *Leases*, Philippine Interpretation IFRIC 4, *Determining whether an Arrangement contains a Lease*, Philippine Interpretation SIC-15, *Operating Leases-Incentives* and Philippine Interpretation SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases in the consolidated statements of financial position.

Lessor accounting under PFRS 16 is substantially unchanged from the prescribed accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two (2) types of leases: operating and finance leases. PFRS 16 requires lessees and lessors to make more extensive disclosures than under PAS 17.

The Group adopted PFRS 16 using the modified retrospective method of adoption, with the date of initial application as January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized only at the date of initial application. The comparative information was not restated and continues to be reported under PAS 17 and related interpretations. The Group elected to apply the recognition exemptions for leases for which the lease term ends within 12 months of the date of initial application and leases for which the underlying asset is of low value. The Group disclosed the amount of adjustment, on a line-by-line basis, in the balance sheet on the date of initial application.

The Group have lease contracts for office spaces and parking lots. Before the adoption of PFRS 16, the Group classified this lease (as lessee) at the inception date as an operating lease.

The effect of adoption of PFRS 16 at January 1, 2019 is, as follows:

	Increase (decrease)
Consolidated Statements of Financial Position	
ASSETS	
Property and equipment (Note 31)	₱36,417,492
Net impact in total assets	₱36,417,492
LIABILITIES	
Lease liabilities - current portion (Note 31)	₱9,645,170
Lease liabilities - noncurrent portion (Note 31)	26,772,322
Net impact in total liabilities	₱36,417,492

Upon adoption of PFRS 16, the Group applied a single recognition and measurement approach for all the leases except for short-term leases and leases of low-value assets.

Leases previously accounted for as operating leases
The Group recognized right-of-use (ROU) assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The ROU assets for most leases were recognized based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate (IBR) at the date of initial application. In some leases, the ROU assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized.

Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the IBR at the date of initial application.

The Group also applied the following available practical expedients:

- Use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Application of the short-term lease exemptions to lease contracts with lease term that ends within 12 months of the date of initial application; and
- Exclusion of initial direct costs from measuring the ROU asset at the date of initial application.

Based on the above, as at January 1, 2019:

- Property and equipment were recognized amounting to ₱36,417,492 representing the amount of ROU assets set up on transition date;
- Lease liabilities of ₱36,417,492 were recognized;

The lease liabilities as at January 1, 2019 as can be reconciled to the operating lease commitments as at December 31, 2018 follows:

Operating lease commitments as disclosed in the consolidated financial statements as at December 31, 2018	₱69,536,103
Commitments relating to short-term leases	(27,518,766)
Operating lease subject to discounting as at December 31, 2018	42,017,337
Effect of discounting using the weighted average IBR at January 1, 2019 of 7.67%	(5,599,845)
Lease liabilities recognized at January 1, 2019	₱36,417,492

The adoption of PFRS 16 did not have an impact on total consolidated equity as at January 1, 2019, since the Group elected to measure the ROU assets at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the consolidated statements of financial position immediately before the date of initial application.

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

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

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

The entity is required to determine whether to consider each certain tax treatments separately or together with one or more other uncertain tax treatments and use the approach that better predicts the resolution of the uncertainty. The entity shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

The Group determined, based on its tax compliance review/assessment, in consultation with its tax counsel, that it is probable that its income tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. Accordingly, the adoption of this Interpretation has no significant impact on the consolidated financial statements.

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

  Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income (FVOCI), provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

  These amendments had no impact on the consolidated financial statements of the Group.

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

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

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

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

  The amendments had no impact on the consolidated financial statements of the Group as it did not have any plan amendments, curtailments, or settlements during the period.

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

  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

These amendments had no impact on the consolidated financial statements as the Group does not have long-term interests in its associate and joint venture to which the equity method is not applied.

- *Annual Improvements to PFRSs* 2015-2017 Cycle

  - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*

    The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

    A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

    An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

    These amendments did not have any impact to the consolidated financial statements of the Group.

  - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

    The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

    An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted.

    These amendments had no impact on the consolidated financial statements of the Group because no financial instruments classified as equity.

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

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

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

  Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

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

Effective beginning on or after January 1, 2020

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

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

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

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

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

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

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

Effective beginning on or after January 1, 2023

- PFRS 17, *Insurance Contracts*

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

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

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

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

  The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or insurance contracts.

Deferred effectivity

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

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

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

  These amendments may apply to future transactions of the Group.

- *PIC updates on PFRS 15 implementation issues – PIC Q&A no. 2018-14*
  PIC Q&A no. 2018-14 prescribed the accounting treatment for cancellation of real estate sales using two approaches. Both approaches are acceptable but each approach should be applied consistently.

The first approach prescribed that the repossessed property is recognized at its fair value less cost to repossess, while the second approach prescribed that the repossessed property is recognized at its fair value plus repossession cost.

On February 7, 2019, upon request by the real estate industry to defer the implementation of the above PIC Q&A, the Securities and Exchange Commission (SEC) en banc decided to provide relief to the real estate industry by deferring the application of the above PIC Q&A for a period of three years.

Effective January 1, 2021, real estate companies are required to adopt PIC Q&A no. 2018-14 retrospectively or as the SEC will later prescribed.

Real estate companies which opted for the deferral shall be required to disclose in the notes to the consolidated financial statements the accounting policy applied, a discussion of the deferral and a qualitative discussion of the impact in the consolidated financial statements had the concerned application guidance been adopted.

As of December 31, 2019, the Group opted to avail of the relief provided by the SEC.

4. Summary of Significant Accounting and Financial Reporting Policies

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at December 31, 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

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

- The contractual arrangements with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

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

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

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

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

Subsidiaries. Subsidiaries are entities controlled by the Parent Company. Subsidiaries are consolidated from the date of acquisition or incorporation, being the date on which the Group obtains control, and continue to be consolidated until the date such control ceases.

Non-controlling Interests. Non-controlling interests represent the portion of profit or loss and net assets in Biohitech and ARWRI in 2019 and 2018 that are not held by the Group and are presented separately in the consolidated statements of comprehensive income and consolidated statements of financial position separate from equity attributable to equity holders of the parent.

An acquisition, transfer or sale of a non-controlling interest is accounted for as an equity transaction. No gain or loss is recognized in an acquisition of a non-controlling interest. If the Group loses control over a subsidiary, it: (i) derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interest and the cumulative translation differences recorded in equity; (ii) recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in the consolidated profit or loss; and (iii) reclassifies the Parent Company's share of components previously recognized in OCI to the consolidated profit or loss or retained earnings, as appropriate.

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

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

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

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method.

Initial Measurement

The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date, fair value, and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects to measure the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included as part of "General and administrative expenses" account in the consolidated statements of comprehensive income.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest in the acquiree is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in the consolidated statements of comprehensive income.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PAS 39 *Financial Instruments: Recognition and Measurement*, is measured at fair value with the changes in fair value recognized in the statements of profit or loss in accordance with PAS 39. Other contingent consideration that is not within the scope of PAS 39 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in consolidated profit or loss.

If the initial accounting for business combination can be determined only provisionally by the end of the period by which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the Group accounts for the combination using provisional values. Adjustments to these provisional values because of completing the initial accounting shall be made within 12 months from the acquisition date. The carrying amount of an identifiable asset, liability or contingent liability that is recognized as a result of completing the initial accounting shall be calculated as if the asset, liability or contingent liability's fair value at the acquisition date had been recognized from that date. Goodwill or any gain recognized shall be adjusted from the acquisition date by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted.

Subsequent Measurement
Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or group of units. Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and

- is not larger than a segment based on the Group's format determined in accordance with PFRS 8, *Operating Segments*.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

When subsidiaries are sold, the difference between the selling price and the net assets and goodwill is recognized as gain or loss in the consolidated statements of comprehensive income.

<u>Acquisition of Assets</u>
When assets are acquired, through corporate acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents an acquisition of a business.

When such an acquisition is not adjudged to be an acquisition of a business, it is not treated as a business combination. Rather, the cost to acquire the entity is allocated between the identified assets and liabilities of the entity based on their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred tax arises.

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

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within 12 months after the reporting period or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within 12 months after the reporting period or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period

The Group classifies all other liabilities as noncurrent.

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

<u>Fair Value Measurement</u>
The Group measures financial instruments and non-financial assets at fair value at each reporting date. Additional fair value related disclosures including fair values of financial instruments measured at amortized cost are disclosed in Note 32.

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

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

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

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

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

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

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

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

For assets and liabilities that are recognized in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

<u>Cash and Cash Equivalents</u>
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and are subject to an insignificant risk of change in value.

<u>Financial Instruments – Classification and Measurement</u>

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

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

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

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

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

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

Financial assets at amortized cost

A financial asset is measured at amortized cost if (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the EIR method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in 'Interest income' in the statement of income and is calculated by applying the EIR to the gross carrying amount of the financial asset, except for (i) purchased or originated credit-impaired financial assets and (ii) financial assets that have subsequently become credit-impaired, where, in both cases, the EIR is applied to the amortized cost of the financial asset.

The Group's financial assets at AC includes cash in banks, receivables, and deposits.

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

As of December 31, 2019 and 2018, the Group elected to classify irrevocably all debt instruments as financial assets at FVOCI.

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

As of December 31, 2019 and 2018, the Group elected to classify irrevocably all equity instruments as financial asset at FVOCI.

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

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

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

The Group does not have financial assets at FVTPL.

Classification of financial liabilities
Financial liabilities are measured at AC, except for the following:
- financial liabilities measured at FVTPL;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the Group retains continuing involvement;
- financial guarantee contracts;

- commitments to provide a loan at a below-market interest rate; and
- contingent consideration recognized by an acquirer in accordance with PFRS 3.

A financial liability may be designated at FVTPL if it eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) or:

- if a host contract contains one or more embedded derivatives; or
- if a group of financial liabilities or financial assets and liabilities is managed and its performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

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

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

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

The Group recognizes ECL for the following financial assets that are not measured at FVTPL:

- debt instruments that are measured at AC and FVOCI;
- contract assets;
- trade receivables;
- loan commitments; and
- financial guarantee contracts.

No ECL is recognized on equity investments.

ECLs are measured in a way that reflects the following:

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

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

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

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

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

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

For all debt financial assets other than trade receivables, ECLs are recognized using the general approach wherein the Group tracks changes in credit risk and recognizes a loss allowance based on either a 12-month or lifetime ECLs at each reporting date.

Loss allowances are recognized based on 12-month ECL for debt investment securities that are assessed to have low credit risk at the reporting date. A financial asset is considered to have low credit risk if:

- the financial instrument has a low risk of default
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers certain debt investment securities to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Determining the stage for impairment. At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

Exposures that have not deteriorated significantly since origination, or where the deterioration remains within the Group's investment grade criteria are considered to have a low credit risk. The provision for credit losses for these financial assets is based on a 12-month ECL. The low credit risk exemption has been applied on debt investments that meet the investment grade criteria of the Group from the time of origination.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

Derecognition of Financial Assets and Liabilities
Financial Assets. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through agreement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of income. Otherwise, where the net present value of the cash flows under the new terms discounted using the effective interest rate of the original debt is less than 10 percent different from the discounted present value of the remaining cash flows of the original debt instrument, the financial liability is not derecognized.

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

Financial Assets and Financial Liabilities *(applicable prior to January 1, 2018)*

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

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

The Group classifies its financial assets in the following categories: financial assets at FVTPL, loans and receivables, held-to-maturity investments and available-for-sale financial assets. Financial liabilities are classified as financial liabilities at FVTPL or other financial liabilities. The classification depends on the purpose for which the instruments were acquired or liabilities incurred and whether they are quoted in an active market. Management determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this classification at every reporting date.

The Group has no financial assets or liabilities at FVTPL and held-to-maturity investments as of December 31, 2017.

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

The Group determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this classification at every reporting date.

a. *Loans and receivables*

This category is the most relevant to the Group. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at AC using the EIR method, less impairment. AC is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the consolidated statements of comprehensive income. The losses arising from impairment are recognized in the consolidated statements of comprehensive income in finance costs for loans and under cost of sales or other operating expenses for receivables.

Included in this category are the Group's cash in banks and cash equivalents, receivables and deposits (presented as part of "Other noncurrent assets" in the consolidated statements of financial position) as of December 31, 2017.

b. *AFS financial assets*

AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held-for-trading nor designated at FVTPL. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses recognized in OCI and credited in the AFS reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the consolidated statements of comprehensive income in finance costs. Interest earned whilst holding AFS financial assets is reported as interest income using the EIR method.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on the asset that has been recognized in equity is amortized to consolidated profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated statements of comprehensive income.

Unquoted AFS financial assets that do not have ready market prices are measured at cost, less allowance for impairment, if any, since their fair market value cannot be reliably measured.

The Group's AFS financial assets consist of investments in quoted and unquoted equity securities, quoted debt securities, preferred shares and club membership shares as of December 31, 2017.

c. *Other financial liabilities*
This category pertains to financial liabilities that are not held for trading or not designated at FVTPL upon the inception of the liability. These include liabilities arising from operations (e.g., payables and accruals) or borrowings (e.g., loans and obligations arising from finance lease). The liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the EIR method of amortization (or accretion) for any related premium (or discount) and any directly attributable transaction costs. Gains and losses on amortization and accretion are recognized in the consolidated statements of comprehensive income.

Included in this category are the Group's short-term loans and borrowings, accounts payable and other liabilities, and due to related parties as of December 31, 2017.

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

Inventories
Inventories include real estate inventories, food and beverages inventory, and gamefowls, which are valued at the lower of cost and net realizable value (NRV).

Real Estate Inventories
Real estate inventories include completed projects of the Group, and are stated at the lower of cost and net realizable value. Cost of real estate inventories pertains to the cost of land. Real estate inventories include memorial lots for sale in the ordinary course of business. In few cases of buyer defaults, the Group can repossess the properties and hold it for sale in the ordinary course of business at the prevailing market price. The repossessed properties are included in the "Real Estate Inventories" account in the consolidated statements of financial position at its original cost. Costs incurred in

bringing the repossessed assets to its marketable state are included in their carrying amounts unless these exceed the recoverable values.

Accounting for cancelled sales and repossessed inventories
PIC Q&A no. 2018-14 prescribed the accounting treatment for cancellation of real estate sales using two approaches. Both approaches are acceptable but each approach should be applied consistently. The first approach prescribed that the repossessed property is recognized at its fair value less cost to repossess, while the second approach prescribed that the repossessed property is recognized at its fair value plus repossession cost.

On February 7, 2019, upon request by the real estate industry to defer the implementation of the above PIC Q&A, the Securities and Exchange Commission (SEC) en banc decided to provide relief to the real estate industry by deferring the application of the above PIC Q&A for a period of three years. Effective January 1, 2021, real estate companies are required to adopt PIC Q&A no. 2018-14 retrospectively or as the SEC will later prescribed.

The Group availed the relief for the year ended December 31, 2019 and 2018. As a result, the Group recognized the repossessed inventory from cancelled sales at original cost. For the year ended December 31, 2019, 2018 and 2017, loss on sales cancellation are disclosed in Note 25 to the consolidated financial statements. Should the Group recognize the repossessed inventory using the PIC Q&A, the loss recognized in profit and loss might be lower or even at an income.

Investments in Associates and Joint Ventures
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Group's investment in its associate and joint venture are accounted using the equity method.

Under the equity method, the cost of investment in associates and a joint venture is carried in the consolidated balance sheet at cost plus post acquisition changes in the Group's share of net assets of the associates and the joint venture. Goodwill, if any, relating to associates or a joint venture is included in the carrying amount of the investment and is not amortized or separately tested for impairment. The consolidated statements of comprehensive income reflects the share of the results of operations of the associates and joint venture. Where there has been a change recognized directly in the equity of the associates and the joint venture, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statements of changes in equity. Unrealized profits or losses resulting from transactions between the Group and the associates and joint venture are eliminated to the extent of the interest in the associates and joint venture.

The reporting dates of the associates, the joint venture and the Parent Company are identical and the accounting policies of the associates and joint venture conform to those used by the Group for like transactions and events in similar circumstances.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associates or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associates or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates or joint venture and its carrying value, and then recognizes the loss as "Equity in net earnings (losses) of associates and joint ventures" in the consolidated statements of comprehensive income.

Upon loss of joint control over the joint venture and loss of significant influence over the associates, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the joint venture and the associates upon loss of joint control and significant influence, respectively, and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statements of comprehensive income.

For interest in joint operation, the Group accounts for each assets, liabilities, revenue, share in revenue and expense separately. The Group would recognize in relation to its interest its:

- Assets which include real estate inventories, developed office units and retail development units presented under "Investment Properties" account.
- Liabilities, including its share of any liabilities jointly incurred, recorded as "Accrued Expenses"
- Revenue from the sale of its share of the real estate inventories, recorded as "Real Estate Revenue"
- Share of the revenue from services rendered jointly, recorded as part of the "Rental Income"
- Expenses, including its share of expenses incurred jointly, recorded as part of "Selling Expenses"

These joint operations do not involve the establishment of a corporation, partnership or other entity, or a financial structure that is separate from the operators themselves. Each operator has control over its share of future economic benefits through its share of the results of the joint operation.

Property and Equipment

Property and equipment, except land, is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Land is stated at cost less any impairment in value.

The initial cost of property and equipment comprise of its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Such cost also includes the cost of replacing part of the property and equipment and borrowing cost for long-term construction projects if the recognition criteria are met, and any obligation related to the retirement of the asset. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance and overhaul costs, are generally recognized in the consolidated statements of comprehensive income in accordance with the accounting policy. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment. When significant parts of property and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. When assets are sold or retired, their costs and accumulated depreciation, amortization and impairment losses, if any, are eliminated from the accounts and any gain or loss resulting from their disposal is included in the consolidated statements of comprehensive income of such period.

Depreciation commences when an asset is in its location and in a condition capable of being operated in the manner intended by the management. Depreciation ceases at the earlier of the date that the asset is classified as held for sale in accordance with PFRS 5, *Noncurrent Asset held for Sale and Discontinued Operations*, and the date the asset is derecognized.

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

	No. of Years
Land improvements	5 to 25
Building and improvements	5 to 25
Machinery and equipment	3 to 10
Transportation equipment	5 to 10
Furniture and fixtures	5

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

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation and amortization is charged to current operations.

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

Construction in progress is stated at cost, net of accumulated impairment losses, if any. This includes cost of construction and other direct costs. Construction in progress is not depreciated until such time as the relevant assets are completed and are available for use.

Borrowing Costs

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

Investment Properties

The Group's investment properties consist of land that is not used in operations and land and building held for lease. Investment properties are measured initially at cost, including transaction costs. The revalued amount of the land is taken as its deemed cost in accordance with PFRS 1 as of the date of adoption.

Investment properties, except land, are subsequently measured at cost less accumulated depreciation and any accumulated impairment in value. Land is subsequently carried at cost less any impairment in value.

Depreciation of investment properties commences once they become available for use and is calculated on a straight-line method over the estimated useful life of 25 years.

Depreciation ceases at the earlier of the date that the asset is classified as held for sale in accordance with PFRS 5 and the date the asset is derecognized. The estimated useful life and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from the items of investment property.

Investment properties are derecognized either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in consolidated profit or loss in the period of derecognition.

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

Franchise Fee

The franchise fee, presented as part of "Other noncurrent assets" in the consolidated statements of financial position, is accounted for at cost less accumulated amortization and any accumulated impairment in value. Costs incurred for the renewal of the Parent Company's franchise for another 25 years starting November 23, 1997 have been capitalized and are amortized over the period covered by the new franchise. The carrying value of the franchise is reviewed for impairment when there are indicators of impairment and any impairment loss is recognized in the consolidated profit or loss.

Impairment of Nonfinancial Assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognized in the consolidated statements of comprehensive income categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognized in OCI up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying value of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the profit or loss. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

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

When the shares are sold at a premium, the difference between the proceeds and the par value is credited to "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Parent Company, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Retained Earnings
Retained earnings are the result of Group's accumulated profits or losses, declaration of dividends and the effects of retrospective application or retrospective restatement recognized in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

Unappropriated retained earnings represent the portion which is free and can be declared as dividends to stockholders, after adjustments for any unrealized items, which are considered not available for dividend declaration.

Dividend Distribution
Dividends are recognized as a liability and deducted from equity when declared by the BOD of the Parent Company. Dividends for the year that are declared after the reporting date are dealt with as a non-adjusting event after the reporting date.

Earnings per Share (EPS)
Basic EPS is computed by dividing the net income for the year attributable to equity holders of the Parent Company by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year, if any.

Diluted EPS is calculated by dividing the net income attributable to equity holders of the Parent Company (after adjusting for interest on the convertible preference shares) by the weighted average number of common shares outstanding during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares into common shares.

The Parent Company currently does not have potential dilutive common shares.

Revenue Recognition (applicable starting January 1, 2018 upon the adoption of PFRS 15)
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment, excluding incentives, output tax, and other sales taxes or duties.

The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as an agent in its club racing and cockfighting operations and as principal in all other arrangements (i.e., real estate sales and rental services).

Commission income from club races
Revenue is recognized at a point in time based on a percentage of total wager funds from horse racing operations in accordance with the Parent Company's franchise agreement.

Commission income from cockfighting
Revenue is recognized at a point in time based on a percentage of net ticket sales from cockfighting operations.

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

Real estate sales
The Parent Company derives its real estate revenue from sale of condominium units and memorial lots. Revenue from sales of real estate projects from the joint venture are recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, the Parent Company's performance does not create an asset with an alternative use and the Parent Company has an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the Parent Company uses the output method. The Parent Company recognizes revenue on the basis of direct measurements of the value to customers of the goods or services transferred to date, relative to the remaining goods or services promised under the contract. Progress is measured using survey of performance completed to date. This is based on the monthly project accomplishment report prepared by the third-party surveyor as approved by the construction manager which integrates the surveys of performance to date of the construction activities for both sub-contracted and those that are fulfilled by the developer itself.

Any excess of progress of work over the right to an amount of consideration that is unconditional, recognized as residential and office development receivables, under trade receivables, is included in the "contract asset" account in the asset section of the consolidated statements of financial position.

Any excess of collections over the total of recognized trade receivables and contract assets is included in the "contract liabilities" account in the liabilities section of the consolidated statements of financial position.

The real estate projects were already completed as of December 31, 2019 and 2018.

In case of sales cancellation due to the default of the buyers, the Group derecognizes the outstanding balance of contract asset or real estate receivables and recognize the repossessed property at its original cost, applying the relief provided by SEC.

Cost recognition
The Group recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets such as land. These costs are allocated to the saleable area, with the portion allocable to the sold area being recognized as costs of sales while the portion allocable to the unsold area being recognized as part of real estate inventories.

Revenue Recognition (applicable until December 31, 2017 prior to adoption of PFRS 15)
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as an agent in its club racing and cockfighting operations and as principal in all other arrangements (i.e., real estate sales and rental services).

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

Commission income from club races
Revenue is recognized as earned based on a percentage of gross receipts from ticket sales from horse racing operations in accordance with the Parent Company's franchise agreement.

Commission income from cockfighting
Revenue is recognized as earned based on a percentage of gross receipts from ticket sales of cockfighting operations.

Revenue from food and beverages
Revenue from food and beverages are recognized when services are rendered or the goods are sold.

Real estate sales
The Parent Company assesses whether it is probable that the contract price (which embodies economic benefits) will flow to the Parent Company. Collectability of the contract price is demonstrated by the buyer's commitment to pay, which is supported by the buyer's initial and continuous investments that motivates the buyer to honor its obligation. Collectability is also assessed by considering factors such as collections and credit standing of the buyer.

Revenue from sales of completed real estate projects from the joint venture is accounted for using the full accrual method. In accordance with Philippine Interpretations Committee Q&A No. 2006-01, the percentage-of-completion method is used to recognize income from sales of projects where the Parent Company has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished), and the costs incurred or to be incurred can be measured reliably. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

Any excess of collections over the recognized revenue are included in the "Trade payable and buyers' deposits" under the "Accounts payable and other liabilities" account in the consolidated statements of financial position. If any of the criteria under the full accrual or percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers are presented under the "Trade payable and buyers' deposits" under the "Accounts payable and other liabilities" account in the consolidated statements of financial position.

Cost of real estate sales pertains to the cost of the land and is recognized under the percentage-of-completion method, if the criteria of the full accrual method are not satisfied.

The cost of inventory recognized in the consolidated statements of comprehensive income upon sale is determined with reference to the costs of the land contributed for the property, allocated to saleable area based on relative size and takes into account the percentage of completion used for revenue recognition purposes.

For income tax purposes, full recognition is applied when more than 25% of the selling price has been collected in the year of sale. Otherwise, the installment method is applied.

The real estate projects were already completed as of December 31, 2017.

Rental income from stables, building and other facilities
Revenue from the lease of stables, building and other facilities is recognized in the consolidated statements of comprehensive income on a straight-line basis over the lease term.

Interest income
Revenue is recognized as the interest accrues taking into account the effective yield on the asset.

Dividend income
Revenue is recognized when the Parent Company's right to receive the payment is established, which is generally when the shareholders approves the dividend.

Cost of Sales and Services and Expenses
Cost of club races, cost of cockfighting, cost of rental services and expenses are recognized in the consolidated statements of comprehensive income at the date they are incurred.

General and administrative expenses constitute cost of administering the business. Selling expense pertains to the marketing fees related to the real estate sales.

Other Comprehensive Income (OCI)
Items of income and expense (including items previously presented under the consolidated statements of changes in equity) that are not recognized in the profit or loss for the year are recognized as OCI and are presented as OCI in the consolidated statements of comprehensive income.

The OCI of the Group pertains to gains and losses on remeasuring AFS financial assets/financial assets at FVOCI and actuarial gains (losses) on remeasurement of retirement plan.

Retirement Benefits Cost
The Parent Company has noncontributory funded defined benefit plans, administered by trustees, covering substantially all of its regular employees.

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

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

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

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

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

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

The Group as a lessee (effective January 1, 2019 *upon adoption of PFRS 16*)
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and ROU assets representing the right to use the underlying assets.

Right-of-use assets
Effective January 1, 2019, it is the Group's policy to classify right-of-use assets with "Property and Equipment" in the consolidated statements of financial position. Prior to that date, all of the Group's leases are accounted for as operating leases in accordance with PAS 17, hence, not recorded on the consolidated statements of financial position. The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term as at January 1, 2019.

Right-of-use assets are subject to impairment. Refer to the accounting policies in section impairment of non-financial assets.

Lease liabilities
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the IBR at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Lease liabilities – current and noncurrent - are presented separately in the consolidated statements of financial position.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

The Group as a lessee (applicable until December 31, 2018 before adoption of PFRS 16)
A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risk and rewards incidental to ownership to the Group is classified as a finance lease. Operating lease payments are recognized as an operating expense in the consolidated statements of comprehensive income on a straight-line basis over the lease term.

The Group as a lessor
Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating lease. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Taxes
Current tax
Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

For income tax purposes, full revenue recognition on real estate sales is applied when more than 25% of the contract price has been collected in the year of sale; otherwise, the installment method is applied, where real estate sales are recognized based on collection multiplied by the gross profit rates of the individual sales contracts.

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

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

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and is probable that the temporary differences will not reverse in the foreseeable future

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

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

Deferred tax relating to items recognized outside consolidated statements of comprehensive income is recognized outside consolidated statements of comprehensive income. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Value Added Tax (VAT)
Revenue, expenses and assets are recognized net of the amount of VAT, if applicable. When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statements of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/ or services (output VAT), the excess is recognized as an asset in the consolidated statements of financial position to the extent of the recoverable amount.

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

Foreign Currency Denominated Transactions and Translations
Transactions denominated in foreign currency are recorded using the exchange rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rate at reporting date. All foreign exchange gains and losses are recognized in the consolidated statements of comprehensive income.

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

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

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. These are in the notes to consolidated financial statements disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

Segment Reporting
The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on the Group's operating segments is presented in Note 28 to the consolidated financial statements.

Events after the Reporting Date
Events after the reporting date that provide additional information about the Group's financial position at the reporting date (adjusting events), if any, are reflected in the consolidated financial statements. Events after the reporting date that are not adjusting events are disclosed in the notes to the consolidated financial statements when material (see Note 35).

5. Significant Accounting Judgments, Estimates and Assumptions

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

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

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

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

Determination of Acquisition of Group of Assets as a Business in Accordance with PFRS 3
Management uses judgment in assessing if the group of assets and liabilities acquired would constitute a business. In accordance with PFRS 3, business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants.

The acquisition of Vertex One from ALI in 2019 qualified as an acquisition of a business in accordance with PFRS 3 and was accounted for under the purchase method (see Note 1).

Determination if control exists in an investee company
Control is presumed to exist when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. On the other hand, joint control is presumed to exist when the investors contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Management has determined that it has control by virtue of its power to cast the majority votes at meetings of the BOD in all of its subsidiaries (see Note 1).

Determination if joint control exists in a joint venture
Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Management has determined that it has joint control in San Lazaro BPO Complex Joint Venture and Gamespan Inc. since the strategic financial and operating decisions of the entity are made jointly for all relevant activities by the venturers through its BOD (see Note 1).

Determination of joint venture or joint operation
A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e., joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e., joint venturers) have rights to the net assets of the arrangement.

Management has determined that arrangement for ventures with Avida Land Corporation (Avida), Alveo Land Corporation (Alveo) and Century Communities Corporation (CCC) are classified as joint operations since the Group have rights to the assets and obligations for the liabilities relating to the arrangement and not to the net assets of the arrangement.

Determination if significant influence exists in an associate
Significant influence exists when an investor has the power to participate in the financial and operating policy decisions of the investee but is not control or joint control. Management has determined that the Group has significant influence in MIC and Techsystems since the Group has the power to appoint representatives to the BOD of MIC and Techsystems to participate in the financial and operating policy decision (see Note 1).

Distinction between real estate inventories and investment properties
The Group determines whether a property is classified as investment property or real estate inventories as follows:

Investment properties comprises land and buildings (principally offices, commercial and retail property) which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. Transfers are made to investment properties when there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development.

Real estate inventories comprise property that is held for sale in the ordinary course of business. Principally, this is residential and industrial property that the Group develops and intends to sell before or on completion of construction.

In 2019 and 2018, the Group reclassified real estate inventories to investment property amounting to ₱52.2 million and ₱5.5 million, respectively (see Notes 8 and 12).

Determination of lease term of contracts with renewal and termination options – the Group as a lessee – Effective starting January 1, 2019
The Parent Company has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Group included the renewal period as part of the lease term for leases of office spaces and parking lots with shorter non-cancellable period (i.e., three to five years). The Group typically exercises its option to renew for these leases because there will be a significant negative effect on production if a replacement asset is not readily available. The renewal periods for leases of office spaces and parking lots with longer non-cancellable periods (i.e., 10 to 15 years) are not included as part of the lease term as these are not reasonably certain to be exercised. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Refer to Note 31 for information on potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term.

Leases - Estimating the IBR – Effective starting January 1, 2019
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use assets in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the Parent Company's stand-alone credit rating).

The Group's lease liabilities amounted to ₱27.2 million as at December 31, 2019 (see Note 31).

Classification of leases - Effective prior to January 1, 2019
Management exercises judgment in determining whether substantially all the significant risks and rewards of ownership of the leased assets are transferred to the Group. Lease agreements which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased items are accounted for as finance leases. Otherwise, these are considered as operating leases.

a. *Operating lease commitments - the Group as a lessor*
The Group has entered into lease agreements on certain items of its property and equipment and investment properties. The Group has determined that it retains all the significant risks and rewards of ownership of these properties. i.e. ownership of the assets remains with the Group at the end of the lease terms. Accordingly, the lease agreements are accounted for as operating leases (see Notes 11, 12 and 31).

b. *Operating lease commitments - the Group as lessee*
The Group has entered into a lease agreement for the lease of office space and parking lots where it has determined that the risks and rewards related to the leased assets are retained by the lessor. i.e. ownership of the assets remains with the lessor at the end of the lease term. As such, the lease agreement was accounted for as an operating lease (see Note 31).

Impairment of noncurrent nonfinancial assets
The Group assesses at each reporting date whether there is any indication that its interest in associates and joint ventures, advances to an associate, property and equipment, investment properties and franchise fee may be impaired. Indication of impairment includes: (a) decline in the asset's market value that is significantly higher than would be expected from normal use; (b) evidence of obsolescence or physical damage; (c) internal reports indicate that the economic performance of the asset will be worse than expected; etc. If such indication exists, the entity shall estimate the recoverable amount of the asset, which is the higher of an asset's or CGU's fair value less costs to sell and its value in use. Based on management's assessment, there was an indicator of impairment of investment in and advances to an associate and property and equipment as of December 31, 2019.

In 2019 and 2018, due to continuous decline in revenues from club races, the Parent Company assessed that its property and equipment used in its racing activities may be impaired. These property and equipment related to the Parent Company's racing activities have a carrying amount of ₱433.9 million and ₱450.5 million as of December 31, 2019 and 2018, respectively, prior to impairment assessment.

The recoverable amount of the CGU has been determined based on fair value less cost to sell. Fair value less cost to sell is based on appraisal of the property performed by an independent appraiser.

Management has determined that certain land improvements, that was supposed to generate new cash inflow for the Group did not materialize, therefore, the Group will not be able to recover the costs of construction. As a result, the Group recognized an allowance for impairment amounting to ₱14.6 million.

In addition, due to the continuous losses incurred by MIC, the Group performed impairment testing on its investment in and advances to MIC with a carrying value of ₱2.0 billion as of December 31, 2019. The recoverable amount of investment in and advance to an associate is the greater of the investment's fair value less costs to sell and value-in-use. Determination of impairment of investment in and advances to an associate requires an estimation of the value-in-use of the CGU to which the investments relate. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the CGU and applying an appropriate discount rate in order to calculate the present value of those cash flows. In discounting, the Group uses a discount rate based on the weighted average cost of capital adjusted to reflect the way that the market would assess the specific risks associated with the cash flow and exclude risks that are not relevant to the cash flow. The recoverable amount resulting from the impairment testing done by the Group was based on value in use method.

In 2019, 2018 and 2017, no impairment provisions were recognized for nonfinancial assets of the Group, except for the land improvement amounting to ₱14.6 million in 2019. The carrying values of the Group's investments in and advances to associates and joint ventures, property and equipment, investment properties, and franchise fee of December 31, 2019 and 2018 are disclosed in Notes 10, 11, 12 and 13 to the consolidated financial statements.

<u>Estimates and Assumptions</u>
The key assumptions concerning the future and other key sources of estimation and uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Estimation of allowance for doubtful accounts (applicable until December 31, 2017 prior to the adoption of PFRS 9)
The allowance for doubtful accounts relating to receivables is estimated based on two methods. The amounts calculated using each of these methods are combined to determine the total allowance to be provided. First, specific accounts are evaluated based on information that certain customers may be unable to meet their financial obligations. In these cases, judgment is used based on the best available facts and circumstances, including but not limited to, the length of relationship with the customer and the customer's current credit status based on third party credit reports and known market factors, to record specific reserves against amounts due to reduce receivable amounts expected to be collected. These specific reserves are re-evaluated and adjusted as additional information received impacts the amounts estimated. Second, a collective assessment of historical collection, write-off, experience and customer payment terms is made.

The amount and timing of recorded expenses for any period could therefore differ based on the judgments or estimates made. An increase in the Group's allowance for doubtful accounts will increase its recorded operating expenses and decrease its current assets.

In 2017, provision for doubtful accounts are disclosed in Note 7 to the consolidated financial statements, and written off receivable accounts without previous impairment allowance are disclosed in Note 26 to the consolidated financial statements.

Provision for ECL of financial assets (applicable starting January 1, 2018 upon the adoption of PFRS 9)
The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for its receivables from real estate.

The provision matrix is initially based on the Group's historical observed default rates. The Group shall calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of actual default in the future.

The provision for ECL on the Group's receivables in 2019 and 2018 are disclosed in Notes 7 and 19 to the consolidated financial statements. The carrying amounts of receivables as of December 31, 2019 and 2018 are disclosed in Note 7 to the consolidated financial statements.

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

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

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group's debt instruments at fair value through OCI comprise solely of quoted bonds that are graded in the top investment category, a reputable credit rating agency and, therefore, are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from a reputable credit rating agency both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

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

Determination of NRV of real estate inventories
The Group's estimates of the NRVs of real estate inventories are based on the most reliable evidence available at the time the estimates are made of the amount that the inventories are expected to be realized. These estimates consider the fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. A new assessment is made of the NRV in each subsequent period. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is a clear evidence of an increase in NRV because of change in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised NRV.

As of December 31, 2019 and 2018, the cost of the real estate inventories, the amount written down to NRV and the carrying value of the real estate inventories are disclosed in Note 8 to the consolidated financial statements.

Estimation of impairment of financial assets at FVOCI
The Group treats FVOCI financial assets as impaired when there has been a significant decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is 'significant' requires judgment.

The Group defines 'significant' generally as a reduction of 20% or more of the original cost. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equity securities and the future cash flows and the discount factors for unquoted equity securities.

As of December 31, 2019 and 2018, the carrying value of the Group's FVOCI financial assets is disclosed in Note 13 to the consolidated financial statements. No impairment loss was recognized in 2019 and 2018.

Estimation of the useful lives of property and equipment and investment properties (excluding Land)
The Group estimates the useful lives of property and equipment and investment properties based on the internal technical evaluation and experience with similar assets. Estimated useful lives of property and equipment and investment properties (the period over which the assets are expected to be available for its intended use) are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical and commercial obsolescence and other limits on the use of the assets.

There were no changes in the useful lives of property and equipment and investment properties in 2019, 2018 and 2017. As of December 31, 2019 and 2018 the carrying amount of depreciable property and equipment are disclosed in Note 11 to the consolidated financial statements. The carrying amount of depreciable investment property as of December 31, 2019 and 2018 are disclosed in Note 12 to the consolidated financial statements.

Provisions and Contingencies
The Group provides for present obligations (legal or constructive) where it is probable that there will be an outflow of resources embodying economic benefits that will be required to settle said obligations. An estimate of the provision is based on known information at the reporting date, net of any estimated amount that may be reimbursed to the Group. The Group's management and legal counsels believe that

the eventual liabilities under these lawsuits or claims, if any, will not have material effect on the consolidated financial statements. Further, the Group's management, together with its tax counsel, has assessed that the findings on MCI have no legal or factual basis (see Notes 31 and 35).

No provisions were recognized as of December 31, 2019 and 2018.

Recognition of deferred tax assets
The Group reviews the carrying amount of the deferred tax assets at each reporting date and adjusts to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

As of December 31, 2019 and 2018, the recognized and unrecognized deferred tax assets are disclosed in Note 26 to the consolidated financial statements.

Estimation of retirement benefits cost and obligations
The determination of the obligation and cost for retirement benefits cost is dependent on management's selection of certain assumptions used by the actuary in calculating such amounts. Those assumptions are described in Note 22 and include among others, discount rates, expected rate of return on plan assets and expected rate of salary increase. Actual results that differ from the Group's assumptions are accumulated and amortized over the future periods and therefore generally affect the recognized expense and recorded obligation in such future period. While the Group believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's retirement and other retirement obligations.

As of December 31, 2019 and 2018, the carrying value of accrued retirement benefits are disclosed in Note 22 to the consolidated financial statements. Retirement benefits cost in 2019, 2018 and 2017 are disclosed in Notes 16 and 22 to the consolidated financial statements.

6. Cash and Cash Equivalents

This account consists of:

	2019	2018
Cash on hand	**₱28,509,541**	₱26,183,225
Cash in banks	**549,372,073**	296,163,811
Cash equivalents	**25,105,647**	10,000,000
	₱602,987,261	₱332,347,036

Cash in banks generally earns interest at the respective bank deposit rates. Cash equivalents are short-term deposits made for varying periods of up to three months and earn interest at the respective short-term deposit rates. Interest income earned amounted to ₱4.8 million, ₱0.8 million, and ₱0.9 million in 2019, 2018, and 2017, respectively (see Note 23).

7. Receivables

This account consists of:

	2019	2018
Trade		
Real estate receivables - current portion	**₱57,520,558**	₱66,479,721
Rent receivables (Notes 11, 12 and 31)	**75,348,327**	17,358,859
Receivables from off-track/off-cockpit betting (OTB/OCB) operators	**19,415,437**	4,442,505
Receivables from food and beverage operations	**3,766,582**	4,423,786
Non-trade		
Advances to suppliers and contractor	**45,125,815**	22,375,768
Advances and loans to officers and employees (Note 27)	**23,920,604**	24,754,227
Due from related parties (Note 27)	**5,027,071**	5,018,137
Receivable from third parties	**3,553,975**	20,428,691
Dividends receivable (Note 10)	**–**	4,739,449
Others	**8,287,231**	6,577,721
	241,965,600	176,598,864
Less Allowance for ECL	**65,112,430**	35,350,908
	₱176,853,170	₱141,247,956

Real Estate Receivables

The real estate receivables of the Parent Company are as follows:

	2019	2018
Current	**₱57,520,558**	₱66,479,721
Noncurrent	**7,944,094**	61,541,708
	₱65,464,652	₱128,021,429

Real estate receivables, which are collectible in monthly installments, represent noninterest-bearing receivables with average term ranging from two to three years. Titles to condominium properties are not transferred to the buyers until full payment is made.

Interest income from accretion of real estate receivables amounted to ₱3.1 million, ₱6.6 million, and ₱9.9 million in 2019, 2018, and 2017, respectively (see Note 23).

Advances and Loans to Officers and Employees
The Parent Company grants salary loans and advances to its officers. The loans bear an average interest rate of 9% per annum. Interest income earned on advances and loans to officers and employees amounted to ₱0.8 million in 2019, ₱0.9 million in 2018, and ₱0.3 million in 2017 (see Note 23).

Advances to Suppliers and Contractors
Advances to suppliers are noninterest-bearing payments, which is normally collectible within 12 months or within the normal operating cycle.

<u>Receivable from Third Parties</u>
Receivable from third parties bear an interest of 12% per annum and are generally settled within 30 to 90-day term. Interest income earned on receivable from third parties amounted to ₱0.6 million in 2019, ₱1.1 million in 2018, and ₱0.8 million in 2017 (see Note 23).

<u>Other Receivables</u>
Other receivables include accrued interest and other various individually insignificant items.

<u>Allowance for ECL</u>
Movements in the allowance for doubtful accounts are summarized below:

	2019		
	Trade	**Nontrade**	**Total**
Balance at beginning of year	**₱21,122,304**	**₱14,228,604**	**₱35,350,908**
Provision during the year (Note 19)	**25,430,692**	**5,387,173**	**30,817,865**
Amounts written off during the year	**–**	**(894,212)**	**(894,212)**
Recovery of doubtful accounts	**–**	**(162,131)**	**(162,131)**
Balance at end of year	**₱46,552,996**	**₱18,559,434**	**₱65,112,430**

	2018		
	Trade	Nontrade	Total
Balance at beginning of year	₱24,020,769	₱12,373,195	₱36,393,964
Provision during the year (Note 19)	12,544,700	1,861,909	14,406,609
Amounts written off during the year	(15,443,165)	–	(15,443,165)
Recovery of doubtful accounts	–	(6,500)	(6,500)
Balance at end of year	₱21,122,304	₱14,228,604	₱35,350,908

The Group has not directly written off receivables for 2019 and 2018, and directly wrote-off receivables during 2017 amounting to ₱3.8 million.

8. **Inventories**

This account consists of:

	2019	2018
Real estate:		
Memorial lots for sale - at net realizable value	**₱6,489,904**	₱6,489,904
Land held for development - at cost	–	38,189,898
Condominium units for sale - at cost	–	3,880,628
Residential units for sale - at cost	–	2,783,562
	6,489,904	51,343,992
Gamefowls - at cost	**2,024,000**	2,448,000
Food and beverages - at cost	**590,618**	781,227
	₱9,104,522	₱54,573,219

Condominium units for sale and residential units for sale pertain to the completed condominium and residential projects of the Parent Company. In 2019, 2018 and 2017, revenue from real estate pertains to sale of completed condominium units and memorial lots.

The movements in the real estate inventories account are as follows:

	2019	2018
Balance at beginning of year	**₱51,343,992**	₱68,046,983
Repossessed real estate inventories	**9,668,688**	–
Transfers to investment property (Note 12)	**(52,215,354)**	(5,540,316)
Cost of real estate sold (Note 18)	**(2,307,422)**	(11,162,675)
Balance at end of year	**₱6,489,904**	₱51,343,992

Repossessed real estate inventories pertain to sales cancellations due to buyers' default in payment. These are recorded at fair value less cost to sell and cost to complete at the time of transfer and are held for sale in the ordinary course of business. Loss on sales cancellation amounted to ₱32.1 million in 2019 (see Note 25).

In 2019, 2018 and 2017, no impairment loss was recognized. The cost of memorial lots for sale as at December 31, 2019 and 2018 amounted to ₱6.5 million.

The Parent Company entered into agreements with certain real estate developers to develop their properties located in Sta. Cruz, Manila and Carmona, Cavite into condominium units and residential complexes.

Significant provisions of the agreements are discussed below.

Condominium units for sale
On February 26, 2005, the Parent Company entered into Joint Development Agreements (JDAs) with Avida and Alveo for the development of 5.2 hectares and 1.3 hectares (the "Project Areas"), respectively, of the Parent Company's 11.6-hectare property located in Sta. Cruz, Manila, into a primary residential complex consisting of condominium buildings and townhouses (the "Project"). Under the JDAs, the Parent Company agreed and contributed its rights, title and interest in the Project and the Project Areas, while Avida and Alveo agreed and provided the necessary capital to finance the Project and expertise to develop the Project Areas. In return for their respective contributions to the Project, the Parent Company, Avida and Alveo received their respective allocation as described in the JDAs.

Towers 1 to 5 of Avida and Towers 1 to 3 of Alveo are fully completed as of December 31, 2019 and 2018 and 2017.

Residential units for sale
On February 24, 2004, the Parent Company entered into an agreement with CCC for the development of 17.09 hectares of the Parent Company's 33-hectare property in Carmona, Cavite into an exclusive residential subdivision with some commercial areas. As of December 31, 2018, the project is 100% complete.

Marketing expense, presented as "Selling expense" in the consolidated statements of comprehensive income, is the share of the Parent Company in the marketing cost pertaining to real estate operations. The amount of marketing cost in 2019, 2018 and 2017 amounted to ₱9.4 million, ₱10.5 million and ₱12.1 million, respectively.

Gamefowls
The movements in the gamefowls inventory account are as follows:

	2019	2018
Balance at beginning of year	**₱2,448,000**	₱2,651,000
Purchases	**107,430,972**	39,976,555
Cost of gamefowls used (Note 18)	**(107,854,972)**	(40,179,555)
Balance at end of year	**₱2,024,000**	₱2,448,000

There was no write-down of inventories in 2019 and 2018.

9. Prepayments and Other Current Assets

This account consists of:

	2019	2018
Input VAT	**₱12,773,224**	₱3,563,862
Prepaid expenses	**12,512,859**	5,960,177
Deposit	**130,000**	174,206
Others	**711,687**	113,022
	₱26,127,770	₱9,811,267

Input VAT consist of:

	2019	2018
Input VAT		
Current portion	**₱12,773,224**	₱3,563,862
Noncurrent portion (Note 13)	**58,079,891**	13,538,829
	₱70,853,115	₱17,102,691

Prepaid expenses include prepayments made for insurance, licenses, employee health benefits and professional fees.

Others include fuel and oil.

10. Investments in and Advances to Associates and Joint Ventures

This account consists of:

	2019	2018
Cost	**₱2,312,510,445**	₱2,312,510,445
Equity in net losses of associates and joint ventures		
Beginning balance	**(417,690,108)**	(260,468,835)
Equity in net losses during the year	**(114,568,044)**	(133,821,849)
Share on dividends declared	**(48,770,708)**	(23,399,424)
Derecognition of equity in joint venture	**(20,308,138)**	–
	(601,336,998)	(417,690,108)
	1,711,173,447	1,894,820,337
Advances to an associate	**321,233,646**	237,233,646
	₱2,032,407,093	₱2,132,053,983

	2019	2018
Investment in associates		
MIC	**₱1,701,381,286**	₱1,844,622,146
Techsystems	**–**	–
	1,701,381,286	1,844,622,146
Investment in joint ventures		
Gamespan	**9,792,161**	9,792,161
SLBPO	**–**	40,406,030
	9,792,161	50,198,191
	1,711,173,447	1,894,820,337
Advances to an associate	**321,233,646**	237,233,646
	₱2,032,407,093	₱2,132,053,983

Investment in and Advances to Associates

MIC. Investment in MIC pertains to the Group's 22.31% interest in MIC as of December 31, 2019 and 2018. MIC started its commercial operations on January 6, 2016. The movements and details of the accounts are as follows:

	2019	2018
Investment in associate	**₱1,844,622,146**	₱2,011,056,348
Equity in net losses of the associate	**(143,240,860)**	(166,434,202)
	1,701,381,286	1,844,622,146
Advances to an associate	**321,233,646**	237,233,646
	₱2,022,614,932	₱2,081,855,792

Advances to MIC pertains to deposit for future stock subscriptions.

The summarized financial information of MIC is as follows:

	2019	2018
Current assets	**₱497,491,866**	₱758,436,369
Noncurrent assets	**5,599,362,854**	5,942,138,475
Current liabilities	**726,519,308**	1,415,410,010
Noncurrent liabilities	**4,971,957,402**	4,242,646,586
Equity	**398,378,010**	1,042,518,249
Income	**758,808,720**	625,209,640
Expenses	**1,400,901,652**	1,369,623,942
Net loss	**642,092,932**	746,060,247
Other comprehensive income (loss)	**(2,047,307)**	1,645,945

The difference between the carrying values of investment in MIC against the share in net asset of MIC as of December 31, 2019 and 2018 represents goodwill amounting to ₱1.6 billion.

Fair value of the investment in MIC as of December 31, 2019 and 2018 amounted to ₱2.3 billion and ₱1.8 billion, respectively.

On April 12, 2018, the BOD of MIC approved the conduct of a stock rights offering in order to raise additional capital. The total number of shares to be issued is 1,587,202,910 common shares and the stock offer price shall be ₱1.00 per share. The entitlement ratio shall be one (1) rights share for every two (2) common shares held as of record date.

On September 17, 2018, the BOD approved the offer price for the rights shall be ₱1.00 per rights share, if paid in full upon submission of the application to subscribe and ₱2.00 per right share, if paid on installment basis. As of July 10, 2020, the stock rights offering is still pending for approval of SEC.

Status of Operations
On March 15, 2020, in response to the directive of the Philippine government to impose stringent social distancing measures in the National Capital Region to contain the spread of COVID-19, PAGCOR issued a memorandum to suspend the all gaming operations in Metro Manila until the end of the community quarantine. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed community quarantine, which resulted to the temporary suspension of the hotel and casino operations. On June 7, 2020, the hotel resumed its operations after receiving the approval from the Department of Tourism.

The hotel caters to foreign guests who are staying temporarily in the Philippines, long staying guests, overseas Filipino workers, government employees and health care workers. As of the date of the auditor's report, MIC has not yet resumed its full operation of the casino as a result of the PAGCOR memorandum.

Impairment
In 2019 and 2018, due to continuous losses of MIC, the Group assessed that its investment in and advances to MIC with a carrying value of ₱2.0 billion as of December 31, 2019 maybe impaired.

The recoverable amount of the CGU has been determined based on value in use calculations. These calculations use pre-tax cash flow projections based on a five (5) year prospective financial information approved by management. Management determined that the key assumptions underlying the said prospective financial information are based on reasonable estimates after considering historical performance and its expectations on prospects and development within the forecast period.

Management assessed that the investment in and advances to MIC as of December 31, 2019 were not impaired. The recoverable amount of the investment in and advances to MIC has been determined based on value-in-use calculation using cash flow projections based on financial budgets approved by management covering a five-year period.

Key assumptions used to determine the value in use are discount rates including cost of debt and cost of capital, growth rates, working capital and capital expenditure, if any.

Discount Rates
The discount rate used is the post-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. The Group used discount rates based on the industry's weighted average cost of capital (WACC). The rates used to discount the future cash flows are based on risk-free interest rates in the relevant markets taking into consideration the debt premium, market risk premium, gearing, corporate tax rate and asset betas. Management assumed a discount rate of 11 percent in 2019.

Revenues
Average growth rates in revenues are based on MIC's expectation of market developments and the changes in the environment in which it operates. MIC's anticipated revenue growth of 5 percent within the forecast period, based on past historical performance as well as expectations on the operating results of the business. On the other hand, the perpetual growth rate used to compute for the terminal value is based on the forecasted long-term growth of the economy in which the business operates.

Accordingly, the Group recognized no impairment loss on the investment in and advances to MIC during the year.

Significant Contracts between MIC and Philippine Amusement and Gaming Corporation (PAGCOR)

The following are the significant contracts between MIC, an associate, and PAGCOR:

a) Permit to Operate granted to MIC
   On March 18, 2010, MIC was granted a Permit to Operate (PTO) by PAGCOR for the establishment, maintenance and operation of PAGCOR San Lazaro. The PTO shall be for a period of fifteen (15) years commencing on January 6, 2016, the date of actual operation of PAGCOR San Lazaro. MIC's management assessed that MIC is the operator of PAGCOR San Lazaro, in accordance with the provision of the PTO.

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

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

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

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

b) Traditional Bingo Operation
   On January 19, 2015, MIC was granted by PAGCOR the right to operate a traditional bingo operation at Winford Hotel and Casino. The terms of the bingo operation shall be coterminous with the term of the PTO. Under the agreement, MIC shall remit monthly to PAGCOR 15% of the total gross receipt from sale of bingo tickets and cards, including electronically stored bingo cards played through an electronic device, instant game tickets and bingo game variant cards.

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

c) Junket Agreement granted to Trafalgar Square and Leisure Corp. (a wholly owned subsidiary of MIC) (TSLC)

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

In consideration of the grant by PAGCOR, TSLC shall pay PAGCOR higher of (a) a monthly Minimum Guarantee Fee of US$10 thousand per table or (b) ten percent (10%) of the monthly gross winnings generated from the junket gaming operations. In addition to the monthly fee, TSLC shall remit five percent (5%) of the Monthly Gross Winnings of the Junket Gaming Operations to PAGCOR as Franchise Tax.

TSLC shall also deposit to PAGCOR the following:

a) an amount equivalent to six (6) months of the Minimum Guarantee Fee of the Table Gaming Mix in the Junket Gaming Operation prior to the actual operation of the junket tables.
b) an Administrative Charge Deposit in the amount equivalent to six months manpower cost of PAGCOR's Monitoring Team for the Junket Gaming Operation prior to the actual operation, which shall be made to cover TSLC's share in the cost of salaries and benefits of PAGCOR personnel assigned at the junket area in case the junket operations are suspended for reasons other than force majeure or fortuitous event.
c) a cash bond in the amount of ₱1.0 million upon execution of the Junket Agreement in favor of PAGCOR to ensure and secure TSLC's compliance with the terms and conditions of the agreement and PAGCOR's pre-operating requirements.

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

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

The contract with PAGCOR was terminated in 2019.

Techsystems. The investment in associate, Techsystems, pertains to the acquisition cost of ₱1.0 million representing 33.33% ownership of the Parent Company. Techsystems undertakes to facilitate the short message service betting or online betting for the races conducted by the Parent Company. As of December 31, 2019 and 2018, investment in Techsystems is fully provided with allowance. As of December 31, 2019, Techsystems has not yet started commercial operations.

The summarized financial information of Techsystems is as follows:

	2019	2018
Total liabilities	**₱5,184,317**	₱5,184,317
Capital deficiency	**(5,184,317)**	(5,184,317)

Investment in Joint Ventures

Gamespan. Gamespan was incorporated on June 20, 2012 to operate and manage the totalizator hardware and software owned by the Parent Company, set-up new media infrastructure for offering and taking bets in horse racing and other sports. It shall also have the exclusive broadcast rights to all the races and other games operated by the Parent Company which it may distribute to different broadcasters to maximize viewership and participation. As of December 31, 2019, Gamespan has not yet started its commercial operations.

Reconciliation of the summarized financial information to the carrying amount of the interest in the joint venture recognized in the consolidated financial statements is as follow:

	2019	2018
Current assets	**₱20,184,979**	₱20,184,979
Noncurrent assets	**29,167**	29,167
Current liabilities	**(629,824)**	(629,824)
Equity	**19,584,322**	19,584,322
Percentage of ownership	**50%**	50%
	₱9,792,161	₱9,792,161

Equity investment in joint venture in Gamespan amounted to ₱9.8 million in 2019 and 2018. Equity in net earnings amounted to nil in 2019 and 2018.

SLBPO. On December 12, 2008, the Parent Company entered into a Joint Venture Agreement (JVA) with ALI to create SLBPO, an unincorporated entity, for the purpose of leasing, managing and administering the developed office units and retail development area in the building complex at the Sta. Cruz property (the Building Complex). The Building Complex was also constructed and developed under a JDA with ALI. The Building Complex was thereafter named “Vertex One”.

In September 2019, the Parent Company acquired from ALI, developed office units and parking lots and ALI’s equity interest in SLBPO for a total consideration of ₱511.7 million, excluding applicable taxes. This resulted in the Parent Company owning 100% of Vertex One. In connection with acquisition, ALI assigned, transferred and conveyed all its rights, interest and obligations in certain lease and service contracts which it has entered into with certain office tenants and service providers in connection with its obligation under the JVA with respect to the management and leasing operation of the building.

On the same date, ALI, with the conformity of the Parent Company, assigned its rights under the JVA in favor of SLLPHI, including, the right (i) to manage, market and lease the developed office units, retail units, and parking slots, of Vertex One, and (ii) to manage the funds of SLBPO.

The Parent Company and SLLPHI, as assignee-in-interest ALI to SLBPO, agreed to continue the unincorporated joint venture. SLLPHI shall act as property manager of Vertex One. On the same date, the Parent Company and SLLPHI amended the division of net rental income from leasing the developed office units in Vertex One by SLBPO for a more equitable distribution of net income of the JV, proportionate to and taking into account SLLPHI’s contribution. The net rental income from leasing out the developed office units by SLBPO shall be divided between the Parent Company and SLLPHI as dividends, on the basis of the following percentages: Parent Company – 90%, SLLPHI – 10%.

The movement of the equity in joint venture of the SLBPO for the years ended December 31, 2019 and 2018 is as follows:

	2019	2018
Balance at beginning of year	**₱40,406,030**	₱31,193,101
Equity in net earnings for the year	**28,672,816**	32,612,353
Share on dividends declared	**(48,770,708)**	(23,399,424)
Derecognition of equity in joint venture	**(20,308,138)**	–
Balance at end of year	**₱–**	₱40,406,030

Dividends receivable from the JV amounted to nil and ₱4.7 million as of December 31, 2019 and 2018, respectively (see Note 7).

The summarized financial information of the SLBPO as of December 31, 2018 is as follows:

Current assets	₱300,750,720
Noncurrent assets	16,452,036
Current liabilities	113,460,146
Noncurrent liabilities	53,952,149
Equity	149,790,461
Dividends	77,998,078
Income	183,319,154
Expenses	74,611,310
Net income	108,707,844

Reconciliation of the above summarized financial information to the carrying amount of the interest in the joint venture recognized in the consolidated financial statements is as follows:

	2018
Net assets	₱149,790,461
Percentage of ownership	30%
	44,937,138
Gain on derecognition of share in SLBPO	(4,531,108)
	₱40,406,030

Effective October 1, 2019, SLBPO is a wholly owned subsidiary of the Group.

Equity in net earnings (losses) of associates and joint ventures

	2019	2018	2017
MIC	**(₱143,240,860)**	(₱166,434,202)	(₱174,228,794)
SLBPO	**28,672,816**	32,612,353	39,009,304
	(₱114,568,044)	(₱133,821,849)	(₱135,219,490)

As of December 31, 2019 and 2018, the Group has no share in any contingent liabilities or capital commitments.

11. Property and Equipment

Movements in this account are as follows:

2019

	January 1	Effect of PFRS 16 (see Note 3)	Additions/ Effect of PFRS 3 (see Note 1.5)	Disposals	Reclassifications and adjustments	December 31
Cost						
Land	**₱304,869,383**	**₱–**	**₱–**	**₱–**	**₱–**	**₱304,869,383**
Land improvements	**349,904,869**	**–**	**–**	**–**	**13,484,568**	**363,389,437**
Building and improvements	**672,282,229**	**–**	**10,730,323**	**–**	**–**	**683,012,552**
Machinery and equipment	**581,148,687**	**–**	**31,161,127**	**(73,554)**	**–**	**612,236,260**
Transportation equipment	**45,034,816**	**–**	**30,480,450**	**(700,000)**	**–**	**74,815,266**
Furniture and fixtures	**33,198,923**	**–**	**544,467**	**–**	**–**	**33,743,390**
Right-of-use assets	**–**	**36,417,492**	**–**	**–**	**–**	**36,417,492**
	1,986,438,907	**36,417,492**	**72,916,367**	**(773,554)**	**13,484,568**	**2,108,483,780**
Accumulated depreciation						
Land improvements	**212,920,601**	**–**	**15,212,525**	**–**	**–**	**228,133,126**
Building and improvements	**399,801,330**	**–**	**27,317,383**	**–**	**–**	**427,118,713**
Machinery and equipment	**511,291,037**	**–**	**25,847,416**	**(53,122)**	**–**	**537,085,331**
Transportation equipment	**33,336,500**	**–**	**6,901,285**	**(326,667)**	**–**	**39,911,118**
Furniture and fixtures	**27,352,759**	**–**	**1,962,005**	**–**	**–**	**29,314,764**
Right-of-use assets	**–**	**–**	**11,343,354**	**–**	**–**	**11,343,354**
	1,184,702,227	**–**	**88,583,968**	**(379,789)**	**–**	**1,272,906,406**
Net book value	**801,736,680**	**36,417,492**	**(4,324,247)**	**(393,765)**	**13,484,568**	**835,577,374**
Construction in progress	**30,045,780**	**–**	**2,865,538**	**–**	**(13,484,568)**	**19,426,750**
	831,782,460	**36,417,492**	**(1,458,709)**	**(393,765)**	**–**	**855,004,124**
Allowance for impairment	**–**	**–**	**(14,637,381)**	**–**	**–**	**(14,637,381)**
	₱831,782,460	**₱36,417,492**	**(₱16,096,090)**	**(₱393,765)**	**₱–**	**₱840,366,743**

2018

	January 1	Additions	Disposals	Reclassifications and adjustments	December 31
Cost					
Land	₱304,869,383	₱–	₱–	₱–	₱304,869,383
Land improvements	347,422,587	12,946	–	2,469,336	349,904,869
Building and improvements	672,002,701	–	–	279,528	672,282,229
Machinery and equipment	558,027,885	23,180,110	(59,308)	–	581,148,687
Transportation equipment	42,243,675	2,891,964	(100,823)	–	45,034,816
Furniture and fixtures	31,390,116	1,808,807	–	–	33,198,923
	1,955,956,347	27,893,827	(160,131)	2,748,864	1,986,438,907
Accumulated depreciation					
Land improvements	196,229,945	16,690,656	–	–	212,920,601
Building and improvements	366,433,337	33,367,993	–	–	399,801,330
Machinery and equipment	488,474,113	22,855,652	(38,728)	–	511,291,037
Transportation equipment	29,627,711	3,790,520	(81,731)	–	33,336,500
Furniture and fixtures	25,205,852	2,146,907	–	–	27,352,759
	1,105,970,958	78,851,728	(120,459)	–	1,184,702,227
Net book value	849,985,389	(50,957,901)	(39,672)	2,748,864	801,736,680
Construction in progress	30,621,527	3,835,507	(1,662,390)	(2,748,864)	30,045,780
	₱880,606,916	(₱47,122,394)	(₱1,702,062)	₱–	₱831,782,460

Gain (loss) on sale of property and equipment amounted to ₱0.03 million in 2019, (₱1.7 million) in 2018 and ₱0.1 million in 2017 (see Note 25).

Depreciation Charges
The amount of depreciation is allocated as follows:

	2019	2018	2017
Cost of sales and services (Notes 18 and 20)	**₱59,142,112**	₱58,966,265	₱53,399,668
General and administrative expenses (Notes 19 and 20)	**29,441,856**	19,885,463	17,556,385
	₱88,583,968	₱78,851,728	₱70,956,053

Capitalized Borrowing Costs
No interest on loans was capitalized in 2019 and 2018. Undepreciated capitalized interest relating to land improvements, building and improvements and machinery and equipment as of December 31, 2019 and 2018 amounted to ₱26.9 million and ₱29.8 million, respectively.

Land
In 2001, the Parent Company acquired a parcel of land located in Carmona, Cavite from Royal Asia Land, Inc. (RALI), formerly known as KPPI Land Corporation, valued at ₱523.6 million payable in 12 equal quarterly installments from 2001 to 2004. The remaining installment payments due in 2004 were rescheduled as part of the requirements of the term loan obtained from a local bank. Total payments made by the Parent Company amounted to ₱433.7 million. No payments were made in 2019, 2018 and 2017. The outstanding balance of ₱89.9 million as of December 31, 2019 and 2018 is included under "Accounts payable and other liabilities" in the consolidated statements of financial position (see Note 15).

In 2018, the Parent Company acquired loans amounting to ₱124.0 million. The loans are secured by real estate mortgages on the land of Carmona property with carrying value of ₱216.0 million as of December 31, 2019 and 2018 (see Note 14).

Assets Under Operating Lease – the Parent Company as Lessor
The Parent Company has various operating lease agreements for its building improvements, specifically, cluster stables, with horse owners. The lease agreements provide for fixed monthly payments which are subject to rental escalations and renewal options. The carrying value of the cluster stables that are leased out on these operating leases amounted to ₱21.3 million and ₱23.1 million as of December 31, 2019 and 2018, respectively. Rent income from stable rentals in 2019, 2018, and 2017 amounted to ₱41.2 million, ₱44.6 million and ₱45.7 million, respectively.

The Parent Company has various operating lease agreements with concessionaires to lease certain areas within the Turf Club. The lease shall be for a period of two to five years. Rent income from concessionaires amounted to ₱0.5 million in 2019, ₱0.6 million in 2018 and ₱0.5 million in 2017.

Impairment
In 2019 and 2018, due to continuous decline in revenues from club races, the Parent Company assessed that its property and equipment used in its racing activities may be impaired. These property and equipment related to the Parent Company's racing activities have a carrying amount of ₱433.9 million and ₱450.5 million as of December 31, 2019 and 2018, respectively, prior to impairment assessment.

The recoverable amount of the CGU has been determined based on fair value less cost to sell. Fair value less cost to sell is based on appraisal of the property performed by an independent appraiser. The calculation made by the independent appraiser depend on certain assumptions, such as sales and listing of comparable properties registered within the vicinity and adjustments to sales prices based on internal and external factors.

Accordingly, the Parent Company recognized no impairment loss on the property and equipment used in its racing activities during the year.

Management has determined that certain land improvements, that was supposed to generate new cash inflow for the Group did not materialize, therefore, the Group will not be able to recover the costs of construction. As a result, the Group recognized an allowance for impairment amounting to ₱14.6 million in 2019 and -nil- in 2018 and 2017.

12. **Investment Properties**

This account consists of:

	2019	2018
Land:		
Sta. Cruz property held for capital appreciation	**₱397,821,478**	₱359,631,580
Sta. Cruz property held for lease	**238,168,692**	238,168,692
Mamburao property	**136,435,767**	128,430,457
Carmona property held for capital appreciation	**111,783,131**	109,750,785
Undivided interest in a parcel of land in Batangas	**56,723,976**	56,723,976
	940,933,044	892,705,490
Building:		
Developed office units (Note 10)	**641,737,853**	166,801,341
Retail development area (Note 10)	**27,998,224**	29,999,766
Condominium units (Note 10)	**11,953,133**	5,249,316
	681,689,210	202,050,423
	₱1,622,622,254	₱1,094,755,913

The movements in the carrying amount of investment properties are shown below:

		2019	
	Land	**Building**	**Total**
Cost			
Balance at beginning of year	**₱892,705,490**	**₱316,205,945**	**₱1,208,911,435**
Additions	**8,005,310**	**488,504,784**	**496,510,094**
Transfers from inventory (Note 8)	**40,222,244**	**11,993,110**	**52,215,354**
Balance at end of year	**940,933,044**	**816,703,839**	**1,757,636,883**
Accumulated Depreciation			
Balance at beginning of year	**–**	**114,155,522**	**114,155,522**
Depreciation (Notes 16 and 18)	**–**	**20,859,107**	**20,859,107**
Balance at end of year	**–**	**135,014,629**	**135,014,629**
Net Book Value	**₱940,363,044**	**₱681,689,210**	**₱1,622,622,254**

	2018		
	Land	Building	Total
Cost			
Balance at beginning of year	₱888,147,764	₱310,665,629	₱1,198,813,393
Additions	4,557,726	–	4,557,726
Transfers from inventory (Note 8)	–	5,540,316	5,540,316
Balance at end of year	892,705,490	316,205,945	1,208,911,435
Accumulated Depreciation			
Balance at beginning of year	–	101,437,897	101,437,897
Depreciation (Notes 16 and 18)	–	12,717,625	12,717,625
Balance at end of year	–	114,155,522	114,155,522
Net Book Value	₱892,705,490	₱202,050,423	₱1,094,755,913

Depreciation amounting to ₱20.9 million and ₱12.7 million for the period ended December 31, 2019 and 2018, are included as part of "Cost of sales and services" (see Note 18).

In 2019, 2018 and 2017, rent income amounted to ₱55.2 million, ₱16.9 million and ₱15.6 million, respectively. Direct operating expenses related to the investment properties amounted to ₱0.1 million in 2019, 2018 and 2017.

Undepreciated capitalized interest relating to the Building Complex as of December 31, 2019 and 2018 amounted to ₱4.7 million and ₱5.3 million, respectively.

In 2019, the Parent Company acquired long-term loan amounting to ₱315.0 million. The loan is secured by land and building of Vertex One located in Sta. Cruz, Manila with a fair value of ₱1.8 billion and ₱1.2 billion as of December 31, 2019 and 2018, respectively (see Note 14).

Fair Market Values

As of December 31, 2019, the aggregate fair value of the Parent Company's investment properties amounted to ₱12.7 billion. Fair values of the Carmona property and Sta. Cruz properties as of February 21 and 14, 2020 and the building as of September 30, 2019 have been determined based on valuation performed by Philippine SEC-accredited and independent professional appraisers using replacement cost approach method and market data approach method. Management has assessed that there are no material changes in fair value on these investment properties as of December 31, 2019 from the most recent revaluations performed by independent appraisers.

As of December 31, 2019, the fair value of the Mamburao property amounted to ₱175.6 million. Fair values of the land as of July 25, 2019 have been determined based on valuation performed by Philippine SEC-accredited and independent professional appraisers using replacement cost approach method and market data approach method. Management has assessed that there are no material changes in fair value on these investment properties as of December 31, 2019 from the most recent revaluations performed by independent appraisers.

Investment properties were classified as Level 3 in 2019 and 2018 as to the qualification of fair value hierarchy.

13. **Other Noncurrent Assets**

This account consists of:

	2019	2018
Financial assets at FVOCI:		
Debt securities	**₱65,573,299**	₱25,083,403
Quoted equity securities	**16,415,865**	9,201,393
Deferred input VAT	**58,079,891**	13,538,829
Deposits	**13,353,912**	10,465,503
Franchise fee (Note 1)	**5,414,839**	7,208,839
Software	**2,150,000**	–
Others	**236,428**	236,428
	₱161,224,234	₱65,734,395

Financial Assets at FVOCI
The reconciliation of the carrying amounts of financial assets at FVOCI is as follows:

	2019	2018
Balance at beginning of year	**₱34,284,796**	₱35,199,339
Additions during the year	**48,000,000**	25,000,000
DTL – net	**64,373**	1,414,640
Disposal during the year	**–**	(27,000,000)
Unrealized mark-to-market gains (losses) during the year	**(360,005)**	(329,183)
Balance at end of year	**₱81,989,164**	₱34,284,796

The movements in net cumulative changes in fair values of financial assets at FVOCI are as follows:

	2019	2018
Balance at beginning of year	**₱4,620,965**	₱4,950,148
Disposal during the year	**–**	(265,460)
Unrealized market-to-market gains (losses) during the year	**(360,005)**	(63,723)
Balance at end of year	**₱4,260,960**	₱4,620,965

Loss on sale of financial assets at FVOCI amounted to nil in 2019 and ₱0.3 million in 2018, loss on sale of AFS financial assets amounted to nil in 2017 (see Note 25). Dividend income from these investments is ₱0.1 million in 2019, ₱0.4 million in 2018 and 2017 (see Note 25). Interest income from these investments is nil in 2019, ₱0.7 million in 2018 and ₱0.6 million in 2017 (see Note 23).

Franchise Fee
Movements in the carrying amounts of franchise fee are shown below:

	2019	2018
Acquisition cost	**₱44,850,000**	₱44,850,000
Accumulated amortization:		
Balance at beginning of year	**37,641,161**	35,847,161
Amortization for the year (Note 18)	**1,794,000**	1,794,000
Balance at end of year	**39,435,161**	37,641,161
	₱5,414,839	₱7,208,839

Franchise fee has remaining amortization period of three (3) years as of December 31, 2019.

Software

Movements in the carrying amount of the software are shown below:

	2019
Acquisition cost:	₱3,225,000
Accumulated amortization	–
Amortization for the year (Note 18)	1,075,000
	₱2,150,000

14. Short-term and Long-term Loans and Borrowings

Short-term Loans

As of December 31, 2019 and 2018, outstanding balance of short-term loans and borrowings amounted to nil and ₱288.6 million, respectively. These loans bear average interest of 6.1% and 4.3% in 2019 and 2018, respectively. The promissory notes covering these loans have terms of one year or less and are renewed upon maturity. The loans are secured by real estate mortgages on the land of Carmona property with carrying value of ₱216.0 million as of December 31, 2019 and 2018 (see Note 11).

The movements in the short-term loans and borrowings are as follows:

	2019	2018
Balance at beginning of year	**₱288,636,040**	₱234,000,000
Additions	**–**	124,000,000
Payments	**(288,636,040)**	(69,363,960)
Balance at end of year	**₱–**	₱288,636,040

Interest expense on short-term loans amounted to ₱9.1 million, ₱9.5 million and ₱5.7 million in 2019, 2018 and 2017, respectively (see Note 24).

Long-term Loan

In 2019, the Parent Company acquired five (5) year long-term loan amounting to ₱315.0 million maturing on September 2024. This loan is payable in equal monthly installments. The Parent Company has an option to shift from a floating rate every quarter to a fixed interest rate within two years from the availment date of the loan. The loan is secured by land and building of Vertex One located in Sta. Cruz, Manila with carrying value ₱1.0 million and fair value of ₱1.8 billion as of December 31, 2019 (see Note 12).

The movements in long-term loans and borrowing is as follows:

	2019
Principal	₱315,000,000
Payment	(15,750,000)
	299,250,000
Less current portion	63,000,000
Noncurrent portion	₱236,250,000

On March 19, 2020, the Parent Company exercised the option to fix the interest rate at 6.02%.

Interest expense on long-term loan amounted to ₱4.3 million in 2019 and nil in 2018 and 2017 (see Note 24).

15. Accounts Payable and Other Liabilities

This account consists of:

	2019	2018
Accounts payable	**₱145,444,634**	₱92,012,605
Due to RALI (Note 11)	**89,900,000**	89,900,000
Percentage tax payable	**72,920,022**	45,923,182
Documentary stamps payable	**37,700,364**	25,262,379
Cash bond on OTB/OCB operators	**36,290,998**	34,130,421
Accrued expenses	**24,361,293**	22,636,407
Unclaimed winnings	**23,875,777**	21,206,678
Rental deposits	**15,041,923**	11,245,137
Lease liabilities - current portion (Note 31)	**10,383,879**	–
Withholding taxes payable	**7,943,421**	4,474,568
Dividends payable (Note 28)	**5,974,351**	5,974,351
Taxes on winnings	**4,077,659**	6,360,050
Unearned income	**4,050,481**	3,895,756
Due to winning horse owners	**2,962,508**	1,415,052
Retention payable	**1,978,343**	1,978,343
Due to contractors	**1,683,538**	1,683,538
Due to OTB/OCB operators	**1,554,546**	1,179,942
VAT payable	**–**	1,646,342
Others	**21,475,398**	15,224,997
	₱507,619,135	₱386,149,748

Accounts payable and other liabilities are noninterest-bearing and are normally settled within the next financial year.

Cash bond on OTB/OCB operators serves as security deposits received by the Group from OTB/OCB operators at the inception of the operation. These are refunded to OTB/OCB operators upon termination of the OTB/OCB operations. Due to OTB/OCB operators are unpaid commissions to the operators that are settled within the next operating cycle.

16. Other Noncurrent Liabilities

This account consists of:

	2019	2018
Accrued retirement benefits (Note 22)	**₱64,128,767**	₱55,944,377
Security deposit	**46,914,903**	
Lease liabilities - net of current portion (Note 31)	**16,846,389**	–
Others	**15,590,653**	–
	₱143,480,712	₱55,944,377

Security deposit pertains to the security deposit from tenants of the Group’s leased properties.

17. Revenue

This account consists of:

	2019	2018	2017
Revenue from contracts with customer			
Cockfighting (Note 1)	**₱1,430,609,937**	₱593,872,171	₱332,720,611
Club races (Note 1)	**127,562,715**	141,697,231	186,133,893
Food and beverages	**26,775,085**	25,984,620	18,279,403
Real estate	**12,632,090**	112,116,802	122,882,258
Others	**3,308,969**	2,053,444	12,552,818
	1,600,888,796	875,724,268	672,568,983
Rent (Notes 11, 12 and 31)	**154,109,143**	77,720,936	83,510,985
	₱1,754,997,939	₱953,445,204	₱756,079,968

18. Cost of Sales and Services

This account consists of:

	2019	2018	2017
Percentage tax	**₱257,509,788**	₱106,898,138	₱58,638,378
Breeders' subsidy	**168,456,849**	73,291,268	37,872,315
Commission	**143,340,852**	69,428,682	47,734,189
Gamefowls	**107,854,972**	40,179,555	31,861,968
Depreciation and amortization (Notes 11, 12, 13 and 20)	**81,076,219**	71,683,890	65,826,293
Personnel costs (Note 21)	**69,281,585**	63,769,233	61,627,340
Utilities	**51,727,472**	38,152,169	34,293,343
Service fee	**38,169,557**	14,033,178	2,568,366
Tellers allowances	**32,754,080**	12,716,256	9,573,299
Rent	**26,248,662**	16,227,369	6,035,443
Contracted services	**23,825,277**	13,688,260	13,408,894
Purchased stocks	**15,699,600**	15,949,510	3,767,710
Repairs and maintenance	**13,688,548**	9,457,954	7,777,760
Meetings and conferences	**12,959,504**	6,157,311	15,889,130
Security services	**12,201,421**	6,821,095	4,434,728
Communication	**10,330,791**	10,961,736	11,821,181
Supplies	**10,118,612**	6,648,993	5,108,701
Transportation and travel	**9,573,977**	8,772,291	7,972,112
Professional fees	**8,682,150**	7,418,839	6,314,562
Taxes and licenses	**5,233,714**	9,210,804	4,971,854
Gas, fuel and oil	**4,393,792**	2,836,374	1,953,489

(Forward)

	2019	2018	2017
Real estate (Note 8)	**₱2,307,422**	₱11,162,675	₱13,273,169
Insurance	**2,118,652**	898,297	324,556
Semi expendable equipment	**2,057,223**	3,380,196	1,139,881
Amortization of franchise fee (Note 13)	**1,794,000**	1,794,000	1,794,000
Software license	**1,690,509**	3,228,710	4,861,443
Franchise tax - gaming	**630,032**	607,154	1,025,732
Prizes and winnings	**–**	6,000,056	7,084,174
Others	**31,905,595**	21,218,927	29,050,308
	₱1,145,630,855	₱652,592,920	₱498,004,318

Aggregate cost of sales and service per segment follows:

	2019	2018	2017
Cockfighting	**₱855,509,696**	₱366,212,756	₱219,540,390
Club races	**156,681,052**	179,702,888	176,748,807
Rent	**89,200,697**	54,726,627	58,686,527
Food and beverages	**28,608,737**	30,540,261	17,294,587
Real estate (Note 8)	**2,307,422**	11,162,675	13,273,169
Others	**13,323,251**	10,247,713	12,460,838
	₱1,145,630,855	₱652,592,920	₱498,004,318

19. General and Administrative Expenses

This account consists of:

	2019	2018	2017
Personnel costs (Note 21)	**₱103,249,470**	₱87,458,794	₱73,991,810
Taxes and licenses	**52,699,788**	16,791,400	3,237,494
Provision for doubtful accounts (Note 7)	**30,817,865**	14,406,609	13,849,311
Depreciation (Notes 11, 12 and 20)	**29,441,856**	19,885,463	17,556,385
Professional fees	**26,416,574**	19,771,088	12,127,562
Service fee	**12,925,714**	10,267,905	13,844,376
Contracted services	**11,624,684**	19,179,526	18,478,025
Utilities	**10,853,799**	11,618,745	11,956,238
Security services	**9,951,209**	8,310,375	6,857,941
Meetings and conferences	**9,898,009**	9,510,263	10,259,111
Directors' fee	**8,552,211**	3,963,024	1,211,500
Repairs and maintenance	**7,553,342**	12,605,860	9,626,114
Advertising	**6,603,367**	2,287,089	1,850,122
Entertainment, amusement and recreation	**5,864,703**	6,605,699	2,995,232
Transportation and travel	**4,393,616**	5,799,987	2,016,617
Gas, fuel and oil	**3,836,217**	5,324,128	3,755,207

(Forward)

	2019	2018	2017
Donations	**₱3,753,000**	₱7,959,213	₱2,227,280
Rent (Note 31)	**1,270,104**	12,118,178	10,291,250
Supplies	**1,937,730**	2,358,716	1,731,357
Membership dues	**1,107,536**	1,135,312	1,018,461
Insurance	**657,695**	1,313,929	1,522,454
Semi-expendable equipment	**447,950**	672,499	890,998
Seminars and trainings	**190,557**	341,151	916,851
Patronage fee	**–**	–	3,242,354
Others	**12,660,839**	15,240,327	8,661,746
	₱356,707,835	₱294,925,280	₱234,115,796

20. Depreciation and amortization

This account consists of:

	2019	2018	2017
Cost of sales and services (Notes 11, 12, 13 and 18)	**₱81,076,219**	₱71,683,890	₱65,826,293
General and administrative expenses (Notes 11 and 19)	**29,441,856**	19,885,463	17,556,385
	₱110,518,075	₱91,569,353	₱83,382,678

21. Personnel Costs

This account consists of:

	2019	2018	2017
Salaries and wages	**₱142,682,765**	₱125,094,050	₱112,942,284
Retirement benefits costs (Note 22)	**12,347,094**	9,861,125	8,928,035
Other employee benefits	**17,501,196**	16,272,852	13,748,831
	₱172,531,055	₱151,228,027	₱135,619,150

22. Retirement Benefits Costs

The Group has five tax-qualified, funded, noncontributory retirement plans covering both regular permanent and race day operation employees. The retirement plans provide for benefits on retirement, death and disability equivalent to a certain percentage of salary for every year of service based on the final monthly salary of the employee at the time of retirement, death or disability. An independent actuary, using the projected unit credit method, conducted the actuarial valuation of the fund. The latest actuarial valuation report as of December 31, 2019.

The details of the retirement benefits costs are as follows:

	2019	2018	2017
Current service costs	**₱8,422,647**	₱7,648,952	₱6,670,572
Interest costs - net of interest income	**3,924,447**	2,212,173	2,257,463
	₱12,347,094	₱9,861,125	₱8,928,035

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

	2019	2018	2017
Actuarial gain (loss) in defined benefit obligation	**(₱7,051,199)**	(₱10,632,291)	₱4,708,466
Remeasurement gain (loss) in plan assets	**1,766,204**	(3,973,333)	297,228
Changes in the effect of asset ceiling	**(7,864)**	–	–
	(5,292,859)	(14,605,624)	5,005,694
Less tax effect	**1,587,858**	4,381,687	(1,501,709)
	(₱3,705,001)	(₱10,223,937)	₱3,503,985

The details of accrued retirement benefits are as follows:

	2019	2018
Defined benefit obligation	**₱124,443,058**	₱103,528,543
Fair value of plan assets	**(60,322,155)**	(47,584,166)
	64,120,903	55,944,377
Effect of asset ceiling	**7,864**	–
	₱64,128,767	₱55,944,377

Movements in the accrued retirement benefits are as follows:

	2019	2018
Balance at beginning of year	**₱55,944,377**	₱39,858,117
Net retirement benefits costs for the year	**12,347,094**	9,861,125
Contributions for the year	**(9,446,992)**	(8,284,606)
Defined benefit income recognized in OCI	**5,292,859**	14,605,624
Benefits paid from book reserves	**(8,571)**	(95,883)
Balance at end of year	**₱64,128,767**	₱55,944,377

Changes in present value of defined benefit obligation are as follows:

	2019	2018
Defined benefit obligation at beginning of year	**₱103,528,543**	₱85,248,923
Current service costs	**8,422,647**	7,648,952
Interest costs	**7,761,801**	4,944,438
Actuarial loss (gain) due to:		
Change in financial assumptions	**9,655,696**	(11,666,043)
Experience adjustments	**(2,480,882)**	22,271,250
Change in demographic assumptions	**(123,614)**	27,084
Benefits paid	**(2,321,133)**	(4,946,061)
Defined benefit obligation at end of year	**₱124,443,058**	₱103,528,543

Changes in fair value of plan assets are as follows:

	2019	2018
Fair value of plan assets at beginning of year	**₱47,584,166**	₱45,390,806
Interest income	**3,837,354**	2,732,265
Contributions	**9,446,992**	8,284,606
Actuarial gain (loss)	**1,766,204**	(3,973,333)
Benefits paid	**(2,312,561)**	(4,850,178)
Fair value of plan assets at end of year	**₱60,322,155**	₱47,584,166
Actual return on plan assets	**₱5,603,558**	(₱1,241,068)

The plan assets of the Group are being held by its trustee banks. The investing decisions of the plan are made by the authorized officers of the Group.

The following table presents the carrying amounts and fair values of the combined assets of the plan less liabilities:

	2019	2018
Cash and cash equivalents	**₱8,759,535**	₱6,717,013
Investment in unit investment trust fund	**7,889,893**	6,539,607
Investment in government securities	**36,553,557**	30,441,209
Investment in stocks	**3,608,500**	–
Others	**4,018,615**	4,377,681
	60,830,100	48,075,510
Liabilities	**(507,945)**	(491,344)
	₱60,322,155	₱47,584,166

The plan assets' carrying amount approximates its fair value since these are either short-term in nature or mark-to-market. The plan's assets consist of the following:

- Cash and cash equivalents, which includes regular savings and time deposits;
- Investment in unit investment trust fund includes ready-made investments such as money market securities, bonds and equities with return from capital gains on top of interest income; and,
- Others include investments in corporate debt instruments, consisting of both short-term and long-term corporate loans, notes and bonds, which bears variable interest rates ranging from 2.5% to 8.5% and have maturities from 2020 to 2031.

The carrying amounts of investments in government securities also approximate their fair values since they are mark-to-market.

- Other financial assets held by the plan are primarily accrued interest income on cash deposits and debt securities held by the plan; and
- Liabilities of the plan pertain to trust fee payable and retirement benefits payable.

The principal assumptions used in determining retirement benefits costs as of December 31 are as follows:

	2019	2018
Discount rates	**5.20%**	7.60%
Expected rate of salary increase		
Monthly employees	**2.50%**	3.00%
Race day employees	**3.00%**	3.50%

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

	Effect on Net Retirement Liability		
	Increase (decrease)	**2019**	2018
Discount rate	+1.00%	**(₱6,985,261)**	(₱5,294,961)
	-1.00%	**8,017,271**	6,004,105
Salary increase rate	+1.00%	**8,118,798**	6,164,928
	-1.00%	**(7,191,060)**	(5,518,389)

The weighted average duration of the defined benefit obligation for MJCI as of December 31, 2019 and 2018 are 6.0 and 5.5 years, respectively, while weighted average duration of defined benefit obligation for MCI as of December 31, 2019 is 5.0 years.

Shown below are the expected future benefit payments as of December 31.

	2019	2018
Less than 1 year	**₱42,789,831**	₱38,592,903
More than 1 year to 5 years	**41,719,601**	37,141,385
More than 5 years to 10 years	**59,367,199**	52,491,210
Over 10 years	**229,713,670**	255,758,558

23. Interest Income

Interest income related to:

	2019	2018	2017
Cash and cash equivalents (Note 6)	**₱4,778,607**	₱779,293	₱887,704
Real estate receivables (Note 7)	**3,123,779**	6,627,464	9,929,750
Advances and loans to officers and employees (Note 7)	**778,955**	909,638	346,997
Receivable from third parties (Note 7)	**647,677**	1,075,667	843,333
Financial assets at FVOCI/AFS financial assets (Note 13)	**–**	661,549	566,667
	₱9,329,018	₱10,053,611	₱12,574,451

24. **Finance Costs**

This account consists of:

	2019	2018	2017
Interest expense on short-term loans (Note 14)	**₱9,126,366**	₱9,520,466	₱5,682,596
Interest expense on long-term loans (Note 14)	**4,267,171**	–	–
Interest expense on lease liabilities (Note 31)	**2,417,428**	–	–
Bank charges and others	**615,042**	616,147	414,208
	₱16,426,007	₱10,136,613	₱6,096,804

25. **Other Income (Charges) - net**

	2019	2018	2017
Income from:			
Bargain purchase (Note 1)	**₱14,673,256**	₱–	₱–
Income from advertising campaign	**10,040,366**	4,382,677	2,681,166
Parking fees	**5,862,346**	4,613,857	3,707,679
Income from subscriptions	**1,953,641**	1,284,627	300,308
Entrance fee	**1,087,970**	865,996	1,963,199
Dividend income from financial assets at FVOCI (Note 13)	**108,000**	374,750	392,750
Gain (loss) on disposal of property and equipment (Note 11)	**30,982**	(1,646,482)	91,900
Gain on reversal of liabilities	**–**	5,400,000	–
Income due to cancellations	**–**	136,080	134,087
Loss on:			
Sales cancellation (Note 8)	**(32,110,494)**	–	–
Foreign exchange loss - net	**(174,799)**	(96,350)	(50,375)
Sale of financial asset at FVOCI/AFS financial assets (Note 13)	**–**	(271,966)	–
Receivable write-off (Note 7)	**–**	–	(3,769,784)
Impairment loss on financial assets at FVOCI/AFS financial assets (Note 13)	**–**	–	(50,000)
Others - net	**(4,551,487)**	730,205	2,966,197
	(₱3,080,219)	₱15,773,394	₱8,367,127

Income from advertising campaign pertains to advertising placement rights granted by the Group to third parties. Others include various individually insignificant items of income and expenses.

26. **Income Taxes**

a. The provision for current tax consists of the following:

	2019	2018	2017
RCIT	**₱105,485,708**	₱41,426,165	₱24,031,849
MCIT	**–**	510,399	278,328
Final tax on interest income	**967,090**	286,681	263,001
	₱106,452,798	₱42,223,245	₱24,573,178

ARWRI, Biohitech and SLLPHI have no provision for income tax in 2019, 2018 and 2017.

b. The components of the Group’s net deferred tax liabilities are as follows:

	2019	2018
Deferred tax assets on:		
Allowance for doubtful accounts	**₱19,533,729**	₱10,556,633
Accrued retirement benefits	**19,238,630**	16,783,313
Advance rentals and non-refundable deposits	**4,469,834**	3,373,540
Impairment loss on land improvement	**4,391,214**	–
PAS 17 adjustment on rent income	**3,202,069**	3,593,373
Unamortized past service cost	**1,642,902**	1,943,229
Unearned income	**1,215,144**	1,168,727
Lease liabilities under PFRS 16	**8,169,081**	–
Provision for inventory write-down	**435,297**	435,297
Allowance for impairment on investment in associate	**300,000**	300,000
MCIT	**–**	780,612
PAS 17 adjustment on rent expense	**–**	319,724
NOLCO	**–**	226,139
Unrealized foreign exchange loss - net	**52,441**	28,904
	62,650,341	39,509,491
Deferred tax liabilities on:		
Unrealized gain from real estate transactions	**(20,037,683)**	(30,277,509)
Undepreciated capitalized borrowing costs	**(9,774,015)**	(10,466,426)
ROU asset	**(7,522,241)**	–
PAS 17 adjustment on rent income	**(6,341,989)**	–
Advance rental	**(2,806,317)**	–
Unrealized deemed cost adjustment on investment properties (Note 28)	**(13,643,032)**	–
Unrealized deemed cost adjustment on real estate inventories (Note 28)	**–**	(14,782,596)
Deferred tax liabilities on (recognized directly in OCI):		
Unrealized deemed cost adjustment on investment properties (Note 28)	**(169,822,203)**	(169,822,203)
Fair value adjustments of financial assets at FVOCI	**(1,323,013)**	(1,258,640)
	(231,270,493)	(226,607,374)
Net deferred tax liabilities	**(₱168,620,152)**	(₱187,097,883)

	2019	2018
Deferred tax assets - net	**₱1,799,260**	₱1,812,371
Deferred tax liabilities - net	**(170,419,412)**	(188,910,254)
	(₱168,620,152)	(₱187,097,883)

c. Details of the unrecognized deferred tax assets relate to the following:

	2019	2018
NOLCO	**₱1,087,182**	₱878,360
Impairment loss on property and equipment	**1,795,330**	1,795,330
Provision for doubtful accounts	**–**	48,639
MCIT	**–**	10,665
Unrealized foreign exchange loss/(gain)	**3,752**	(1,983)
	₱2,886,264	₱2,731,011

d. Details of NOLCO and MCIT of each entity in the Group are as follows:

Gametime

NOLCO

Year Incurred	Beginning Balance	Incurred	Applied	Ending Balance	Available Until
2016	₱753,799	₱–	₱753,799	₱–	2019
	₱753,799	**₱–**	**₱753,799**	**₱–**	

MCIT

Year Incurred	Beginning Balance	Incurred	Applied	Ending Balance	Available Until
2017	₱273,846	₱–	₱273,846	₱–	2020
2018	506,766	–	506,766	–	2021
	₱780,612	**₱–**	**₱780,612**	**₱–**	

As of December 31, 2019, deferred tax assets on NOLCO and MCIT of Gametime were recognized since management believes that sufficient future taxable profit will be available to allow the deferred tax assets to be utilized.

As of December 31, 2019, the deferred tax assets on NOLCO and MCIT of the following entities were presented as part of unrecognized deferred tax.

MFC

NOLCO

Year Incurred	Amount	Incurred	Applied	Ending Balance	Available Until
2016	₱30,686	₱–	₱30,686	₱–	2019
2018	14,543	–	14,543	–	2021
	₱45,229	**₱–**	**₱45,229**	**₱–**	

MCIT

Year Incurred	Amount	Incurred	Applied	Ending Balance	Available Until
2016	₱2,539	₱–	₱2,539	₱–	2019
2017	4,482	–	4,482	–	2020
2018	3,634	–	3,634	–	2021
	₱10,655	**₱–**	**₱10,655**	**₱–**	

AWRI

NOLCO

Year Incurred	Amount	Incurred	Expired	Ending Balance	Available Until
2016	₱876,430	₱–	(₱876,430)	₱–	2019
2017	1,011,338	–	–	1,011,338	2020
2018	994,871	–	–	994,871	2021
2019	–	**1,617,731**	–	**1,617,731**	**2022**
	₱2,882,639	**₱1,617,731**	**(₱876,430)**	**₱3,623,940**	

e. The reconciliation of the Group's provision for (benefit from) income tax at statutory tax rate to the provision for income tax shown in the consolidated statements of comprehensive income is as follows:

	2019	2018	2017
Provision for (benefit from) income tax at statutory rate	**₱35,558,008**	(₱36,814,021)	(₱32,546,218)
Additions to (reductions in) income tax resulting from tax effects of:			
Nondeductible expenses	**111,639,216**	65,136,542	58,282,871
Nontaxable income	**(62,457,764)**	(16,076,002)	(12,308,177)
Interest income subjected to final tax	**(347,559)**	(44,377)	(166,647)
Movements in unrecognized deferred tax assets	**155,253**	3,172,650	(1,949,923)
Provision for income tax	**₱84,547,154**	₱15,374,792	₱11,311,906

27. **Related Party Transactions**

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprises and their key management personnel, directors or its stockholders. Outstanding balances are settled through cash.

The Group adopted the materiality threshold of ten percent (10%) or higher of its total consolidated assets based on its latest audited financial statements. A threshold lower than ten percent (10%) may be set by the Board of Directors upon its determination of the risk of the material related party transactions to cause damage to the Parent Company and its shareholders. The threshold shall apply to material related party transactions entered between the Parent Company, its subsidiary or affiliate or any related party.

The following are the transactions with related parties:

		Amount		Receivable/(Payable)			
	Nature	**2019**	2018	**2019**	2018	**Terms**	**Conditions**
Affiliates:							
Arco Management Development Corporation (AMDC)	Lease of office spaces and parking lots[(a)]	**₱13,194,933**	₱11,233,492	**(₱26,772,322)**	(₱35,461,929)	Noninterest-bearing	Unsecured
Advances from shareholders	Advances	**–**	–	**(13,734,482)**	(13,734,482)	Noninterest-bearing	Unsecured
Associates:							
MIC	Advances[(b)]	**–**	–	**4,982,104**	4,982,104	Noninterest-bearing	Unsecured, no impairment
Techsystems	Advances[(b)]	**8,934**	8,833	**44,967**	36,033	Noninterest-bearing	Unsecured, no impairment

[(a)]*The Parent Company has a lease agreement with AMDC, an affiliate under common control, in the lease of office space and four parking lots (see Note 31).*
[(b)]*Included in the "Receivables" account (see Note 7)*

Outstanding balances at year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. The Group recorded impairment of receivables relating to amounts owed by related parties amounting to ₱11,285 as of December 31, 2018, and nil as of December 31, 2019 and 2017. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Compensation of key management personnel of the Group amounted to ₱96.0 million and ₱86.5 million in 2019 and 2018, respectively. The Group has no standard arrangement with regard to the remuneration of its directors. In 2019 and 2018, the BOD received a total of ₱18.8 million.

Advances and loans to officers and employees amounted to ₱23.9 million and ₱24.8 million as of December 31, 2019 and 2018, respectively (see Note 7).

28. Equity

Capital Stock

The details of the Parent Company's capital stock as of December 31, 2019 and 2018 are as follows:

	2019		2018	
	Number of Shares	**Amount**	Number of Shares	Amount
Common shares - ₱1 par value				
Authorized - 2,000,000,000 shares in 2019 and 1,000,0000 shares in 2018				
Issued and outstanding (held by 959 and 962 equity holders in 2019 and 2018, with 7,096 shares in treasury)	**1,494,251,391**	**₱1,494,251,391**	996,170,748	₱996,170,748
	1,494,251,391	**₱1,494,251,391**	996,170,748	₱996,170,748

	2019	2018
Common shares issued and outstanding:		
Balance at beginning of year	**996,170,748**	996,170,748
Issuance	**498,080,643**	–
Balance at end of year	**1,494,251,391**	996,170,748

On September 11, 2018, the BOD approved the increase of the Parent Company's authorized capital stock from ₱1.0 billion divided into one billion share with a par value of ₱1.00 per share to ₱2.0 billion divided into two billion shares with a par value of ₱1.00 per share.

During the special stockholders' meeting held on December 7, 2018, the stockholders approved the declaration of 50% stock dividends from the Parent Company's unrestricted retained earnings for the period ended December 31, 2017, to be taken from an increase in the Parent Company's authorized capital stock.

On May 3, 2019, the SEC approved the increase in the authorized capital stock and the declaration of the 50% stock dividends amounting to ₱498.1 million.

Retained Earnings

In accordance with SEC Memorandum Circular No. 11 issued in December 2008, the Parent Company's retained earnings available for dividend declaration as of December 31, 2019 and 2018 amounted to ₱632.9 million and ₱814.9 million, respectively.

Retained earnings account is restricted for the payment of dividends to the extent of the cost of shares held in treasury and deemed cost adjustment totaling ₱428.1 million and ₱430.7 million as of December 31, 2019 and 2018, respectively.

The components of the deemed cost adjustment are as follows:

	2019	2018
Investment properties	**₱611,550,782**	₱566,074,010
Real estate inventories	–	49,275,320
Revaluation increment	**611,550,782**	615,349,330
Deferred income tax liability	**(183,465,235)**	(184,604,799)
Deemed cost adjustment	**₱428,085,547**	₱430,744,531

The deemed cost adjustment will be realized through sales for both real estate inventories and land under investment properties. The amount of the deemed cost adjustment and undistributed earnings included in the balance of the unappropriated retained earnings are restricted and not available for dividend declaration.

On April 12, 2018, the BOD of the Parent Company approved the appropriations of the following:

- declaration of cash dividends of ₱0.05 per share or ₱49.8 million;
- payment for the subscription to Stock Rights Offering of its affiliate, MIC, amounting to ₱201.8 million; and
- payment for the subscription to the increase in the authorized capital stock of its subsidiary, MCI, amounting to ₱30.6 million.

As of December 31, 2018, appropriated retained earnings amounted to ₱282.2 million.

On April 3, 2019, the BOD approved the reversal of appropriation of retained earnings amounting to ₱282.2 million.

Declaration of Dividends

The following are the details of the dividends declared in 2018 and 2017:

Type of Dividend	Date of Declaration	Date of Record	Dividends per Share
Cash	April 12, 2018	May 28, 2018	₱0.05
Stock	December 7, 2018	May 17, 2019	50.00%

As of December 31, 2019 and 2018, outstanding dividends payable amounted to ₱6.0 million (see Note 15).

During the special stockholders' meeting held on December 7, 2018, the stockholders approved the declaration of 50% stock dividends from the Parent Company's unrestricted retained earnings for the period ended December 31, 2017, to be taken from an increase in the Parent Company's authorized capital stock. On May 3, 2019, the SEC approved the declaration of the 50% stock dividends amounting to ₱498.1 million.

29. Basic/Diluted EPS

Basic/diluted loss per share were computed as follows:

	2019	2018	2017
Net income (loss) attributable to equity holders of the Parent Company	**₱36,409,034**	(₱133,765,093)	(₱119,358,594)
Divided by weighted average number of outstanding common shares	**1,494,251,391**	1,494,251,391	1,494,251,391
Basic/diluted income (loss) per share	**₱0.0244**	(₱0.0895)	(₱0.0799)
Common shares outstanding at beginning of the year	**996,170,748**	996,170,748	996,170,748
Effect of stock dividends in 2019	**498,080,643**	498,080,643	498,080,643
Number of outstanding common shares	**1,494,251,391**	1,494,251,391	1,494,251,391

Stock dividends declared and distributed in 2019 has retroactive effect on the number of outstanding common shares for purposes of EPS calculation.

The Parent Company does not have potential dilutive common shares as of December 31, 2019, 2018 and 2017. Therefore, the basic and diluted loss per share are the same as of those dates.

30. Operating Segment Information

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided. The Group's five reportable operating segments are the operation and maintenance of race tracks and holding of horse races, cockfighting operations, the development and sale of real estate properties, rental of stables, building and other facilities, and the food and beverage services provided in its casino and restaurant. No operating segments were aggregated to form these reportable operating segments. There have been no inter-segment sales and transfers. All sales and rendering of services are made to external customers and the Group does not have any major customers.

Management monitors the operating results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net income or loss and is measured consistently with the total comprehensive income in the consolidated financial statements.

As of December 31, 2019, 2018 and 2017, the Group has no transactions between reportable segments. The Group measures the segment net income or loss, segment assets and segment liabilities for each reportable segment in a manner similar to the measurement of the Group's total comprehensive income.

The Group's asset-producing revenues are located in the Philippines (i.e., one geographical location). Therefore, geographical segment information is no longer presented.

Segment Revenue and Expenses

The segment results for the years ended December 31 are as follows:

	2019						
	Club Races	**Cockfighting**	**Real Estate**	**Rent**	**Food and Beverage**	**Unallocated**	**Total**
Segment revenue	**₱127,562,715**	**₱1,430,609,937**	**(₱16,354,625)**	**₱161,059,459**	**₱26,775,085**	**₱34,674,386**	**₱1,764,326,957**
Cost and expenses	**(156,681,052)**	**(855,509,696)**	**(11,694,737)**	**(89,200,697)**	**(28,608,737)**	**(504,105,356)**	**(1,645,800,275)**
Income (loss) before income tax	**(29,118,337)**	**575,100,241**	**(28,049,362)**	**71,858,762**	**(1,833,652)**	**(469,430,970)**	**118,526,682**
Provision for income tax	**–**	**–**	**–**	**–**	**–**	**(84,547,154)**	**(84,547,154)**
Net income (loss)	**(₱29,118,337)**	**₱575,100,241**	**(₱28,049,362)**	**₱71,858,762**	**(₱1,833,652)**	**(₱553,978,124)**	**₱33,979,528**

	2018						
	Club Races	Cockfighting	Real Estate	Rent	Food and Beverage	Unallocated	Total
Segment revenue	₱141,697,231	₱593,872,171	₱118,744,266	₱77,720,936	₱25,984,620	₱21,252,985	₱979,272,209
Cost and expenses	(179,702,888)	(366,212,756)	(21,671,625)	(54,726,627)	(30,540,261)	(449,131,456)	(1,101,985,613)
Income (loss) before income tax	(38,005,657)	227,659,415	97,072,641	22,994,309	(4,555,641)	(427,878,471)	(122,713,404)
Provision for income tax	–	–	–	–	–	(15,374,792)	(15,374,792)
Net income (loss)	(₱38,005,657)	₱227,659,415	₱97,072,641	₱22,994,309	(₱4,555,641)	(₱443,253,263)	(₱138,088,196)

	2017						
	Club Races	Cockfighting	Real Estate	Rent	Food and Beverage	Unallocated	Total
Segment revenue	₱186,133,893	₱332,720,611	₱132,946,095	₱83,510,985	₱18,279,403	₱23,430,559	₱777,021,546
Cost and expenses	(176,748,807)	(219,540,390)	(25,345,701)	(58,686,527)	(17,294,587)	(387,892,928)	(885,508,940)
Income (loss) before income tax	9,385,086	113,180,221	107,600,394	24,824,458	984,816	(364,462,369)	(108,487,394)
Provision for income tax	–	–	–	–	–	(11,311,906)	(11,311,906)
Net income (loss)	₱9,385,086	₱113,180,221	₱107,600,394	₱24,824,458	₱984,816	(₱375,774,275)	(₱119,799,300)

Finance costs, other income - net and provision for income taxes are not allocated to individual segments as the underlying instruments are managed on a group basis and are not provided to the chief operating decision maker at the operating segment level in 2019, 2018 and 2017. Equity in net losses of associates and joint ventures amounting to ₱142.0 million, ₱133.8 million and ₱135.2 million in 2019, 2018 and 2017, respectively, are included in the segment revenue of operating segment "Unallocated." Pre-operating cost of certain subsidiaries are also included in cost and expense of operating segment "Unallocated".

Segment Assets and Liabilities and Other Information

The segment assets, liabilities and capital expenditures for the years ended December 31 are as follows:

	2019						
	Club Races	**Cockfighting**	**Real Estate**	**Rent**	**Food and Beverage**	**Unallocated**	**Total**
Assets	**₱778,949,882**	**₱443,565,349**	**₱76,773,976**	**₱974,775,993**	**₱7,758,472**	**₱3,199,612,729**	**₱5,481,436,401**
Liabilities	**93,260,372**	**366,330,676**	**195,893,079**	**69,856,326**	**–**	**948,489,005**	**1,673,829,458**
Capital expenditures	**16,181,037**	**36,772,470**	**–**	**511,653,100**	**137,331**	**21,895,019**	**586,638,957**
Depreciation	**32,794,167**	**8,564,376**	**–**	**40,765,393**	**279,239**	**28,114,900**	**110,518,075**

	2018						
	Club Races	Cockfighting	Real Estate	Rent	Food and Beverage	Unallocated	Total
Assets	₱834,382,595	₱174,758,982	₱161,722,407	₱482,442,716	₱9,390,267	₱3,062,963,341	₱4,725,660,308
Liabilities	96,457,483	133,334,263	215,637,788	66,040,918	–	436,497,435	947,967,887
Capital expenditures	9,094,587	2,611,118	–	–	–	20,023,626	31,729,331
Depreciation	42,350,135	3,225,593	–	25,782,573	325,589	19,885,463	91,569,353

	2017						
	Club Races	Cockfighting	Real Estate	Rent	Food and Beverage	Unallocated	Total
Assets	₱795,202,198	₱96,419,166	₱308,704,848	₱497,453,721	₱6,205,688	₱3,121,975,821	₱4,825,961,442
Liabilities	72,835,295	69,922,205	236,607,934	73,837,911	–	396,616,293	849,819,638
Capital expenditures	10,819,478	5,243,044	–	–	212,973	24,588,059	40,863,554
Depreciation	39,825,103	3,116,507	–	20,570,985	427,694	19,442,389	83,382,678

31. Commitments and Contingencies

Commitments

The following are the significant commitments of the Group:

a. Right-of-Use Assets and Lease Liabilities/Operating Lease

The Group as Lessee
The Group has lease contracts for the office space and parking lots. Leases of property generally have lease terms of 5 years. The Parent Company's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Parent Company is restricted from assigning and subleasing the leased assets and some contracts require the Parent Company to maintain certain financial ratios.

Set out below are the rollforward analyses of right of use assets and lease liabilities during the year ended December 31, 2019:

Right-of-use assets

Effect of adoption of PFRS 16 as at January 1, 2019 (Note 3)	₱36,417,492
Depreciation expense	11,343,354
Balance at year-end	₱25,074,138

Lease liabilities

Effect of adoption of PFRS 16 as at January 1, 2019 (Note 3)	₱36,417,492
Interest expense	2,417,428
Payment	(11,604,652)
Balance at year-end	27,230,268
Less current portion	10,383,879
Noncurrent portion	₱16,846,389

The following are the amounts recognized in statements of comprehensive income:

	2019	2018
Depreciation expense of right-of-use assets	**₱11,343,354**	₱–
Interest expense on lease liabilities	**2,417,428**	–
Rent expense - PAS 17	–	11,794,522
Total amount recognized in statements of comprehensive income	**₱13,760,782**	₱11,794,522

The Group as Lessee - Operating Lease
On December 31, 2017, the Parent Company renewed its lease agreement with AMDC, an affiliate under common control, for the lease of office space and four parking lots. The lease is for a period of five years starting January 1, 2018 to December 31, 2022. The monthly rate of the lease amounted to ₱545,671 subject to an annual escalation rate of 5.0%.

On January 1, 2011, the Parent Company entered into another lease agreement with AMDC for another office space. The lease is for the period of five years starting 2011 and has ended on December 31, 2015. The contract was renewed for another five years from January 1, 2016 to December 31, 2020. The monthly rate of the lease for 2019 is ₱332,297 subject to an annual escalation rate of 5.0%.

The future minimum lease payments under this operating lease as of December 31 are as follows:

	2019	2018
Within one year	**₱11,615,522**	₱11,615,902
After one year but not more than five years	**15,539,397**	30,401,435
	₱27,154,919	₱42,017,337

The Parent Company entered into various short-term leases pertaining to production equipment, photocopiers, and additional parking spaces not included in the contract with AMDC. Rental expense charged to profit and loss amounted to ₱27.5 million in 2019.

b. Operating Lease Commitment with PAGCOR - the Parent Company as Lessor

In 2013, the Parent Company entered into a lease contract for three years commencing July 10, 2013 with PAGCOR to lease an area of 189.231 sqm. for a monthly fixed rental of ₱510.51 per sqm. for its casino and related activities. The agreement expired on June 30, 2016. In January 2019, the Parent Company renewed the lease agreement for a period of three (3) years.

Rent income from PAGCOR amounted to ₱1.4 million in 2019 and ₱1.2 million in 2018 and 2017, respectively (see Note 11).

c. In October 2013, the Parent Company entered into a lease agreement with PAGCOR to lease 1,427 sqm. property, with modern slot machines, including the rights to a proprietary system of linking and networking the said slot machines in Turf Club Bldg., San Lazaro Leisure Park, Carmona, Cavite. The Parent Company shall receive monthly variable rent equivalent to thirty-five percent (35%) of revenues less winnings/prizes and five (5%) franchise tax. The agreement expired on June 30, 2016. In May 2018, the Parent Company renewed the lease agreement with PAGCOR for five (5) years until May 2023.

In 2019, 2018, and 2017, income from lease agreement with PAGCOR amounted to ₱12.6 million, ₱12.1 million and ₱20.5 million, respectively (see Note 11).

d. In April 2018, the Parent Company entered into an agreement with Jade Entertainment and Gaming Technologies, Inc., where the latter shall supply, install, commission, conduct and provide marketing for Casino, including but not limited to, food and beverages, entertainment, promotions, consumables for membership station.. In addition, the latter shall provide and maintain the floor management system to the machines. The Parent Company shall pay USD$1.00 per day per machine for all machined connected to the system.

e. On May 1, 2018, the Parent Company entered into a lease agreement with Datem Inc. to lease an area of 16,719 sqm. in Sta. Cruz, Manila for a monthly fixed rental of ₱150,000, exclusive of VAT. On January 1, 2019, the lease agreement is renewed for another nine (9) months. In 2019 and 2018, rent income from these lease agreements with Datem amounted to ₱1.4 million and ₱1.2 million, respectively.

f. In 2018, the Parent Company entered into various lease agreements for one year to lease condominium units in Alveo and Avida for a monthly fixed rental of ₱24,000 - ₱25,000 inclusive of VAT. The lease agreements are renewable for another one (1) year upon mutual agreements of both parties. In 2019 and 2018, rent income from these lease agreements amounted to ₱1.2 million and ₱1.1 million.

g. Memorandum of Agreement with AKL Properties, Inc. (AKL)

   On July 16, 2019, a memorandum of agreement has been executed between the Parent Company and AKL Properties, Inc. (AKL) to purchase the Parent Company's land properties located in Carmona, Cavite with 608,712 sqm., for the purpose of developing it into a mixed-used township project with complementary uses. This excludes the MJC Turf Club Building with 36,000 sqm. where the Parent Company shall retain its ownership. The Parent Company agrees to vacate the land properties no later than three (3) years from the signing of the agreement or the expiration of the congressional franchise on November 23, 2022 whichever is later, subject to a phase-out plan acceptable to AKL. If the agreement is terminated, the advances shall be paid within 90 days from the termination date.

   On December 13, 2019, the Parent Company received advances from AKL amounting to ₱500.0 million and is presented as part of "Advances from third parties" account in the consolidated statements of financial position. These advances are subject to liquidation in 2022.

h. Memorandum of Agreement with Wisem Global Inc. (WGI) and SymVerse Inc. (SVI)

   On October 29, 2019, a memorandum of agreement has been executed between the WGI, SVI, the Parent Company and MCI to deliver to WGI and SVI the content in accordance with their specifications and in such format as agreed between the parties, to enable WGI and SVI to create, develop and deliver a betting platform on or before the delivery date. In accordance with the contract, the Parent Company and MCI will share in the revenue derived from the use of the betting platform.

   The Parent Company received advances from WGI and SVI amounting to US$100.0 thousand (₱5.1 million) and are presented as part of "Advances from third parties" account in the consolidated statements of financial position. The deposits shall thereafter be deducted from the revenue share of the Parent Company upon commencement of operations, which is expected to be in 2021.

Contingencies

Unclaimed Dividends on Winnings
Under PR58D of the *Rules and Regulations on Horse Racing* promulgated by the Philippine Racing Commission (PHILRACOM), the latter claims control over the disposition of unclaimed dividends.

The Parent Company disputed the legality of PR58D in its letters to PHILRACOM dated June 14, 2012 and July 13, 2012. The Parent Company maintained that there is no law authorizing PHILRACOM to determine the proper use or disposition of the unclaimed dividends and PHILRACOM exceed its rule-making authority in issuing PR58D. The Parent Company likewise contended that unclaimed dividends are private funds as these funds are not included in the amounts that are supposed to be remitted to or held by the Parent Company for the government under its charter.

Furthermore, a *Notice* appears in the dorsal portion of the Parent Company's betting tickets which state that winning tickets must be claimed within thirty days from date of purchase, otherwise, the prize shall be forfeited in favor of the Parent Company. This provision is a valid agreement between the Parent Company and the bettor under the principle of autonomy of contracts.

As part of its audit of the PHILRACOM, the Commission on Audit (COA) issued an *Independent Auditor's Report* dated March 27, 2013 wherein COA opined that unclaimed dividends of winning bettors should be forfeited in favor of the government and should form part of the National Treasury. However, in the same report, COA acknowledged the absence of any legislative mandate as regards the disposition of unclaimed dividends. Thus, COA required the PHILRACOM to request for a Declaratory Relief from the Department of Justice to resolve the issue on the nature of unclaimed dividends.

To resolve the foregoing issue, the Parent Company filed a *Petition for Declaratory Relief* on November 6, 2013.

On July 27, 2016, the Regional Trial Court of Bacoor, Cavite granted the petition in favor of the Parent Company. On January 17, 2017, PHILRACOM and Games and Amusement Board (GAB) filed a Petition for Review on Certiorari before the Supreme Court. As of July 10, 2020, the case is still pending before the Supreme Court.

Claims and Legal Actions
As of December 31, 2019 and 2018, there are pending claims and legal actions against or in favor of the Parent Company arising from the normal course of business, in addition to the matters already mentioned elsewhere in these consolidated financial statements. In the opinion of the Parent Company's management and its legal counsel, liabilities arising from these claims, if any, would not have any material effect on the Parent Company and any liability or loss arising therefrom would be taken up when the final resolution of the claims and actions are determined.

BIR Audit of MCI
Pursuant to Letter of Authority No. eLOA/LOA SN: eLA201600068464 (LOA) dated January 23, 2019, the books of accounts and accounting records of MCI was audited by the Bureau of Internal Revenue (BIR). After the BIR's audit, the BIR National Investigation Division (BIR-NID) issued a Notice for Informal Conference dated October 3, 2019 with attached Details of Discrepancy.

The BIR has not yet issued any Preliminary Assessment Notice (PAN), Final Assessment Notice (FAN), or Formal Letter of Demand (FLD). It is only at that point in time that it can be said that MCI has been assessed deficiency taxes. Thus, MCI maintains that it has no deficiency taxes.

In a letter to the BIR dated November 21, 2019, MCI, through its tax counsel, requested that the findings of deficiency taxes be cancelled and withdrawn as it has no legal or factual basis. After finding merit in MCI's reply, the BIR issued a revised assessment reducing the deficiency tax from ₱3.0 billion to ₱1.3 billion.

The revised tax assessment essentially hinges on the following three (3) legal issues to which MCI had already presented its position and counterarguments in its reply letter to the BIR's NIC:

1. Whether or not the tickets issued for the cockfights are subject to documentary stamp tax (DST) under Section 190 of the National Internal Revenue Code, as amended, (the "Tax Code"), which imposes DST on jai alai, horse race tickets, lotto or other authorized numbers games;
2. Whether or not winnings from cockfights, as in the case of winnings from casinos, are subject to final withholding tax of 20% under Section 24(B) and Section 25(A)(2) of the Tax Code; and
3. Whether or not the machines issuing tickets for cockfights qualify as POS machine requiring registration thereof.

Since BIR maintains its position on the BIR registration of the MCI's totalizator system and betting terminals, MCI has signified its intention to comply with the registration considering the amount of registration fees involved is not significant.

32. Fair Value Measurement

The following tables provide the fair value hierarchy of the Group's financial assets at FVOCI/AFS financial assets, deposits, loans and borrowings, and investment properties:

			2019		
			Fair value measurement using		
	Carrying Amounts	Fair Value	Quoted Prices in Active Market (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets Measured at Fair Value:					
Financial assets at FVOCI**	**₱81,989,164**	**₱81,989,164**	**₱81,989,164**	**₱–**	**₱–**
Deposits**	**3,375,580**	**3,375,580**	–	–	**3,375,580**
Assets for which Fair Values are disclosed:					
Investment properties	**1,622,622,254**	**12,846,760,000**	–	–	**12,846,760,000**
Liabilities Measured at Fair Value:					
Loans and borrowings	**299,250,000**	**299,250,000**	–	–	**299,250,000**
Advances from third parties	**505,076,000**	**505,076,000**	–	–	**505,076,000**

***Included in "Other noncurrent assets" account in the consolidated statements of financial position.*

			2018		
			Fair value measurement using		
	Carrying Amounts	Fair Value	Quoted Prices in Active Market (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets Measured at Fair Value:					
Financial assets at FVOCI**	₱34,284,796	₱34,284,796	₱34,284,796	₱–	₱–
Deposits**	3,375,580	3,375,580	–	–	3,375,580
Asset for which Fair Values are disclosed:					
Investment properties	1,094,755,913	5,203,426,262	–	–	5,203,426,262
Liabilities Measured at Fair Value:					
Loans and borrowings	288,636,040	288,636,040	–	–	288,636,040

***Included in "Other noncurrent assets" account in the consolidated statements of financial position.*

As of December 31, 2019 and 2018, the Group's financial assets at FVOCI/AFS financial assets measured at fair value under the Level 1 hierarchy totaled ₱81.9 million and ₱34.3 million, respectively. There were no financial instruments measured at fair value under the Level 2 hierarchy.

In 2019 and 2018, the carrying value of cash and cash equivalents (except cash on hand), receivables, deposits, accounts payable and other liabilities (except statutory liabilities) and due to related parties approximate their fair value due to the short-term nature of the accounts.

33. Financial Risk Management Objectives and Policies

The Group's financial instruments comprise cash and cash equivalents (except cash on hand), receivables, financial assets at FVOCI/AFS financial assets, deposits, accounts payable and other liabilities, short-term loans and borrowings and due to related parties. The main purpose of these financial instruments is to finance the Group's operations.

The main risks arising from the use of these financial instruments include cash flow interest rate risk, equity price risk, foreign currency risk, credit risk and liquidity risk. The Group's BOD reviews and approves the policies for managing these risks and these are summarized below.

Cash flow interest rate risk
Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group has no exposure to the risk of changes in market interest rate because the Group's short-term and long-term loans and borrowings carry fixed interest rates (see Note 14).

Equity price risk
Equity price risk is the risk that the fair values of quoted equity securities will fluctuate because of changes in the level of indices and the value of individual stocks. The Group is exposed to equity price risk because of quoted equity securities held by the Group, which are classified as financial assets at FVOCI/AFS financial assets under "Other noncurrent assets".

The following table demonstrates the sensitivity of the Group's equity to a reasonably possible change in the PSE index (PSEi), with all other variables held constant, for the years ended December 31, 2019 and 2018:

	Increase (decrease) in PSEi	Effect on equity
2019	**+5%**	**₱7,214,472**
	-5%	**(7,214,472)**
2018	+14%	5,516,740
	-14%	(5,516,740)

Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows from the Group's foreign-currency denominated assets or liabilities may fluctuate due to changes in foreign exchange rates.

The Group's foreign currency risk relates to its foreign currency-denominated cash in banks. To manage this risk, management closely monitors the movements in exchange rates and regularly assesses future foreign exchange rate movements.

The Group's outstanding foreign currency-denominated financial asset pertaining to cash in banks as of December 31 and its Peso equivalent are as follows:

		2019		2018	
		Original Currency	**Peso Equivalent**	Original Currency	Peso Equivalent
Cash on hand	**USD**	**1,000**	**₱50,635**	5,200	₱273,416
	SAR	**–**	**–**	67	936
	KRW	**–**	**–**	447	21
Cash in bank	**USD**	**28,048**	**1,420,210**	10,402	546,937
			₱1,470,845		₱821,310

As of December 31, 2019 and 2018, the applicable closing exchange rates were ₱50.64 and ₱52.58 to US$1; ₱13.49 and ₱14.05 to SAR; ₱0.04 and ₱0.04 to KRW, respectively. Net foreign exchange loss amounted to ₱174,799, ₱96,350 and ₱50,375 in 2019, 2018 and 2017, respectively (see Note 25).

The sensitivity of the Group's income before income tax to a reasonably possible change in the US Dollar exchange rate against the Peso, with all other variables held constant, has no significant effect in the consolidated financial statements for the years ended December 31, 2019 and 2018.

Credit risk
Credit risk arises because the counterparty may fail to discharge its contractual obligations. The Group transacts only with related parties and recognized and creditworthy third parties. Receivable balances are monitored on an ongoing basis. Further, management intensifies its collection efforts to collect from defaulting third parties.

The Group's policy is to enter into transactions with a diversity of creditworthy parties to mitigate any significant concentration of credit risk. There is no significant concentration of credit risk in the Group.

The table below shows the maximum gross exposure to credit risk of the Group as of December 31, 2019 and 2018.

	2019	2018
Loans and receivables:		
Cash and cash equivalents:		
Cash in banks	**₱549,372,073**	₱296,163,811
Cash equivalents	**25,105,647**	10,000,000
	574,477,720	306,163,811
Receivables:		
Real estate receivables*	**21,145,589**	109,133,058
Rent receivables	**73,987,688**	15,998,220
Receivable from third parties	**619,469**	17,494,185
Receivables from OTB/OCB operators	**18,542,143**	3,569,211
Advances and loans to officers and employees	**23,920,604**	24,754,227
Advances to suppliers	**13,746,400**	10,632,401
Due from related parties	**5,015,786**	5,006,852
Receivable from contractors	**16,715,478**	4,025,259
Dividends receivable	**–**	4,739,449
Others	**11,104,107**	7,436,802
	184,797,264	202,789,664
Other noncurrent assets:		
Deposits	**3,375,580**	3,375,580
Financial assets at FVOCI/AFS financial assets	**81,989,164**	34,284,796
	₱844,639,728	₱546,613,851

**Includes noncurrent real estate receivables.*

The tables below show the credit quality of financial assets as of December 31, 2019 and 2018.

	2019				
	Neither past due nor impaired			**Past Due or Individually Impaired**	
	Grade A	**Grade B**	**Grade C**		**Total**
Loans and receivables:					
Cash and cash equivalents:					
Cash in banks	**₱549,372,073**	**₱–**	**₱–**	**₱–**	**₱549,372,073**
Cash equivalents	**25,105,647**	**–**	**–**	**–**	**25,105,647**
	574,477,720	**–**	**–**	**–**	**574,477,720**
Receivables:					
Real estate receivable	**21,145,589**	**–**	**–**	**44,319,063**	**65,464,652**
Rent receivable	**73,987,688**	**–**	**–**	**1,360,639**	**75,348,327**
Receivable from third parties	**619,469**	**–**	**–**	**2,934,506**	**3,553,975**
Receivable from OTB/OCB operators	**18,542,143**	**–**	**–**	**873,294**	**19,415,437**
Advances and loans to officers and employees	**23,920,604**	**–**	**–**	**–**	**23,920,604**
Advances to suppliers and contractors	**30,461,878**	**–**	**–**	**7,623,923**	**38,085,801**
Due from related parties	**5,015,786**	**–**	**–**	**11,285**	**5,027,071**
Others	**11,104,107**	**–**	**–**	**7,989,720**	**19,093,827**
	184,797,264	**–**	**–**	**65,112,430**	**249,909,694**
Deposits*	**3,375,580**	**–**	**–**	**–**	**3,375,580**
Financial assets at FVOCI	**81,989,164**	**–**	**–**	**–**	**81,989,164**
	₱844,639,728	**₱–**	**₱–**	**₱65,112,430**	**₱909,752,158**

**Included in "Other noncurrent assets" account in the consolidated statements of financial position.*

	2018				
	Neither past due nor impaired			Past Due or Individually Impaired	Total
	Grade A	Grade B	Grade C		
Loans and receivables:					
Cash and cash equivalents					
Cash in banks	₱296,163,811	₱–	₱–	₱–	₱296,163,811
Cash equivalents	10,000,000	–	–	–	10,000,000
	306,163,811	–	–	–	306,163,811
Receivables:					
Real estate receivable	109,133,058	–	–	18,888,371	128,021,429
Rent receivables	15,998,220	–	–	1,360,639	17,358,859
Receivable from third parties	17,494,185	–	–	2,934,506	20,428,691
Receivable from OTB/OCB operators	3,569,211	–	–	873,294	4,442,505
Advances and loans to officers and employees	24,754,227	–	–	–	24,754,227
Advances to suppliers and contractors	10,632,401	–	–	5,378,678	16,011,079
Due from related parties	5,006,852	–	–	11,285	5,018,137
Dividends receivable	4,739,449	–	–	–	4,739,449
Receivable from contractors	4,025,259	–	–	1,778,413	5,803,672
Others	7,436,802	–	–	4,125,722	11,562,524
	202,789,664	–	–	35,350,908	238,140,572
Deposits*	3,375,580	–	–	–	3,375,580
Financial assets at FVOCI	34,284,796	–	–	–	34,284,796
	₱546,613,851	₱–	₱–	₱35,350,908	₱581,964,759

**Included in "Other noncurrent assets" account in the consolidated statements of financial position.*

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

Financial instruments and cash deposits
Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Group's BOD on an annual basis, and may be updated throughout the year subject to approval of the Group's Finance Committee. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments. These financial assets are classified as Grade A due to the counterparties' low probability of insolvency.

Receivables
Credit risk from receivables is managed by the Group through an established policy, procedures and control relating to credit risk management of receivables from customers, OTB/OCB operators, lessees, related parties and other counterparties.

An impairment analysis is performed at each reporting date. In addition, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actual incurred historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 7. The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are in different industries and none of which holds at least 5% of the total receivables.

For real estate receivables, and other receivables, Grade A are classified as financial assets with high credit worthiness and probability of default is minimal. While receivables under Grade B and C have favorable and acceptable risk attributes, respectively, with average credit worthiness.

Receivable from related parties are considered Grade A due to the Group's positive collection experience.

Refundable Deposits
Security and refundable deposits are classified as Grade A since these are to be refunded by the utility companies at the end of lease term and holding period, respectively, as stipulated in the agreements.

Liquidity risk
The Group monitors and maintains a certain level of cash and cash equivalents to finance the Group's operation, ensure continuity of funding and to mitigate the effect of fluctuations in cash flows. It maintains a balance between continuity of funding and flexibility by regularly evaluating its projected and actual cash flows through the use of bank loans and extension of suppliers' credit terms. The Group maximizes the net cash inflows from operations to finance its working capital requirements.

The tables below summarize the maturity profile of the Group's financial liabilities as of December 31, 2019 and 2018 based on contractual undiscounted payments (principal and interest) and the profile of the financial assets used to manage the Group's liquidity risk.

December 31, 2019

	Within 1 year	**>1 year to <3 years**	**3 years to <5 years**	**5 years and more**	**Total**
Loans and borrowings:					
Short-term and long-term loans and borrowings*	**₱79,458,750**	**₱148,522,500**	**₱118,912,500**	**₱–**	**₱346,893,750**
Accounts payable and other liabilities**	**403,090,980**	**–**	**–**	**–**	**403,090,980**
Due to related parties	**13,734,482**	**–**	**–**	**–**	**13,734,482**
	₱496,284,212	**₱148,522,500**	**₱118,912,500**	**₱–**	**₱763,719,212**

** Amounts are inclusive of interest amounting to ₱47.6 million.*
*** Amounts are exclusive of nonfinancial liabilities amounting to ₱91.0 million.*

	Within 1 year	**>1 year to <3 years**	**3 years to <5 years**	**5 years and more**	**Total**
Financial assets at AC:					
Cash in banks	**₱549,372,073**	**₱–**	**₱–**	**₱–**	**₱549,372,073**
Cash equivalents	**25,105,647**	**–**	**–**	**–**	**25,105,647**
Receivables	**176,853,170**	**7,944,094**	**–**	**–**	**184,797,264**
Deposits*	**–**	**–**	**3,375,580**	**–**	**3,375,580**
	751,330,890	**7,944,094**	**3,375,580**	**–**	**762,650,564**
Financial assets at FVOCI*	**–**	**–**	**81,989,164**	**–**	**81,989,164**
	₱751,330,890	**₱7,944,094**	**₱85,364,744**	**₱–**	**₱844,639,728**

** Included in the "Other noncurrent assets" in the consolidated statements of financial position.*

December 31, 2018

	Within 1 year	>1 year to <3 years	3 years to <5 years	5 years and more	Total
Loans and borrowings:					
Short-term loans and borrowings*	₱301,047,390	₱–	₱–	₱–	₱301,047,390
Accounts payable and other liabilities**	309,353,354	–	–	–	309,353,354
Due to related parties	13,734,482	–	–	–	13,734,482
	₱624,135,226	₱–	₱–	₱–	₱624,135,226

** Amounts are inclusive of interest amounting to ₱8.2 million.*
*** Amounts are exclusive of nonfinancial liabilities amounting to ₱72.8 million.*

	Within 1 year	>1 year to <3 years	3 years to <5 years	5 years and more	Total
Loans and receivables:					
Cash in banks	₱296,163,811	₱–	₱–	₱–	₱296,163,811
Cash equivalents	10,000,000	–	–	–	10,000,000
Receivables	141,247,956	61,541,708	–	–	202,789,664
Deposits*	–	–	3,375,580	–	3,375,580
	446,895,598	61,541,708	3,375,580	–	512,329,055
Financial assets at FVOCI*	–	–	34,284,796	–	34,284,796
	₱446,895,598	₱61,541,708	₱37,660,376	₱–	₱546,613,851

** Included in the "Other noncurrent assets" in the consolidated statements of financial position.*

Changes in liabilities arising from financing activities

			2019		
	December 31, 2018	**Cash flow**	**Dividends declared**	**Interest expense**	**December 31, 2019**
Short-term and long-term loans and borrowings (Note 14)	**₱288,636,040**	**₱10,613,960**	**₱–**	**₱–**	**₱299,250,000**
Advances from third parties	**–**	**505,076,000**	**–**	**–**	**505,076,000**
Interest paid	**–**	**(16,426,007)**	**–**	**16,426,007**	**–**
Dividends payable (Note 15)	**5,974,351**	**–**	**–**	**–**	**5,974,351**
Total liabilities from financing activities	**₱294,610,391**	**₱499,263,953**	**₱–**	**₱14,008,579**	**₱810,300,351**

			2018		
	December 31, 2017	Cash flow	Dividends declared	Interest expense	December 31, 2018
Short-term loans and borrowings (Note 14)	₱234,000,000	₱54,636,040	₱–	₱–	₱288,636,040
Interest payable	–	(10,136,613)	–	10,136,613	–
Dividends payable (Note 15)	4,180,958	(48,014,674)	49,808,067	–	5,974,351
Total liabilities from financing activities	₱238,180,958	(₱3,515,247)	₱49,808,067	₱10,136,613	₱294,610,391

34. Capital Management

The Group considers the total equity as its capital. The Group maintains a capital base to cover risks inherent in the business. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payments to shareholders, return capital to shareholders or issue capital securities.

The following table summarizes the total capital considered by the Group:

	2019	2018
Capital stock	**₱1,494,251,391**	₱996,170,748
Additional paid-in capital	**27,594,539**	27,594,539
Net cumulative changes in fair values of financial assets measured at FVOCI	**4,260,960**	4,620,965
Remeasurement on retirement benefits	**13,708,769**	17,413,770
Retained earnings	**2,208,852,475**	2,670,524,084
Treasury shares	**(7,096)**	(7,096)
Noncontrolling interest	**58,945,905**	61,375,411
	₱3,807,606,943	₱3,777,692,421

No changes were made in the objectives, policies and processes from the previous years.

35. **Events after Reporting Date**

BIR Audit of MCI

Pursuant to Letter of Authority No. eLOA/LOA SN: eLA201600068464 (LOA) dated January 23, 2019, the books of accounts and accounting records of MCI was audited by the Bureau of Internal Revenue (BIR). After the BIR's audit, the BIR National Investigation Division (BIR-NID) issued a Notice for Informal Conference dated October 3, 2019 with attached Details of Discrepancy.

The BIR has not yet issued any Preliminary Assessment Notice (PAN), Final Assessment Notice (FAN), or Formal Letter of Demand (FLD). It is only at that point in time that it can be said that MCI has been assessed deficiency taxes. Thus, MCI maintains that it has no deficiency taxes.

In a letter to the BIR dated November 21, 2019, MCI, through its tax counsel, requested that the findings of deficiency taxes be cancelled and withdrawn as it has no legal or factual basis. After finding merit in MCI's reply, the BIR issued a revised assessment reducing the deficiency tax from ₱3.0 billion to ₱1.3 billion.

The revised tax assessment essentially hinges on the following three (3) legal issues to which MCI had already presented its position and counterarguments in its reply letter to the BIR's NIC:

1. Whether or not the tickets issued for the cockfights are subject to documentary stamp tax (DST) under Section 190 of the National Internal Revenue Code, as amended, (the "Tax Code"), which imposes DST on jai alai, horse race tickets, lotto or other authorized numbers games;
2. Whether or not winnings from cockfights, as in the case of winnings from casinos, are subject to final withholding tax of 20% under Section 24(B) and Section 25(A)(2) of the Tax Code; and
3. Whether or not the machines issuing tickets for cockfights qualify as POS machine requiring registration thereof.

Since BIR maintains its position on the BIR registration of the MCI's totalizator system and betting terminals, MCI has signified its intention to comply with the registration considering the amount of registration fees involved is not significant.

COVID-19 Outbreak

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region (NCR) effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six months and imposed an enhanced community quarantine throughout the island of Luzon until April 12, 2020, which was subsequently extended to May 15, 2020. On May 12, 2020, the NCR and certain parts of the Philippines were placed under a modified form of ECQ (MECQ) until May 31, 2020. On May 28, 2020, the NCR was placed under GCQ starting June 1, 2020, while the rest of the country were placed under either MECQ, GCQ or modified GCQ, depending on the risk classification of the area. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve.

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

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES
Schedule A. Financial Assets
As of December 31, 2019

Financial Assets	Name of Issuing entity and association of each	Number of shares or principal amount of bonds and notes	Amount shown in the Balance Sheet	Valued based on market quotation at balance sheet date	Income Received and Accrued
Amortized cost					
Cash on hand and in bank*	N/A	N/A	₱574,477,720	N/A	₱4,778,607
Receivables	N/A	N/A	184,797,264	N/A	4,550,411
Deposits	N/A	N/A	3,375,580	N/A	–
Financial assets at FVOCI	N/A	N/A	81,989,164	₱81,989,164	–
			₱844,639,728	₱81,989,164	**₱9,329,018**

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates)
As of December 31, 2019

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions		Current	Not Current	Balance at End of Period
			Amounts Collected	Amounts Written Off			
Various	₱24,754,227	₱2,807,493	(₱3,641,116)	₱–	₱23,920,604	₱–	₱23,920,604
TOTAL	**₱24,754,227**	**₱2,807,493**	**(₱3,641,116)**	₱–	**₱23,920,604**	₱–	**₱23,920,604**

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES
Schedule C. Amounts Receivable from Related Parties which are eliminated during the Consolidation of Financial Statements
As of December 31, 2019

Name of Debtor	Designation of debtor	Balance at the Beginning of the Period	Additions	Deductions			Current	Not Current	Balance at End of Period
				Amounts Collected	Amounts Written Off	Others			
Biohitech Philippines, Inc.	Subsidiary	₱36,033	₱8,934	₱–	₱–	₱–	₱44,967	₱–	₱44,967
SLLP Holdings, Inc.	Subsidiary	36,033	8,934	–	–	–	44,967	–	44,967
MJC Forex Corporation	Subsidiary	134,720	125,525	(134,720)	–	–	125,525	–	125,525
Manilacockers Club, Inc.	Subsidiary	29,812,500	256,334,417	(109,312,500)	–	–	176,834,417	–	176,834,417
Gametime Sports and Technologies, Inc.	Subsidiary	34,088,237	48,055,503	(33,697,804)	–	–	48,445,936	–	48,445,936
Hi-Tech Harvest Limited	Subsidiary	208,795	–	–	–	–	208,795	–	208,795
New Victor Technology, Ltd.	Subsidiary	3,745,390	–	–	–	–	3,745,390	–	3,745,390
Apo Reef World Resorts, Inc.	Subsidiary	2,328,655	33,260	–	–	–	2,361,915	–	2,361,915
SLBPO	Subsidiary	–	19,831,828	–	–	–	19,831,828	–	19,831,828
TOTAL		**₱70,390,363**	**₱324,398,401**	**(₱143,145,024)**	**₱–**	**₱–**	**₱251,643,740**	**₱–**	**₱251,643,740**

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES
Schedule D. Intangible Assets – Other Assets
As of December 31, 2019

Description	Beginning Balance	Additions at Cost	Charged to Cost and Expenses	Charged to Other Accounts	Other Changes Additions / (Deductions)	Ending Balance
Software Application	₱–	₱3,225,000	(1,075,000)	₱–	₱–	₱2,150,000
TOTAL	**₱–**	**₱3,225,000**	**(₱1,075,000)**	**₱–**	**₱–**	**₱2,150,000**

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES
Schedule E. Long-term Debt
As of December 31, 2019

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount Shown Under Caption "Current Portion of Long-term Debt" in Related Balance Sheet	Amount Shown Under Caption "Long-term Debt – noncurrent portion" in Related Balance Sheet
Promissory Note – Long-term Loan	₱315,000,000	₱63,000,000	₱236,250,000
TOTAL	**₱315,000,000**	**₱63,000,000**	**₱236,250,000**

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES
Schedule F. Indebtedness to Affiliates and Related Parties (Long-term Loans from Related Companies)
As of December 31, 2019

Name of Related Party	Balance at Beginning of Period	Balance at End of Period
Not Applicable		
		-

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES
Schedule G. Guarantees of Securities of Other Issuers
As of December 31, 2019

Name of Issuing Entity of Securities Guaranteed by the Company for which this Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by Person for which this Statement is Filed	Nature of Guarantee
Not Applicable				
				-

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES
Schedule H. Capital Stock
As of December 31, 2019

Title of issue	Number of shares authorized	Number of shares issued and outstanding and shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Treasury
Common Stock	**2,000,000,000**	**1,494,251,391**	–	–	**285,765,854**	**9,462**

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES

Schedule I. Amounts Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements
As of December 31, 2019

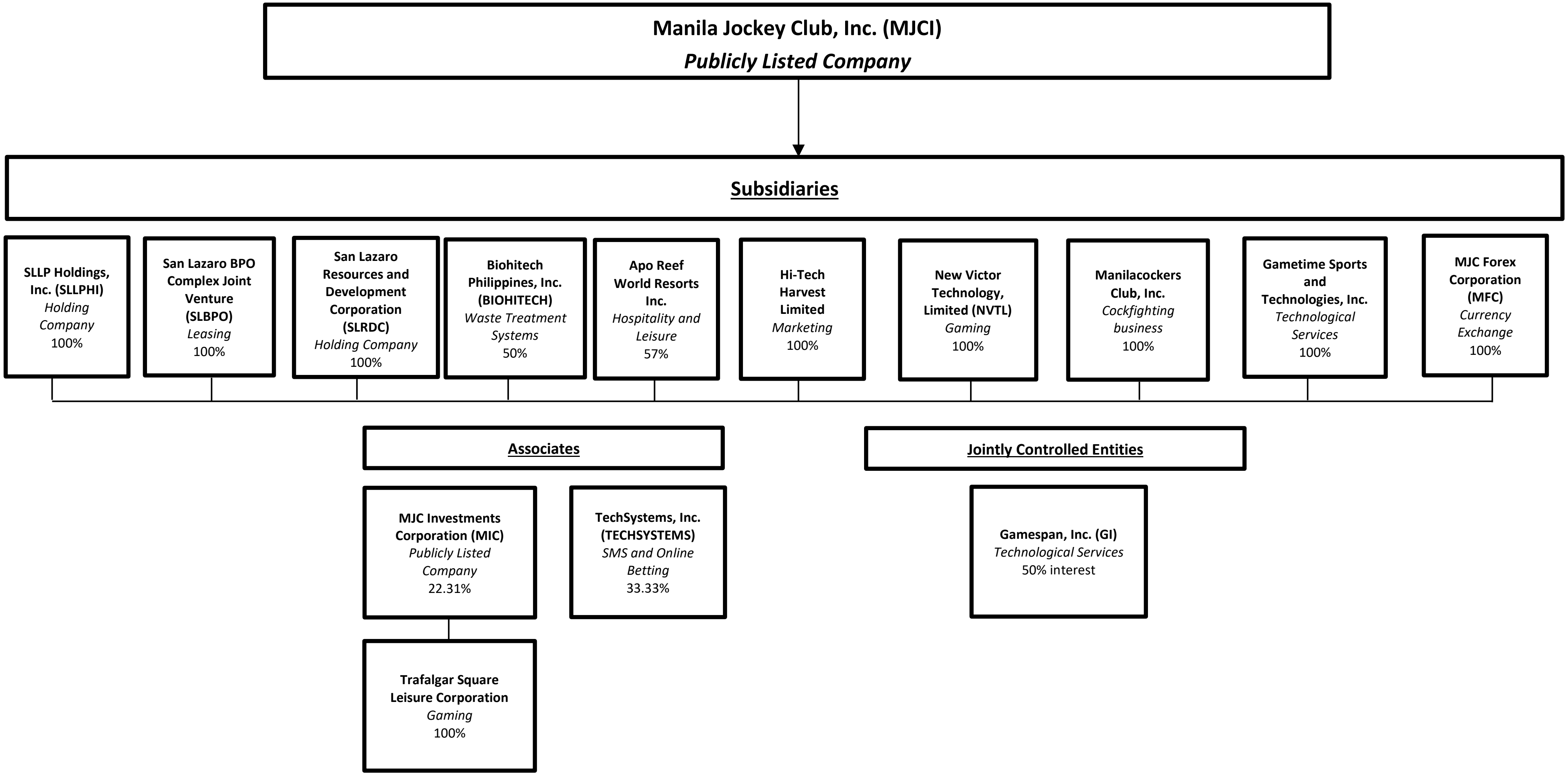
Name of Creditor	Balance at the Beginning of the Period	Additions	Deductions		Current	Not Current	Balance at End of Period
			Amounts Paid	Others			
New Victor Technology, Ltd.	₱2,570,715	₱–	₱–	₱–	₱2,570,715	₱–	₱2,570,715
MJC Forex Corp.	180,000	–	(180,000)	–	–	–	–
Manilacockers Club, Inc.	113,962,857	–	(22,087,857)	–	91,875,000	–	91,875,000
Gametime Sports and Technologies, Inc.	16,305,795	6,260,627	(398,847)	–	22,167,575	–	22,167,575
Apo Reef World Resorts, Inc.	37,000,000	–	(17,000,000)	–	20,000,000	–	20,000,000
SLBPO	–	82,841,477	–	–	82,841,477	–	82,841,476
	₱133,019,367	**₱89,102,104**	**(₱39,666,704)**	**₱–**	**₱219,454,767**	**₱–**	**₱219,454,766**

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES

Schedule J. Parent Company Retained Earnings Available for Dividend Declaration
As at and for the year ended December 31, 2019

Unappropriated retained earnings, beginning	**₱1,233,594,170**
Add (less):	
Net income actually earned/realized during the year	**104,023,907**
Dividends declared during the year	**(498,080,643)**
Deemed cost adjustment on real estate properties realized through sale, net of deferred income tax	**(428,085,547)**
Reversal of appropriations during the year	**282,233,063**
Deferred tax assets	**(60,646,395)**
Unrealized foreign exchange loss – net	**(174,799)**
Treasury shares	**(7,096)**
Unappropriated retained earnings available for dividend declaration, ending	**₱632,856,660**

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES
Schedule K. Map of Subsidiaries, Joint Ventures and Associates
As of December 31, 2019



MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES
Schedule L. Financial Soundness Indicators
As of December 31, 2019

	2019	2018
Liquidity ratios		
Current ratio[(a)]	**1.32**	0.76
Interest rate coverage ratio[(b)]	**18.33**	N/A
Solvency ratios		
Debt to equity ratio[(c)]	**0.08**	0.08
Asset to equity ratio[(d)]	**1.44**	1.25
Profitability ratio		
EBITDA margin[(e)]	**0.14**	N/A

[(a)] *Current assets over current liabilities*
[(b)] *EBITDA over interest expense and financing charges on borrowings*
[(c)] *Interest-bearing debts over total equity*
[(d)] *Total assets over total equity*
[(e)] *EBITDA over gross revenues from operations*

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

P	W	0	0	0	0	0	8	0	3	

COMPANY NAME

MANILA JOCKEY CLUB, INC.

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

San Lazaro Leisure and Business Park, Brgy. Lantic, Carmona, Cavite

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
admin@manilajockey.com	(632) 8687-9889	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
959	06/30	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Nestor N. Ubalde	nestorubalde@yahoo.com	7914-4758	0917-5576284

CONTACT PERSON's ADDRESS

14th Flr. Strata 100 Bldg., F. Ortigas Jr. Road, Ortigas Center, Pasig City

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

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

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SyCip Gorres Velayo & Co.
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1226 Makati City
Philippines

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

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

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Manila Jockey Club, Inc.
San Lazaro Leisure and Business Park,
Brgy. Lantic, Carmona, Cavite

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of Manila Jockey Club, Inc. (the Company), which comprise the parent company statements of financial position as at December 31, 2019 and 2018, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Emphasis of a Matter

We draw attention to Note 1 to the parent company financial statements which indicates that as of December 31, 2019 and 2018, the Company's current liabilities exceeded its current assets by ₱111.1 million and ₱317.8 million, respectively. In addition, on March 16, 2020, in a move to contain the COVID 19 outbreak, the Office of the President of the Philippines issued a directive declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed community quarantine. As a result, the government suspended operations related to non-essential businesses, which includes horse-racing operations. As of the date of this report, the Company has not yet resumed its operation. Our opinion is not modified in respect of this matter.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required by Revenue Regulations 15-2010 in Note 36 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Manila Jockey Club, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the parent company financial statements taken as a whole.

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

SYCIP GORRES VELAYO & CO.

Adeline D. Lumbres

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

July 10, 2020

MANILA JOCKEY CLUB, INC.
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2019	2018
ASSETS		
Current Assets		
Cash (Note 6)	**₱161,521,680**	₱204,884,177
Receivables (Note 7)	**346,468,650**	198,392,708
Inventories (Note 8)	**7,080,522**	52,125,219
Prepayments and other current assets (Note 9)	**15,986,426**	3,176,659
Total Current Assets	**531,057,278**	458,578,763
Noncurrent Assets		
Real estate receivables - net of current portion (Note 7)	**7,944,094**	61,541,708
Investments in and advances to subsidiaries, associates and joint ventures (Note 10)	**1,329,799,348**	1,199,734,739
Property and equipment (Notes 11 and 30)	**782,318,658**	813,029,192
Investment properties (Notes 10, 12 and 14)	**1,463,891,002**	966,325,456
Other noncurrent assets (Notes 1 and 13)	**144,952,043**	55,701,034
Total Noncurrent Assets	**3,728,905,145**	3,096,332,129
	₱4,259,962,423	₱3,554,910,892
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term loans and borrowings (Note 14)	**₱–**	₱288,636,040
Long-term loans and borrowings - current portion (Note 14)	**63,000,000**	–
Accounts payable and other liabilities (Note 15)	**359,374,824**	308,402,824
Income tax payable (Note 26)	**346,708**	9,482,701
Due to related parties (Note 27)	**107,579,767**	40,964,367
Subscription payable (Notes 1 and 27)	**111,875,000**	128,875,000
Total Current Liabilities	**642,176,299**	776,360,932
Noncurrent Liabilities		
Long-term loans and borrowings - noncurrent portion (Note 14)	**236,250,000**	–
Advances from third parties (Note 30)	**505,076,000**	–
Other noncurrent liabilities (Note 16)	**81,117,105**	55,637,438
Deferred tax liabilities - net (Note 26)	**161,271,107**	188,910,255
Total Noncurrent Liabilities	**983,714,212**	244,547,693
	1,625,890,511	1,020,908,625
Equity		
Capital stock (Note 28)	**1,494,251,391**	996,170,748
Actuarial gains on accrued retirement benefits (Note 22)	**13,969,716**	17,413,770
Net cumulative changes in fair values of financial assets at FVOCI (Note 13)	**4,087,404**	4,597,612
Retained earnings (Note 28)	**1,121,770,497**	1,515,827,233
Treasury shares (Note 28)	**(7,096)**	(7,096)
Total Equity	**2,634,071,912**	2,534,002,267
	₱4,259,962,423	₱3,554,910,892

See accompanying Notes to Parent Company Financial Statements.

MANILA JOCKEY CLUB, INC.
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2019	2018
REVENUES (Note 17)	**₱446,066,617**	₱455,746,192
COST OF SALES AND SERVICES (Note 18)	**(262,550,301)**	(275,444,900)
GROSS INCOME	**183,516,316**	180,301,292
General and administrative expenses (Note 19)	**(265,811,628)**	(224,226,977)
Finance costs (Notes 6, 14, 24 and 30)	**(16,348,604)**	(10,122,258)
Selling expense (Note 8)	**(9,387,315)**	(10,508,951)
Interest income (Notes 6, 7 and 23)	**8,031,501**	9,598,646
Other income - net (Notes 8, 10, 13, 25 and 27)	**192,000,996**	87,733,153
INCOME BEFORE INCOME TAX	**92,001,266**	32,774,905
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 26)		
Current	**14,140,484**	28,369,507
Deferred	**(26,163,125)**	(26,633,386)
	(12,022,641)	1,736,121
NET INCOME	**104,023,907**	31,038,784
OTHER COMPREHENSIVE INCOME (LOSS)		
Items of other comprehensive loss to be reclassified to profit or loss in subsequent periods		
Net changes in fair value of financial assets measured at FVOCI (Note 13)	**(510,208)**	(375,889)
Items of other comprehensive income that will not be reclassified to profit or loss in subsequent periods		
Actuarial gains (losses) on remeasurement of retirement benefits, net of tax (Note 22)	**(3,444,054)**	(10,223,937)
Net changes in fair value of financial assets measured at FVOCI (Note 13)	**–**	23,353
TOTAL COMPREHENSIVE INCOME	**₱100,069,645**	₱20,462,311
Basic/Diluted Earnings Per Share (Note 34)	**₱0.0696**	₱0.0207

See accompanying Notes to Parent Company Financial Statements.

MANILA JOCKEY CLUB, INC.

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	Capital Stock (Note 28)	Actuarial Gains on Accrued Retirement Benefits (Note 22)	Net Cumulative Changes in Fair Values of Financial Assets at FVOCI (Note 13)	Retained Earnings (Note 28)	Treasury Shares (Note 28)	Total
BALANCES AT DECEMBER 31, 2018	**₱996,170,748**	**₱17,413,770**	**₱4,597,612**	**₱1,515,827,233**	**(₱7,096)**	**₱2,534,002,267**
Total comprehensive income for the year	**–**	**(3,444,054)**	**(510,208)**	**104,023,907**	**–**	**100,069,645**
Stock dividends declared (Note 28)	**498,080,643**	**–**	**–**	**(498,080,643)**	**–**	**–**
BALANCES AT DECEMBER 31, 2019	**₱1,494,251,391**	**₱13,969,716**	**₱4,087,404**	**₱1,121,770,497**	**(₱7,096)**	**₱2,634,071,912**
BALANCES AT DECEMBER 31, 2017	₱996,170,748	₱27,637,707	₱4,950,148	₱1,534,596,512	(₱7,096)	₱2,563,348,019
Total comprehensive income for the year	–	(10,223,937)	(352,536)	31,038,784	–	20,462,311
Cash dividends declared (Note 28)	–	–	–	(49,808,063)	–	(49,808,063)
BALANCES AT DECEMBER 31, 2018	₱996,170,748	₱17,413,770	₱4,597,612	₱1,515,827,233	(₱7,096)	₱2,534,002,267

See accompanying Notes to Parent Company Financial Statements.

MANILA JOCKEY CLUB, INC.
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱92,001,266**	₱32,774,905
Adjustments for:		
Dividend income (Note 25)	**(197,378,708)**	(53,586,673)
Depreciation (Note 20)	**98,447,524**	79,997,946
Loss on sales cancellation (Notes 8 and 25)	**32,110,494**	–
Finance costs (Note 24)	**16,348,604**	10,122,258
Loss on impairment of property and equipment (Note 11)	**14,637,381**	–
Interest income (Note 23)	**(8,031,501)**	(9,598,646)
Amortization of franchise fee (Notes 13 and 18)	**1,794,000**	1,794,000
Loss (gain) on disposal:		
Property and equipment (Notes 11 and 25)	**(30,982)**	(25,000)
Financial assets at FVOCI (Notes 13 and 25)	**–**	271,966
Unrealized foreign exchange loss - net (Note 25)	**174,799**	96,350
Gain on reversal of liabilities (Note 25)	**–**	(5,400,000)
Operating income before working capital changes	**50,072,877**	56,447,106
Decrease (increase) in:		
Receivables	**(101,789,027)**	77,397,146
Inventories	**2,498,031**	10,932,642
Prepayments and other current assets	**(12,809,767)**	4,475,517
Increase in:		
Due to related parties	**66,615,400**	17,950,156
Accounts payable and other liabilities	**41,046,067**	7,562,550
Accrued retirement benefits (Note 22)	**3,713,201**	2,578,329
Cash generated from operations	**49,346,782**	177,343,446
Income taxes paid, including creditable withholding and final taxes	**(23,276,477)**	(18,886,806)
Net cash provided by (used in) operating activities	**26,070,305**	158,456,640
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in:		
Investments in and advances to subsidiaries, associates and joint ventures (Note 10)	**(130,064,609)**	(84,979,217)
Other noncurrent assets (Note 13)	**(43,555,217)**	22,131,512
Acquisition of:		
Investment properties (Note 12)	**(465,588,491)**	–
Financial assets at FVOCI (Note 13)	**(48,000,000)**	(15,000,000)
Property and equipment (Note 11)	**(27,067,908)**	(29,037,423)
Dividends received (Notes 10 and 25)	**162,930,657**	44,911,131
Payment of lease liabilities (Note 30)	**(11,062,402)**	–
Interest received (Note 23)	**8,031,501**	9,711,979
Proceeds from sale of property and equipment	**404,315**	–
Net cash used in investing activities	**(553,972,154)**	(52,262,018)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from third parties (Note 30)	**505,076,000**	–
Proceeds from short-term and long-term loans and borrowings (Note 14)	**315,000,000**	124,000,000
Payment of:		
Short-term loans and borrowings (Note 14)	**(288,636,040)**	(69,363,960)
Long-term loans and borrowings (Note 14)	**(15,750,000)**	–
Subscriptions	**(17,000,000)**	(42,125,000)
Interest paid	**(13,975,809)**	(10,122,258)
Dividends paid (Note 28)	**–**	(48,014,670)
Net cash provided by (used in) financing activities	**484,714,151**	(45,625,888)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(174,799)**	(96,350)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(43,362,497)**	60,472,384
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**204,884,177**	144,411,793
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱161,521,680**	₱204,884,177

See accompanying Notes to Parent Company Financial statements.

1. **Corporate Information**

1.1 General Corporate Information

Manila Jockey Club, Inc. (the "Company") was incorporated in the Philippines on March 22, 1937 and was listed in the Philippine Stock Exchange (PSE) on October 11, 1963. In 1987, the Philippine Securities and Exchange Commission (SEC) approved the extension of the Company's corporate life for another 50 years starting March 22, 1987.

The Company is presently engaged in the construction, operations and maintenance of a racetrack located in Cavite, Philippines, and in the holding or conducting of horse races therein with bettings both directly or indirectly by means of mechanical, electric and/or computerized totalizator. It has a congressional franchise granted on November 23, 1997 under Republic Act (R.A.) No. 8407 to hold such races and to maintain the race track, which will expire on November 23, 2022 (see Note 13). The Company is also engaged in the development and sale of condominium units and residential properties, and lease of an office building through joint venture (JV) arrangements with certain developers.

Under R.A. No. 8407, the Company shall pay annually to the National Treasury a franchise tax equivalent to 25% of its gross earnings from horse races in lieu of all taxes, except income tax, that are imposed by the national or local government on the activities covered by the franchise. Starting 2001, the Company pays value-added tax (VAT) in lieu of the franchise tax by virtue of the provision of R.A. No. 7716 or the Expanded VAT Law.

The registered office address of the Company is San Lazaro Leisure and Business Park, Brgy. Lantic, Carmona, Cavite.

1.2 Status of Operations

As of December 31, 2019 and 2018, the Company's current liabilities exceeded its current assets by ₱111.1 million and ₱317.8 million, respectively.

On March 13, 2020, in a move to contain the COVID-19 outbreak, the Office of the President of the Philippines issued a memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed community quarantine. As a result, the government suspended operations related to non-essential businesses, which includes horse racing operations.

As of July 10, 2020, the Company has not yet resumed its operation as a result of the suspension of operations mandated by the government in relation to COVID-19 containment measures.

The Company's ability to continue as a going concern is dependent upon its ability to generate sufficient cash flows to meet its maturing obligations. To address such condition, the Company implemented certain cost-saving measures to reduce its fixed and variable costs. The Company also continuously boosts its marketing efforts, while closely working with the government for the resumption of its operations and exploring new business opportunities. The Company also has unused credit facilities from local banks that it can tap, if needed.

The Company's financial statements have been prepared assuming that the Company will continue as going concern.

1.3 Authorization for Issuance of the Parent Company Financial Statements

The parent company financial statements as at and for the years ended December 31, 2019 and 2018 were authorized for issuance by the Board of Directors (BOD) on July 10, 2020.

1.4 Subsidiaries, Joint Ventures and Associates

	Place of incorporation	Nature of business	Functional currency	Percentage of ownership 2019		2018	
				Direct	**Indirect**	Direct	Indirect
Subsidiaries							
Gametime Sports and Technologies, Inc. (GSTI)	Philippines	Gaming	Philippine Peso	**100.00**	–	100.00	–
Manilacockers Club, Inc. (MCI)	Philippines	Gaming	Philippine Peso	**100.00**	–	100.00	–
MJC Forex Corporation (MFC)	Philippines	Money changer	Philippine Peso	**100.00**	–	100.00	–
New Victor Technology, Ltd. (NVTL)	Hong Kong	Gaming	Philippine Peso	**100.00**	–	100.00	–
San Lazaro Resources and Development Corporation (SLRDC) [a]	Philippines	Real estate	Philippine Peso	**100.00**	–	100.00	–
SLLP Holdings, Inc. (SLLPHI) [a]	Philippines	Holdings	Philippine Peso	**100.00**	–	100.00	–
Hi-Tech Harvest Limited (Hi-Tech Harvest) [a]	Hong Kong	Marketing	Philippine Peso	**100.00**	–	100.00	–
Apo Reef World Resorts Corporation (ARWRC) [a]	Philippines	Beach Resorts Complex	Philippine Peso	**56.87**	–	56.87	–
Biohitech Philippines, Inc. (Biohitech) [a]	Philippines	Waste management	Philippine Peso	**50.00**	–	50.00	–
San Lazaro BPO Complex (SLBPO) [b,c]	Philippines	Real estate	Philippine Peso	**90.00**	**10.00**	30.00	–
Interest in Joint Ventures							
Gamespan, Inc. (Gamespan) [a]	Philippines	Gaming	Philippine Peso	**50.00**	–	50.00	–
Associates							
MJC Investments Corporation Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino (MIC)	Philippines	Gaming	Philippine Peso	**22.31**	–	22.31	–
Techsystems, Inc. (Techsystems) [a]	Philippines	Information Technology	Philippine Peso	**33.33**	–	33.33	–

[a] *Not yet started commercial operation as of December 31, 2019*
[b] *Acquired in 2019 (see Note 1.5)*
[c] *Accounted for as investment in subsidiaries, associates and joint ventures in 2019.*

1.5 Acquisition of Ayala Land, Inc.'s rights, title and interest in Vertex One Building

In September 2019, the Company acquired from its joint venture partner Ayala Land, Inc. ("ALI"), all ALI's developed office units and parking lots (the "Subject Property") and ALI's equity interest in SLBPO for a total consideration of ₱511.7 million, excluding applicable taxes. This resulted in the Company owning 100% of Vertex One. In connection with acquisition of the Subject Property, ALI assigned, transferred and conveyed to the Company and its assignees, all its rights and interest under the tenant and service contracts for Vertex One Building.

On the same date, the Company and SLLPHI, the designated property manager of the developed office and parking units, amended the division of net rental income from leasing of the developed office units by the unincorporated joint venture for a more equitable distribution of the net income of the joint venture, proportionate to and taking into account SLLPHI's contribution. The Company is entitled to 90% of the net rental income for dividends distribution.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation
The parent company financial statements have been prepared using the historical cost basis, except for financial assets at fair value through other comprehensive income (FVOCI), which are carried at fair value. The Company's financial statements are presented in Philippine Peso (Peso or ₱), the Company's functional and presentation currency. All values are rounded to the nearest Peso, unless otherwise indicated.

Statement of Compliance
The parent company financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS), which include the availment of the relief of granted by the SEC under Memorandum Circular Nos. 14-2018 and 3-2019 as of 2018 Adoption of PIC Q&A No. 2018-14: PFRS 15 – Accounting for Cancellation of Real Estate Sales.

PFRS includes both standard titles PFRS and Philippine Accounting Standards (PAS) and Philippine Interpretations based on equivalent interpretations from International Financial Reporting Interpretations Committee (IFRIC) as issued by the Financial Reporting Standards Council (FRSC).

3. Summary of Significant Changes in Accounting Policies and Disclosures

Changes in Accounting Policies
The accounting policies adopted are consistent with those of the previous financial year, except that the Company has adopted the following amended standards as at January 1, 2019:

- PFRS 16, *Leases*

  PFRS 16 supersedes PAS 17, *Leases*, Philippine Interpretation IFRIC 4, *Determining whether an Arrangement contains a Lease*, Philippine Interpretation SIC-15, *Operating Leases-Incentives* and Philippine Interpretation SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases in the parent company statements of financial position.

  Lessor accounting under PFRS 16 is substantially unchanged from the prescribed accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two (2) types of leases: operating and finance leases. PFRS 16 requires lessees and lessors to make more extensive disclosures than under PAS 17.

  The Company adopted PFRS 16 using the modified retrospective method of adoption, with the date of initial application as January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized only at the date of initial application. The comparative information was not restated and continues to be reported under PAS 17 and related interpretations. The Company elected to apply the recognition exemptions for leases for which the lease term ends within 12 months of the date of initial application and leases for which the underlying asset is of low value. The Company disclosed the amount of adjustment, on a line-by-line basis, in the balance sheet on the date of initial application.

  The Company have lease contracts for office spaces and parking lots. Before the adoption of PFRS 16, the Company classified this lease (as lessee) at the inception date as an operating lease.

The effect of adoption of PFRS 16 at January 1, 2019 is, as follows:

	Increase (decrease)
Parent Company Statements of Financial Position	
ASSETS	
Property and equipment (Note 30)	₱35,461,929
Net impact in total assets	₱35,461,929
LIABILITIES	
Lease liabilities – current portion (Note 30)	₱8,689,607
Lease liabilities – noncurrent portion (Note 30)	26,772,322
Net impact in total liabilities	₱35,461,929

Upon adoption of PFRS 16, the Company applied a single recognition and measurement approach for all the leases except for short-term leases and leases of low-value assets.

Leases previously accounted for as operating leases
The Company recognized right-of-use (ROU) assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The ROU assets for most leases were recognized based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate (IBR) at the date of initial application. In some leases, the ROU assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the IBR at the date of initial application.

The Company also applied the following available practical expedients:
- Use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Application of the short-term lease exemptions to lease contracts with lease term that ends within 12 months of the date of initial application; and
- Exclusion of initial direct costs from measuring the ROU asset at the date of initial application.

Based on the above, as at January 1, 2019:
- Property and equipment were recognized amounting to ₱35,461,929 representing the amount of ROU assets set up on transition date;
- Lease liabilities of ₱35,461,929 were recognized;

The lease liabilities as at January 1, 2019 as can be reconciled to the operating lease commitments as at December 31, 2018 follows:

Operating lease commitments as disclosed in the parent financial statements as at December 31, 2018	₱43,623,909
Commitments relating to short-term leases	(2,621,322)
Operating lease subject to discounting as at December 31, 2018	41,002,587
Effect of discounting using the weighted average IBR at January 1, 2019 of 7.67%	(5,540,658)
Lease liabilities recognized at January 1, 2019	₱35,461,929

The adoption of PFRS 16 did not have an impact on total equity as at January 1, 2019, since the Company elected to measure the ROU assets at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the parent company statements of financial position immediately before the date of initial application.

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

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

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

  The entity is required to determine whether to consider each certain tax treatments separately or together with one or more other uncertain tax treatments and use the approach that better predicts the resolution of the uncertainty. The entity shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

  The Company determined, based on its tax compliance review/assessment, in consultation with its tax counsel, that it is probable that its income tax treatments will be accepted by the taxation authorities. Accordingly, the adoption of this Interpretation has no significant impact on the parent company financial statements.

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

  Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income (FVOCI), provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

  These amendments had no impact on the parent company financial statements of the Company.

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

  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:
  - Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and

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

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

The amendments had no impact on the parent company financial statements of the Company as it did not have any plan amendments, curtailments, or settlements during the period.

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

  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests. The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

  These amendments had no impact on the parent company financial statements as the Company does not have long-term interests in its associate and joint venture to which the equity method is not applied.

- *Annual Improvements to PFRSs* 2015-2017 Cycle

  - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*

    The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

    A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

    An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

    These amendments did not have any impact to the parent company financial statements of the Company.

- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

  The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

  An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted.

  These amendments had no impact on the parent company financial statements of the Company because no financial instruments classified as equity.

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

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

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

  Since the Company's current practice is in line with these amendments, they had no impact on the parent company financial statements of the Company.

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

Effective beginning on or after January 1, 2020

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

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

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

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

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

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

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

Effective beginning on or after January 1, 2023

- PFRS 17, *Insurance Contracts*

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

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

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

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

  The amendments are not applicable since to the Company have no activities that are predominantly connected with insurance or insurance contracts.

Deferred effectivity

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

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

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

These amendments may apply to future transactions of the Company.

- *PIC updates on PFRS 15 implementation issues – PIC Q&A no. 2018-14*

  PIC Q&A no. 2018-14 prescribed the accounting treatment for cancellation of real estate sales using two approaches. Both approaches are acceptable but each approach should be applied consistently.

  The first approach prescribed that the repossessed property is recognized at its fair value less cost to repossess, while the second approach prescribed that the repossessed property is recognized at its fair value plus repossession cost.

  On February 7, 2019, upon request by the real estate industry to defer the implementation of the above PIC Q&A, the Securities and Exchange Commission (SEC) en banc decided to provide relief to the real estate industry by deferring the application of the above PIC Q&A for a period of three years.

  Effective January 1, 2021, real estate companies are required to adopt PIC Q&A no. 2018-14 retrospectively or as the SEC will later prescribed.

  Real estate companies which opted for the deferral shall be required to disclose in the notes to the financial statements the accounting policy applied, a discussion of the deferral and a qualitative discussion of the impact in the financial statements had the concerned application guidance been adopted.

  As of December 31, 2019, the Company opted to avail of the relief provided by the SEC.

4. Summary of Significant Changes in Accounting and Financial Reporting Policies

Current versus Noncurrent Classification

The Company presents assets and liabilities in the parent company statements of financial position based on current or noncurrent classification. An asset is current when it is:

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

All other assets are classified as noncurrent.

A liability is current when:

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

The Company classifies all other liabilities as noncurrent.

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

Fair Value Measurement
The Company measures financial instruments at fair value at each reporting date. Additional fair value related disclosures including fair values of financial instruments measured at amortized cost are disclosed in Note 31.

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

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

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

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

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

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

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

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

For assets and liabilities that are recognized in the parent company financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and are subject to an insignificant risk of change in value.

Financial Instruments – Classification and Measurement

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

- financial assets measured at amortized cost (AC)
- financial assets measured at fair value through profit or loss (FVTPL)
- financial assets measured at fair value through other comprehensive income, where cumulative gains or losses previously recognized are reclassified to profit or loss
- financial assets measured at fair value through other comprehensive income, where cumulative gains or losses previously recognized are not reclassified to profit or loss

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

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

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

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

Financial assets at amortized cost

A financial asset is measured at amortized cost if (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the EIR method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in 'Interest income' in the statement of income and is calculated by applying the EIR to the gross carrying amount of the financial asset, except for (i) purchased or originated credit-impaired financial assets and (ii) financial assets that have subsequently become credit-impaired, where, in both cases, the EIR is applied to the amortized cost of the financial asset.

The Company's financial assets at AC includes cash in banks, receivables and deposits.

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

As of December 31, 2019 and 2018, the Company elected to classify irrevocably all debt instruments as financial assets at FVOCI.

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

As of December 31, 2019 and 2018, the Company elected to classify irrevocably all equity instruments as financial asset at FVOCI.

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

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

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

The Company does not have financial asset at FVTPL.

Classification of financial liabilities
Financial liabilities are measured at amortized cost, except for the following:
- financial liabilities measured at FVTPL;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the Company retains continuing involvement;

- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate; and
- contingent consideration recognized by an acquirer in accordance with PFRS 3.

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

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

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

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

The Company recognizes ECL for the following financial assets that are not measured at FVTPL:

- debt instruments that are measured at amortized cost and FVOCI;
- contract assets;
- trade receivables;
- loan commitments; and
- financial guarantee contracts.

No ECL is recognized on equity investments.

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

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

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

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

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

Loss Allowance

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

For all debt financial assets other than trade receivables, ECLs are recognized using the general approach wherein the Company tracks changes in credit risk and recognizes a loss allowance based on either a 12-month or lifetime ECLs at each reporting date.

Loss allowances are recognized based on 12-month ECL for debt investment securities that are assessed to have low credit risk at the reporting date. A financial asset is considered to have low credit risk if:

- the financial instrument has a low risk of default
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company considers certain debt investment securities to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Determining the stage for impairment. At each reporting date, the Company assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Company considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

Exposures that have not deteriorated significantly since origination, or where the deterioration remains within the Company's investment grade criteria are considered to have a low credit risk. The provision for credit losses for these financial assets is based on a 12-month ECL. The low credit risk exemption has been applied on debt investments that meet the investment grade criteria of the Company from the time of origination.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

Derecognition of Financial Assets and Liabilities

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

- the rights to receive cash flows from the asset have expired; or

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through agreement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in the statement of income. Otherwise, where the net present value of the cash flows under the new terms discounted using the effective interest rate of the original debt is less than 10 percent different from the discounted present value of the remaining cash flows of the original debt instrument, the financial liability is not derecognized.

Write-off policy

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

Offsetting of Financial Instruments

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

Inventories

Inventories include real estate inventories and food and beverages inventory which are valued at the lower of cost and net realizable value (NRV).

Real Estate Inventories

Real estate inventories include completed projects of the Company, and are stated at the lower of cost and net realizable value. Cost of real estate inventories pertains to the cost of land. Real estate inventories include memorial lots for sale in the ordinary course of business, rather than to be held for rental or capital appreciation. In few cases of buyer defaults, the Company can repossess the properties and held it for sale in the ordinary course of business at the prevailing market price. The repossessed properties are included in the "Real Estate Inventories" account in the parent company statements of financial position. Costs incurred in bringing the repossessed assets to its marketable state are included in their carrying amounts unless these exceed the recoverable values.

Accounting for cancelled sales and repossessed inventories
PIC Q&A no. 2018-14 prescribed the accounting treatment for cancellation of real estate sales using two approaches. Both approaches are acceptable but each approach should be applied consistently.

The first approach prescribed that the repossessed property is recognized at its fair value less cost to repossess, while the second approach prescribed that the repossessed property is recognized at its fair value plus repossession cost.

On February 7, 2019, upon request by the real estate industry to defer the implementation of the above PIC Q&A, the Securities and Exchange Commission (SEC) en banc decided to provide relief to the real estate industry by deferring the application of the above PIC Q&A for a period of three years. Effective January 1, 2021, real estate companies are required to adopt PIC Q&A no. 2018-14 retrospectively or as the SEC will later prescribed.

The Company availed the relief for the year ended December 31, 2019 and 2018. As a result, the Company recognized the repossessed inventory from cancelled sales at original cost. For the years ended December 31, 2019 and 2018, loss on sales cancellation are disclosed in Note 25 to the parent company financial statements. Should the Company recognize the repossessed inventory using the PIC Q&A, the loss recognized in profit and loss might be lower or even at an income.

Investments in Subsidiaries, Associates and Joint Ventures
An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

Investments in subsidiaries, associates and joint ventures and advances are carried at cost less accumulated probable losses, if any. Under the cost method, the Company recognizes income from the investments in subsidiaries, associates and joint ventures when its right to receive dividend is established.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

For interest in joint operation, the Company accounts for each assets, liabilities, revenue, share in revenue and expense separately. The Company would recognize in relation to its interest its:
- Assets which include real estate inventories, developed office units and retail development units presented under “Investment Properties” account
- Liabilities, including its share of any liabilities jointly incurred, recorded as “Accrued Expenses”
- Revenue from the sale of its share of the real estate inventories, recorded as “Real Estate Revenue”
- Share of the revenue from services rendered jointly, recorded as part of the “Rental Income”
- Expenses, including its share of expenses incurred jointly, recorded as part of “Selling Expenses”

These joint operations do not involve the establishment of a corporation, partnership or other entity, or a financial structure that is separate from the operators themselves. Each operator has control over its share of future economic benefits through its share of the results of the joint operation.

Property and Equipment

Property and equipment, except land, is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Land is stated at cost less any impairment in value.

The initial cost of property and equipment comprises of purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Such cost also includes the cost of replacing part of the property and equipment and borrowing cost for long-term construction projects if the recognition criteria are met, and any obligation related to the retirement of the asset. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance and overhaul costs, are generally recognized in the parent company statements of comprehensive income in accordance with the accounting policy. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment. When significant parts of property and equipment are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. When assets are sold or retired, their costs and accumulated depreciation, amortization and impairment losses, if any, are eliminated from the accounts and any gain or loss resulting from their disposal is included in the parent company statements of comprehensive income of such period.

Depreciation commences when an asset is in its location and in a condition capable of being operated in the manner intended by the management. Depreciation ceases at the earlier of the date that the asset is classified as held for sale in accordance with PFRS 5, *Non-current Asset held for Sale and Discontinued Operations*, and the date the asset is derecognized.

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

	No. of Years
Land improvements	5 to 25
Building and improvements	5 to 25
Machinery and equipment	3 to 10
Transportation equipment	5 to 10
Furniture and fixtures	5

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

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation and amortization is charged to current operations.

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

Construction in progress is stated at cost, net of accumulated impairment losses, if any. This includes cost of construction and other direct costs. Construction in progress is not depreciated until such time as the relevant assets are completed and are available for use.

Borrowing Costs

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

Investment Properties

The Company's investment properties consist of land that is not used in operations and land and building held for lease. Investment properties are measured initially at cost, including transaction costs. The revalued amount of the land is taken as its deemed cost in accordance with PFRS 1 as of the date of adoption.

Investment properties, except land, are subsequently measured at cost less accumulated depreciation and any accumulated impairment in value. Land is subsequently carried at cost less any impairment in value.

Depreciation of investment properties commences once they become available for use and is calculated on a straight-line basis over the estimated useful life of 25 years.

Depreciation ceases at the earlier of the date that the asset is classified as held for sale in accordance with PFRS 5 and the date the asset is derecognized. The estimated useful life and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from the items of investment properties.

Investment properties are derecognized either when they have been disposed of or when they are permanently withdrawn from use or no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

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

Franchise Fee

The franchise fee, presented as part of "Other noncurrent assets" in the parent company statements of financial position, is accounted for at cost less accumulated amortization and any accumulated impairment in value. Costs incurred for the renewal of the Company's franchise for another 25 years starting November 23, 1997 have been capitalized and are amortized over the period covered by the new franchise. The carrying value of the franchise is reviewed for impairment when there are indicators of impairment and any impairment loss is recognized in the profit or loss.

Impairment of Nonfinancial Assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU)'s fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognized in the parent company statements of comprehensive income in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognized in OCI up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying value of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the profit or loss. After such a reversal, the depreciation and amortization charge are adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Capital Stock and Additional Paid in Capital

Capital stock represents the portion of the paid in capital representing the total par value of the shares issued. When the Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

When the shares are sold at a premium, the difference between the proceeds and the par value is credited to "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Company, the shares shall be measured either at the fair value of the shares issued at fair value of the liability settled, whichever is more reliably determinable.

Retained Earnings

Retained earnings are the result of Company's accumulated profits or losses, declaration of dividends and the effects of retrospective application or retrospective restatement recognized in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

Unappropriated retained earnings represent that portion which is free and can be declared as dividends to stockholders, after adjustments for any unrealized items, which are considered not available for dividend declaration.

Dividend Distribution

Dividends are recognized as a liability and deducted from equity when declared by the BOD of the Company. Dividends for the year that are declared after the reporting date are dealt with as a non-adjusting event after the reporting date.

Earnings Per Share (EPS)

Basic EPS is computed by dividing the net income attributable to equity holders of the Company for the year by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year, if any.

Diluted EPS is calculated by dividing the net income attributable to equity holders of the Company for the year by the weighted average number of common shares outstanding during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares into common shares.

The Company currently does not have potential dilutive common shares.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment, excluding incentives, output tax, and other sales taxes or duties.

The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as an agent in its club racing operations and as principal in all other arrangements (i.e., real estate sales and rental services).

Revenue Contracts with Customer

Commission income from club races

Revenue is recognized at a point in time based on a percentage of total wager funds from horse racing operations in accordance with the Company's franchise agreement.

Revenue from food and beverages

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

Real estate sales

The Company derives its real estate revenue from sale of condominium units and memorial lots. Revenue from sales of real estate projects from the joint venture are recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, the Company's performance does not create an asset with an alternative use and the Company has an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the Company uses the output method. The Company recognizes revenue on the basis of direct measurements of the value to customers of the goods or services transferred to date, relative to the remaining goods or services promised under the contract. Progress is measured using survey of performance completed to date. This is based on the monthly project accomplishment report prepared by the third-party surveyor as approved by the construction manager which integrates the surveys of performance to date of the construction activities for both sub-contracted and those that are fulfilled by the developer itself.

Any excess of progress of work over the right to an amount of consideration that is unconditional, recognized as residential and office development receivables, under trade receivables, is included in the "contract asset" account in the asset section of the parent company statements of financial position.

The real estate projects were already completed as of December 31, 2019 and 2018.

Any excess of collections over the total of recognized trade receivables and contract assets is included in the "contract liabilities" account in the liabilities section of the parent company statements of financial position.

In case of sales cancellation due to the default of the buyers, the Company derecognizes the outstanding balance of contract asset or real estate receivables and recognize the repossessed property at its original cost, applying the relief provided by SEC.

Cost recognition
The Company recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets such as land. These costs are allocated to the saleable area, with the portion allocable to the sold area being recognized as costs of sales while the portion allocable to the unsold area being recognized as part of real estate inventories.

Rental income from stables, building and other facilities
Revenue from the lease of stables, building and other facilities is recognized in the parent company statements of comprehensive income on a straight-line basis over the lease term.

Interest income
Revenue is recognized as the interest accrues taking into account the effective yield on the asset.

Dividend income
Revenue is recognized when the Company's right to receive the payment is established, which is generally when the shareholders approves the dividend.

Cost of Sales and Services and Expenses
Cost of club races, cost of rental services, cost food and beverages and expenses are recognized in the Company's statements of comprehensive income at the date they are incurred.

General and administrative expenses constitute cost of administering the business. Selling expense pertains to the marketing fees related to the real estate sales.

Other Comprehensive Income (OCI)
Items of income and expense (including items previously presented under the parent company statements of changes in equity) that are not recognized in the profit or loss for the year are recognized as OCI and are presented as OCI in the parent company statements of comprehensive income.

The OCI of the Company pertains to gains and losses on remeasuring financial assets at FVOCI and actuarial gains (losses) on remeasurement of retirement plan.

Retirement Benefits Cost
The Company has noncontributory funded defined benefit plans, administered by trustees, covering substantially all of its regular employees.

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

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

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

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

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

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if 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 or assets, even if that right is not explicitly specified in an arrangement.

The Company as a lessee (effective January 1, 2019 upon adoption of PFRS 16)

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and ROU assets representing the right to use the underlying assets.

Right-of-use assets

Effective January 1, 2019, it is the Company's policy to classify right-of-use assets with "Property and Equipment" in the parent company statements of financial position. Prior to that date, all of the Company's leases are accounted for as operating leases in accordance with PAS 17, hence, not recorded on the parent company statements of financial position. The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term as at January 1, 2019.

Right-of-use assets are subject to impairment. Refer to the accounting policies in section impairment of non-financial assets.

Lease liabilities
At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the IBR at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Lease liabilities - current and noncurrent - are presented separately in the parent company statements of financial position.

Short-term leases and leases of low-value assets
The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

The Company as a lessee (applicable until December 31, 2018 before adoption of PFRS 16)
A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risk and rewards incidental to ownership to the Company is classified as a finance lease. Operating lease payments are recognized as an operating expense in the parent company statements of comprehensive income on a straight-line basis over the lease term.

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

Taxes

Current tax

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

For income tax purposes, full revenue recognition on real estate sales is applied when more than 25% of the contract price has been collected in the year of sale; otherwise, the installment method is applied, where real estate sales are recognized based on collection multiplied by the gross profit rates of the individual sales contracts.

Deferred tax

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

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

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and is probable that the temporary differences will not reverse in the foreseeable future

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

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized

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

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

Deferred tax relating to items recognized outside parent company statements of comprehensive income is recognized outside parent company statements of comprehensive income. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in profit or loss.

The Company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Value Added Tax (VAT)
Revenue, expenses and assets are recognized net of the amount of VAT, if applicable. When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the parent company statements of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/ or services (output VAT), the excess is recognized as an asset in the parent company statements of financial position to the extent of the recoverable amount.

The net amount of VAT recoverable from, or payable to the taxation authority is included as part of “VAT - Input”, “Deferred Input Tax”, or “Accounts payable and other current liabilities” accounts in the Company’s statements of financial position.

Foreign Currency Denominated Transactions and Translations
Transactions denominated in foreign currency are recorded using the exchange rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rate at reporting date. All foreign exchange gains and losses are recognized in the Company’s statements of comprehensive income.

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

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

Contingencies
Contingent liabilities are not recognized in the parent company financial statements. These are in the notes to financial statements disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the parent company financial statements but are disclosed when an inflow of economic benefits is probable.

Segment Reporting
The Company’s operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers

different products and serves different markets. Financial information on the Company's operating segments is presented in Note 29 to the notes to parent company financial statements.

Events After the Reporting Date
Events after the reporting date that provide additional information about the Company's financial position at the reporting date (adjusting events), if any, are reflected in the parent company financial statements. Events after the reporting date that are not adjusting events are disclosed in the notes to the parent company financial statements when material (see Note 35).

5. **Significant Accounting Judgments, Estimates and Assumptions**

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

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

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

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

Determination if control exists in an investee company
Control is presumed to exist when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. On the other hand, joint control is presumed to exist when the investors contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Management has determined that it has control by virtue of its power to cast the majority votes at meetings of the BOD in all of its subsidiaries (see Note 1).

Determination if joint control exists in a joint venture
Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Management has determined that it has joint control in San Lazaro BPO Complex Joint Venture and Gamespan Inc. since the strategic financial and operating decisions of the entity are made jointly for all relevant activities by the venturers through its BOD (see Note 1).

Determination of joint venture or joint operation
A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement.

Management has determined that arrangement for ventures with Avida Land Corporation (Avida), Alveo Land Corporation (Alveo) and Century Communities Corporation (CCC) are classified as joint operations since the Company have rights to the assets and obligations for the liabilities relating to the arrangement and not to the net assets of the arrangement.

Determination if significant influence exists in an associate
Significant influence exists when an investor has the power to participate in the financial and operating policy decisions of the investee but is not control or joint control. Management has determined that the Company has significant influence in MIC and Techsystems since the Company has the power to appoint representatives to the BOD of MIC and Techsystems to participate in the financial and operating policy decision (see Note 1).

Distinction between real estate inventories and investment properties
The Company determines whether a property is classified as investment property or real estate inventories as follows:

Investment properties comprises land and buildings (principally offices, commercial and retail property) which are not occupied substantially for use by, or in the operations of, the Company, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. Transfers are made to investment properties when there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development.

Real estate inventories comprise property that is held for sale in the ordinary course of business. Principally, this is residential and industrial property that the Company develops and intends to sell before or on completion of construction.

In 2019 and 2018, the Company reclassified real estate inventories to investment property amounting to ₱52.2 million and ₱5.5 million, respectively (see Notes 8 and 12).

Determination of lease term of contracts with renewal and termination options - Company as a lessee - Effective Starting January 1, 2019
The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Company included the renewal period as part of the lease term for leases of office spaces and parking lots with shorter non-cancellable period (i.e., three to five years). The Company typically exercises its option to renew for these leases because there will be a significant negative effect on production if a replacement asset is not readily available. The renewal periods for leases of office spaces and parking lots with longer non-cancellable periods (i.e., 10 to 15 years) are not included as part of the lease term as these are not reasonably certain to be exercised. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Refer to Note 30 for information on potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term.

Leases - Estimating the IBR - Effective Starting January 1, 2019
The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use assets in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the Company's stand-alone credit rating).

The Company's lease liabilities amounted to ₱26.8 million as at December 31, 2019 (see Note 30).

Classification of leases – Effective prior to January 1, 2019
Management exercises judgment in determining whether substantially all the significant risks and rewards of ownership of the leased assets are transferred to the Company. Lease agreements which transfer to the Company substantially all the risks and rewards incidental to ownership of the leased items are accounted for as finance leases. Otherwise, these are considered as operating leases.

a. *Operating lease commitments - the Company as lessor*
   The Company has entered into lease agreements on certain items of its property and equipment and investment properties. The Company has determined that it retains all the significant risks and rewards of ownership of these properties; i.e., ownership of the assets remains with the Company at the end of the lease term. Accordingly, the lease agreements are accounted for as operating leases (see Notes 11, 12 and 30).

b. *Operating lease commitments - the Company as lessee*
   The Company has entered into a lease agreement for the lease of office and parking lots where it has determined that the risks and rewards related to the leased assets are retained by the lessor; i.e., ownership of the assets remains with the lessor at the end of the lease term. As such, the lease agreement was accounted for as an operating lease (see Note 30).

Impairment of noncurrent nonfinancial assets
The Company assesses at each reporting date whether there is any indication that its investments in subsidiaries, an associates and interest in joint ventures, property and equipment, advances to an associate, investment properties and franchise fee may be impaired. Indication of impairment includes: (a) decline in the asset's market value that is significantly higher than would be expected from normal use; (b) evidence of obsolescence or physical damage; (c) internal reports indicate that the economic performance of the asset will be worse than expected; etc. If such indication exists, the entity shall estimate the recoverable amount of the asset, which is the higher of an asset's or CGU's fair value less costs to sell and its value in use. Based on management's assessment, there was an indicator of impairment of investment in and advances to an associate and property and equipment as of December 31, 2019.

In 2019 and 2018, due to continuous decline in revenues from club races, the Company assessed that its property and equipment used in its racing activities may be impaired. These property and equipment related to the Company's racing activities have a carrying amount of ₱433.9 million and ₱450.5 million as of December 31, 2019 and 2018, respectively, prior to impairment assessment. The recoverable amount of the CGU has been determined based on fair value less cost to sell. Fair value less cost to sell is based on appraisal of the property performed by an independent appraiser

Management has determined that certain land improvements, that was supposed to generate new cash inflow for the Company did not materialize, therefore, the Company will not be able to recover the costs of construction. As a result, the Company recognized an allowance for impairment amounting to ₱14.6 million.

In addition, due to the continuous losses incurred by MIC, the Company performed impairment testing on its investment in and advances to MIC. The recoverable amount of investment in and advance to an associate is the greater of the investment's fair value less costs to sell and value-in-use. Determination of impairment of investment in and advances to an associate requires an estimation of the value-in-use of the CGU to which the investments relate. Estimating the value-in-use requires the Company to make an estimate of the expected future cash flows from the CGU and applying an appropriate discount rate in order to calculate the present value of those cash flows. In discounting, the Company uses a discount rate based on the weighted average cost of capital adjusted to reflect the way that the market would assess the specific risks associated with the cash flow and exclude risks that are not relevant to the cash flow. The recoverable amount resulting from the impairment testing done by the Company was based on value in use method.

In 2019 and 2018, no impairment provisions were recognized for nonfinancial assets of the Company, except for the land improvement amounting to ₱14.6 million in 2019. The carrying values of the Company's investments in and advances to associates and joint ventures, property and equipment, investment properties, and franchise fee of December 31, 2019 and 2018 are disclosed in Notes 10, 11, 12 and 13 to the parent company financial statements.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation and uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Provision for ECL of financial assets

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for its receivables from real estate.

The provision matrix is initially based on the Company's historical observed default rates. The Company shall calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of actual default in the future.

The provision for ECL on the Company's receivables in 2019 and 2018 is disclosed in Notes 7 and 19 to the parent company financial statements. The carrying amount of receivables as of December 31, 2019 and 2018 are disclosed in Note 7 to the parent company financial statements.

Provision for ECL of financial assets not held at FVTPL

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

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

For debt instruments at fair value through OCI, the Company applies the low credit risk simplification. At every reporting date, the Company evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Company reassesses the internal credit rating of the debt instrument. In addition, the Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Company's debt instruments at fair value through OCI comprise solely of quoted bonds that are graded in the top investment category, a reputable credit rating agency and, therefore, are considered to be low credit risk investments. It is the Company's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Company uses the ratings from a reputable credit rating agency both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

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

Determination of NRV of real estate inventories

The Company's estimates of the NRV of real estate inventories are based on the most reliable evidence available at the time the estimates are made of the amount that the inventories are expected to be realized. These estimates consider the fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. A new assessment is made of the NRV in each subsequent period. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is a clear evidence of an increase in NRV because of change in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised NRV.

As of December 31, 2019 and 2018, the cost of the real estate inventories, the amount written down to NRV and the carrying value of the real estate inventories are disclosed in Note 8 to the parent company financial statements.

Estimation of impairment of financial assets at FVOCI
The Company treats FVOCI financial assets as impaired when there has been a significant decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is 'significant' requires judgment.

The Company defines 'significant' generally as a reduction of 20% or more of the original cost. In addition, the Company evaluates other factors, including normal volatility in share price for quoted equity securities and the future cash flows and the discount factors for unquoted equity securities.

As of December 31, 2019 and 2018, the carrying value of the Company's financial assets at FVOCI is disclosed in Note 13 to the parent company financial statements. No impairment loss was recognized in 2019 and 2018.

Estimation of the useful lives of property and equipment and investment properties (excluding Land)
The Company estimates the useful lives of property and equipment and investment properties based on the internal technical evaluation and experience with similar assets. Estimated useful lives of property and equipment and investment properties (the period over which the assets are expected to be available for its intended use) are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical and commercial obsolescence and other limits on the use of the assets.

There were no changes in the useful lives of property and equipment and investment properties in 2019 and 2018. As of December 31, 2019 and 2018, the carrying amount of depreciable property and equipment are disclosed in Note 11 to the parent company financial statements. The carrying amount of depreciable investment property as of December 31, 2019 and 2018 are disclosed in Note 12 to the parent company financial statements.

Provisions and Contingencies
The Company provides for present obligations (legal or constructive) where it is probable that there will be an outflow of resources embodying economic benefits that will be required to settle said obligations. An estimate of the provision is based on known information at the reporting date, net of any estimated amount that may be reimbursed to the Company. The Company's management and legal counsels believe that the eventual liabilities under these lawsuits or claims, if any, will not have material effect on the parent company financial statements (see Note 30).

No provisions were recognized as of December 31, 2019 and 2018.

Recognition of deferred tax assets
The Company reviews the carrying amount of the deferred tax assets at each reporting date and adjusts to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

As of December 31, 2019 and 2018, the recognized deferred tax assets are disclosed in Note 26 to the parent company financial statements.

Estimation of retirement benefits cost and obligations
The determination of the obligation and retirement benefits cost is dependent on management's selection of certain assumptions used by the actuary in calculating such amounts. Those assumptions are described in Note 22 and include, among others, discount rates, expected rate of return on plan assets and expected rate of salary increases. Actual results that differ from the Company's assumptions are accumulated and amortized over the future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods. While the Company believes that the

assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the retirement obligations.

As of December 31, 2019 and 2018, the carrying value of accrued retirement benefits are disclosed in Note 22 to the parent company financial statements. Retirement benefits cost in 2019 and 2018 are disclosed in Note 22 to the parent company financial statements.

6. Cash

This account consists of:

	2019	2018
Cash on hand	**₱15,403,156**	₱22,366,286
Cash in banks	**131,012,877**	182,517,891
Cash equivalents	**15,105,647**	–
	₱161,521,680	₱204,884,177

Cash in banks generally earns interest at the respective bank deposit rates. Cash equivalents are short-term deposits made for varying periods of up to three months and earn interest at the respective short-term deposit rates. Interest income earned amounted to ₱3.5 million and ₱0.3 million in 2019 and 2018, respectively (see Note 23).

7. Receivables

This account consists of:

	2019	2018
Trade		
Real estate receivables - current portion	**₱57,520,558**	₱66,479,721
Rent receivables (Notes 11, 12 and 30)	**21,585,478**	17,358,859
Receivables from off-track betting (OTB) operators	**13,437,653**	3,714,974
Receivable from food and beverage operations	**3,766,582**	4,423,786
Nontrade		
Due from related parties (Note 27)	**187,462,016**	45,387,205
Dividends receivable (Notes 10, 25 and 27)	**69,000,000**	34,551,949
Advances to suppliers and contractors	**21,369,323**	16,728,475
Advances and loans to officers and employees (Note 27)	**16,164,116**	18,149,468
Receivable from third parties	**1,083,880**	17,216,681
Others	**13,827,653**	7,158,543
	405,217,259	231,169,661
Less: Allowance for ECL (Note 19)	**58,748,609**	32,776,953
	₱346,468,650	₱198,392,708

Real Estate Receivables
The real estate receivables of the Company are as follows:

	2019	2018
Current	**₱57,520,558**	₱66,479,721
Noncurrent	**7,944,094**	61,541,708
	₱65,464,652	₱128,021,429

Real estate receivables, which are collectible in monthly installments, represent noninterest-bearing receivables with average term ranging from two to three years. Titles to condominium properties are transferred to the buyers until full payment is made.

Interest income from accretion of real estate receivables amounted to ₱3.1 million and ₱6.6 million in 2019 and 2018, respectively (see Note 23).

Advances to Suppliers and Contractors
Advances to suppliers and contractors are noninterest-bearing payments, which is normally collectible within twelve months or within the normal operating cycle.

Advances and Loans to Officers and Employees
The Company grants salary loans and advances to its officers. The loans bear an average interest rate of 9% per annum. Interest income on advances and loans to officers and employees amounted to ₱0.8 million and ₱0.9 million in 2019 and 2018, respectively (see Note 23).

Receivable from Third Parties
Receivable from third parties bear an interest of 12% per annum and are generally settled within 30-90 day term. Interest income earned on receivable from third parties is ₱0.6 million and ₱1.1 million in 2019 and 2018, respectively (see Note 23).

Other Receivables
Other receivables include accrued interest and other various individually insignificant items.

Allowance for ECL
Movements in the allowance for ECL are summarized below:

		2019	
	Trade	**Nontrade**	**Total**
Balance at beginning of year	**₱20,717,365**	**₱12,059,588**	**₱32,776,953**
Provision during the year (Note 19)	**25,430,692**	**540,964**	**25,971,656**
Balance at end of year	**₱46,148,057**	**₱12,600,552**	**₱58,748,609**

		2018	
	Trade	Nontrade	Total
Balance at beginning of year	₱24,020,769	₱12,048,303	₱36,069,072
Provision during the year (Note 19)	12,139,762	11,285	12,151,047
Amounts written off during the year	(15,443,166)	–	(15,443,166)
Balance at end of year	₱20,717,365	₱12,059,588	₱32,776,953

No receivables were directly written off in in 2019 and 2018.

8. **Inventories**

This account consists of:

	2019	2018
Real estate:		
Memorial lots for sale - at NRV	**₱6,489,904**	₱6,489,904
Land held for development - at cost	–	38,189,898
Condominium units for sale - at cost	–	3,880,628
Residential units for sale - at cost	–	2,783,562
	6,489,904	51,343,992
Food and beverages - at cost	**590,618**	781,227
	₱7,080,522	₱52,125,219

Condominium units for sale and residential units for sale pertain to the completed condominium and residential projects of the Company. In 2019 and 2018, revenue from real estate pertains to sale of completed condominium units and memorial lots.

The movements in the real estate inventories account are as follows:

	2019	2018
Balance at beginning of year	**₱51,343,992**	₱68,046,983
Transfers to investment property (Note 12)	**(52,215,354)**	(5,540,316)
Repossessed inventory	**9,668,688**	–
Cost of real estate sold (Note 18)	**(2,307,422)**	(11,162,675)
Balance at end of year	**₱6,489,904**	₱51,343,992

Repossessed real estate inventories pertain to sales cancellations due to buyers' default in payment. These are recorded at fair value less cost to sell and cost to complete at the time of transfer and are held for sale in the ordinary course of business. Loss on sales cancellation amounted to ₱32.1 million in 2019 (see Note 25).

In 2019 and 2018, no impairment loss was recognized. The cost of memorial lots for sale as at December 31, 2019 and 2018 amounted to ₱6.5 million.

The Company entered into agreements with certain real estate developers to develop their properties located in Sta. Cruz, Manila and Carmona, Cavite into condominium units and residential complexes.

Significant provisions of the agreements are discussed below.

Condominium units for sale

On February 26, 2005, the Company entered into Joint Development Agreements (JDAs) with Avida and Alveo for the development of 5.2 hectares and 1.3 hectares (the "Project Areas"), respectively, of the Company's 11.6-hectare property located in Sta. Cruz, Manila, into a primary residential complex consisting of condominium buildings and townhouses (the "Project"). Under the JDAs, the Company agreed and contributed its rights, title and interest in the Project and the Project Areas, while Avida and Alveo agreed and provided the necessary capital to finance the Project and expertise to develop the Project Areas. In return for their respective contributions to the Project, the Company, Avida and Alveo received their respective allocation as described in the JDAs.

Towers 1 to 5 of Avida and Towers 1 to 3 of Alveo are fully completed as of December 31, 2019 and 2018.

Residential units for sale
On February 24, 2004, the Company entered into an agreement with CCC for the development of 17.09 hectares of the Company's 33-hectare property in Carmona, Cavite into an exclusive residential subdivision with some commercial areas. As of December 31, 2019, the project is 100% complete.

Marketing expense, presented as "Selling expense" in the parent company statements of comprehensive income, is the share of the Company in the marketing cost pertaining to real estate operations. The amount of marketing cost in 2019 and 2018 amounted to ₱9.4 million and ₱10.5 million, respectively.

9. Prepayments and Other Current Assets

This account consists of:

	2019	2018
Input VAT	**₱10,980,498**	₱–
Prepaid expenses	**4,883,965**	3,063,636
Others	**121,963**	113,023
	₱15,986,426	₱3,176,659

Input VAT consist of:

	2019	2018
Input VAT		
Current portion	**₱10,980,498**	₱–
Noncurrent portion (Note 13)	**56,457,043**	13,538,829
	₱67,437,541	₱13,538,829

Prepaid expenses include prepayments made for insurances, employee health benefits, licenses, and professional fees. Others include fuel and oil.

10. Investments in and Advances to Subsidiaries, Associates and Interest in Joint Ventures

This account consists of:

	2019		2018	
	% of Ownership	**Cost**	% of Ownership	Cost
Subsidiaries (Note 1):				
MCI	**100.00%**	**₱132,500,000**	100.00%	₱132,500,000
ARWRI	**56.87%**	**89,850,000**	56.87%	89,850,000
SLBPO	**90.00%**	**46,064,609**	–	–
GSTI	**100.00%**	**10,000,000**	100.00%	10,000,000
SLLPHI	**100.00%**	**6,250,000**	100.00%	6,250,000
MFC	**100.00%**	**4,000,000**	100.00%	4,000,000
Biohitech	**50.00%**	**1,500,000**	50.00%	1,500,000
SLRDC	**100.00%**	**156,500**	100.00%	156,500
Hi-tech Harvest	**100.00%**	**84,456**	100.00%	84,456
		290,405,565		244,340,956

(Forward)

	2019		2018	
	% of Ownership	**Cost**	% of Ownership	Cost
Associates:				
MIC	**22.31%**	**₱708,160,137**	22.31%	₱708,160,137
Techsystems	**33.33%**	**1,000,000**	33.33%	1,000,000
		709,160,137		709,160,137
Investment in joint venture:				
Gamespan, Inc.	**50.00%**	**10,000,000**	50.00%	10,000,000
		1,009,565,702		963,501,093
Advances		**321,233,646**		237,233,646
		1,330,799,348		1,200,734,739
Less allowance for impairment of investment in associate		**1,000,000**		1,000,000
		₱1,329,799,348		₱1,199,734,739

Investment in associates

MIC. Investment in MIC pertains to the Company's 22.31% interest in MIC as of December 31, 2019 and 2018. MIC started its commercial operations on January 6, 2016.

The Company extended advances for future share subscriptions amounting to ₱321.2 million and ₱237.2 million as of December 31, 2019 and 2018, respectively.

The summarized financial information of MIC are as follows:

	2019	2018
Current assets	**₱497,491,866**	₱758,436,369
Noncurrent assets	**5,599,362,854**	5,942,138,476
Current liabilities	**726,519,308**	1,415,410,010
Noncurrent liabilities	**4,971,957,402**	4,242,646,586
Equity	**398,378,010**	1,042,518,249
Income	**758,808,720**	625,209,640
Expenses	**1,400,901,652**	1,369,623,942
Net loss	**642,092,932**	746,060,247
Other comprehensive income (loss)	**(2,047,307)**	1,645,945

On April 12, 2018, the BOD of MIC approved the conduct of a stock rights offering in order to raise additional capital. The total number of shares to be issued is 1,587,202,910 common shares and the stock offer price shall be ₱1.00 per share. The entitlement ratio shall be one (1) rights share for every two (2) common shares held as of record date.

On September 17, 2018, the BOD approved the offer price for the rights shall be ₱1.00 per rights share, if paid in full upon submission of the application to subscribe and ₱2.00 per right share, if paid on installment basis. As of April 3, 2019, the stock rights offering is still pending approval of SEC.

Status of Operations

On March 15, 2020, in response to the directive of the Philippine government to impose stringent social distancing measures in the National Capital Region to contain the spread of COVID-19, PAGCOR issued a memorandum to suspend the all gaming operations in Metro Manila until the end of the community quarantine. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed community quarantine, which resulted to the temporary suspension of the hotel and casino operations. On June 7, 2020, the hotel resumed its operations after receiving the approval from the Department of Tourism.

The hotel caters to foreign guests who are staying temporarily in the Philippines, long staying guests, overseas Filipino workers, government employees and health care workers. As of the date of the auditor's report, the Company has not yet resumed its full operation of the casino as a result of the PAGCOR memorandum.

Impairment

In 2019 and 2018, due to continuous losses of MIC, the Company assessed that its investment in and advances to MIC maybe impaired.

The recoverable amount of the CGU has been determined based on value in use calculations. These calculations use pre-tax cash flow projections based on a five (5) year prospective financial information approved by management. Management determined that the key assumptions underlying the said prospective financial information are based on reasonable estimates after considering historical performance and its expectations on prospects and development within the forecast period.

Management assessed that the investment in and advances to MIC as of December 31, 2019 were not impaired. The recoverable amount of the investment in and advances to MIC has been determined based on value-in-use calculation using cash flow projections based on financial budgets approved by management covering a five-year period.

Key assumptions used to determine the value in use are discount rates including cost of debt and cost of capital, growth rates, working capital and capital expenditure, if any.

Discount Rates

The discount rate used is the post-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. The Company used discount rates based on the industry's weighted average cost of capital (WACC). The rates used to discount the future cash flows are based on risk-free interest rates in the relevant markets taking into consideration the debt premium, market risk premium, gearing, corporate tax rate and asset betas. Management assumed a discount rate of 11 percent in 2019.

Revenues

Average growth rates in revenues are based on MIC's expectation of market developments and the changes in the environment in which it operates. MIC's anticipated revenue growth of 5 percent within the forecast period, based on past historical performance as well as expectations on the operating results of the business. On the other hand, the perpetual growth rate used to compute for the terminal value is based on the forecasted long-term growth of the economy in which the business operates.

Accordingly, the Company recognized no impairment loss on the investment in and advances to associates during the year.

Techsystems. The investment in associate, Techsystems, pertains to the acquisition cost of ₱1.0 million representing 33.33% ownership by the Company. Techsystems undertakes to facilitate the short message service betting or online betting for the races conducted by the Company. As of December 31, 2019 and 2018, investment in Techsystems is fully provided with allowance.

As of December 31, 2019, Techsystems has not yet started commercial operations.

The summarized financial information of Techsystems are as follows:

	2019	2018
Total current liabilities	**₱5,184,317**	₱5,184,317
Capital deficiency	**(5,184,317)**	(5,184,317)

Investment in Joint Ventures

Gamespan. Gamespan was incorporated on June 20, 2012 to operate and manage the totalizator hardware and software owned by the Company, set-up new media infrastructure for offering and taking bets in horse racing and other sports. It shall also have the exclusive broadcast rights to all the races and other games operated by the Company which it may distribute to different broadcasters to maximize viewership and participation. As of December 31, 2019, Gamespan has not yet started its commercial operations.

The summarized financial information of the Gamespan is as follows:

	2019	2018
Current assets	**₱20,184,979**	₱20,184,979
Noncurrent assets	**29,167**	29,167
Current liabilities	**629,824**	629,824
Equity	**19,584,322**	19,584,322

SLBPO. On December 12, 2008, the Company entered into a Joint Venture Agreement (JVA) with ALI to create SLBPO, an unincorporated entity, for the purpose of leasing, managing and administering the developed office units and retail development area in the building complex at the Sta. Cruz property (the Building Complex). The Building Complex was also constructed and developed under a JDA with ALI. The Building Complex was thereafter named “Vertex One”.

In September 2019, the Company acquired from ALI, developed office units and parking lots and ALI’s equity interest in SLBPO for a total consideration of ₱511.7 million, excluding applicable taxes. This resulted in the Company owning 100% of Vertex One. In connection with acquisition, ALI assigned, transferred and conveyed all its rights, interest and obligations in certain lease and service contracts which it has entered into with certain office tenants and service providers in connection with its obligation under the JVA with respect to the management and leasing operation of the building.

On the same date, ALI, with the conformity of the Company, assigned its rights under the JVA in favor of SLLPHI, including, the right (i) to manage, market and lease the developed office units, retail units, and parking slots, of Vertex One, and (ii) to manage the funds of SLBPO.

The Company and SLLPHI, as assignee-in-interest ALI to SLBPO, agreed to continue the unincorporated joint venture. SLLPHI shall act as property manager of Vertex One. On the same date, the Company and SLLPHI amended the division of net rental income from leasing the developed office units in Vertex One by SLBPO for a more equitable distribution of net income of the JV, proportionate to and taking into account SLLPHI’s contribution. The net rental income from leasing out the developed office units by SLBPO shall be divided between the Company and SLLPHI as dividends, on the basis of the following percentages: the Company – 90%, SLLPHI – 10%.

Dividend receivable from the JV amounted to nil and ₱4.7 million as of December 31, 2019 and 2018, respectively (see Note 7).

Share on dividends declared amounted to ₱48.8 million and ₱23.4 million in 2019 and 2018, respectively.

The summarized financial information of the SLBPO as of December 31, 2018 as follows:

Current assets	₱300,750,720
Noncurrent assets	16,452,036
Current liabilities	113,460,146
Noncurrent liabilities	53,952,149
Equity	149,790,461
Dividends	77,998,078
Income	183,319,154
Expenses	74,611,310
Net income	108,707,844

Effective October 1, 2019, SLBPO is a subsidiary of the Company.

As of December 31, 2019 and 2018, the Company has no share in any contingent liabilities or capital commitments.

11. Property and Equipment

Movements in this account are as follows:

2019

	January 1	Effect of PFRS 16 (see Note 3)	Additions/Effect of PFRS 3 (see Note 1.5)	Disposals	Reclassifications and adjustments	December 31
Cost						
Land	₱304,869,383	₱–	₱–	₱–	₱–	₱304,869,383
Land improvements	349,904,869	–	–	–	13,484,568	363,389,437
Building and improvements	658,072,412	–	–	–	–	658,072,412
Machinery and equipment	383,086,206	–	11,807,695	(73,554)	–	394,820,347
Transportation equipment	43,072,426	–	13,614,857	(700,000)	–	55,987,283
Furniture and fixtures	17,934,292	–	79,821	–	–	18,014,113
Right-of-use assets	–	35,461,929	–	–	–	35,461,929
	1,756,939,588	35,461,929	25,502,373	(773,554)	13,484,568	1,830,614,904
Accumulated depreciation						
Land improvements	212,920,601	–	15,212,525	–	–	228,133,126
Building and improvements	392,772,027	–	26,287,519	–	–	419,059,546
Machinery and equipment	321,082,168	–	20,281,111	(53,122)	–	341,310,157
Transportation equipment	32,451,141	–	4,582,054	(326,667)	–	36,706,528
Furniture and fixtures	14,230,242	–	1,023,878	–	–	15,254,120
Right-of-use assets	–	–	10,822,138	–	–	10,822,138
	973,456,179	–	78,209,225	(379,789)	–	1,051,285,615
Net book value	783,483,409	35,461,929	(52,706,852)	(393,765)	13,484,568	779,329,289
Construction in progress	29,545,783	–	1,565,535	–	(13,484,568)	17,626,750
	813,029,192	35,461,929	(51,141,317)	(393,765)	–	796,956,039
Allowance for impairment	–	–	(14,637,381)	–	–	(14,637,381)
	₱813,029,192	35,461,929	(₱65,778,698)	(₱393,765)	₱–	₱782,318,658

2018

	January 1	Additions	Disposals	Reclassifications and adjustments	December 31
Cost					
Land	₱304,869,383	₱–	₱–	₱–	₱304,869,383
Land improvements	347,422,587	12,946	–	2,469,336	349,904,869
Building and improvements	657,792,884	–	–	279,528	658,072,412
Machinery and equipment	361,496,538	21,648,976	(59,308)	–	383,086,206
Transportation equipment	40,241,785	2,891,964	(61,323)	–	43,072,426
Furniture and fixtures	16,734,039	1,200,253	–	–	17,934,292
	1,728,557,216	25,754,139	(120,631)	2,748,864	1,756,939,588
Accumulated depreciation					
Land improvements	196,229,945	16,690,656	–	–	212,920,601
Building and improvements	365,714,383	27,057,644	–	–	392,772,027
Machinery and equipment	302,041,280	19,079,616	(38,728)	–	321,082,168
Transportation equipment	29,129,803	3,382,661	(61,323)	–	32,451,141
Furniture and fixtures	13,160,498	1,069,744	–	–	14,230,242
	906,275,909	67,280,321	(100,051)	–	973,456,179
Net book value	822,281,307	(41,526,182)	(20,580)	2,748,864	783,483,409
Construction in progress	29,011,363	3,283,284	–	(2,748,864)	29,545,783
	₱851,292,670	(₱38,242,898)	(₱20,580)	₱–	₱813,029,192

Gain on disposal of property and equipment amounted to ₱0.03 million in 2019 and 2018 (see Note 25).

Depreciation Charges
The amount of depreciation is allocated as follows:

	2019	2018
Cost of sales and services (Notes 11, 12 and 18)	**₱52,853,506**	₱49,184,169
General and administrative expenses (Notes 11 and 19)	**25,355,719**	18,096,152
	₱78,209,225	₱67,280,321

Capitalized Borrowing Costs
No interest on loans was capitalized in 2019 and 2018. Undepreciated capitalized interest relating to land improvements, building and improvements and machinery and equipment as of December 31, 2019 and 2018 amounted to ₱27.8 million and ₱29.8 million, respectively.

Land
In 2001, the Company acquired a parcel of land located in Carmona, Cavite, from Royal Asia Land, Inc. (RALI), formerly known as KPPI Land Corporation, valued at ₱523.6 million payable in 12 equal quarterly installments from 2001 to 2004. The remaining installment payments due in 2004 were rescheduled as part of the requirements of the term loan obtained from a local bank. Total payments made by the Company amounted to ₱433.7 million. No payments were made in 2019 and 2018. The outstanding payable amounting to ₱89.9 million as of December 31, 2019 and 2018 is included under “Accounts payable and other liabilities” in the parent company statements of financial position (see Note 15).

In 2018, the Company acquired loans amounting to ₱124.0 million and paid in full in 2019. The loans are secured by real estate mortgages on the land of Carmona property with carrying value of ₱216.0 million as of December 31, 2019 and 2018 (see Note 14).

Assets Under Operating Lease - the Company as Lessor
The Company has various operating lease agreements for its building improvements, specifically, cluster stables, with horse owners. The lease agreements provide for fixed monthly payments which are subject to rental escalations and renewal options. The carrying value of the cluster stables

that are leased out on these operating leases amounted to ₱21.4 million and ₱23.1 million as of December 31, 2019 and 2018, respectively. Rent income from stable rentals with horse owners in 2019 and 2018 amounted to ₱41.2 million and ₱44.6 million, respectively.

The Company has various operating lease agreements with concessionaires to lease certain areas within the Turf Club. The lease shall be for a period of two to five years. Rent income from concessionaires in 2019 and 2018 amounted to ₱0.5 million and ₱0.6 million, respectively.

Impairment
In 2019 and 2018, due to continuous decline in revenues from club races, the Company assessed that its property and equipment used in its racing activities may be impaired. These property and equipment related to the Company's racing activities have a carrying amount of ₱433.9 million and ₱450.5 million as of December 31, 2019 and 2018, respectively, prior to impairment assessment.

The recoverable amount of the CGU has been determined based on fair value less cost to sell. Fair value less cost to sell is based on appraisal of the property performed by an independent appraiser. The calculation made by the independent appraiser depend on certain assumptions, such as sales and listing of comparable properties registered within the vicinity and adjustments to sales prices based on internal and external factors.

Accordingly, the Company recognized no impairment loss on the property and equipment used in its racing activities during the year.

Management has determined that certain land improvements, that was supposed to generate cash inflow for the Company did not materialize, therefore, the Company will not be able to recover the costs of construction. As a result, the Company recognized an allowance for impairment amounting to ₱14.6 million in 2019 and nil in 2018.

12. **Investment Properties**

This account consists of:

	2019	2018
Land:		
Sta. Cruz property held for capital appreciation	**₱397,821,478**	₱359,631,580
Sta. Cruz property held for lease	**238,168,692**	238,168,692
Carmona property held for capital appreciation (Note 14)	**111,783,131**	109,750,785
Undivided interest in a parcel of land in Batangas	**56,723,976**	56,723,976
	804,497,277	764,275,033
Building:		
Developed office units (Notes 1 and 10)	**619,442,368**	166,801,341
Retail development area (Note 10)	**27,998,224**	29,999,766
Condominium units (Notes 1 and 8)	**11,953,133**	5,249,316
	659,393,725	202,050,423
	₱1,463,891,002	₱966,325,456

The movements in the carrying amount of investment properties are shown below:

	2019		
	Land	**Building**	**Total**
Cost			
Balance at beginning of year	**₱764,275,033**	**₱316,205,945**	**₱1,080,480,978**
Additions	**–**	**465,588,491**	**465,588,491**
Transfers from inventory (Note 8)	**40,222,244**	**11,993,110**	**52,215,354**
Balance at end of year	**804,497,277**	**793,787,546**	**1,598,284,823**
Accumulated depreciation			
Balance at beginning of year	**–**	**114,155,522**	**114,155,522**
Depreciation (Notes 17 and 19)	**–**	**20,238,299**	**20,238,299**
Balance at end of year	**–**	**134,393,821**	**134,393,821**
Net book value	**₱804,497,277**	**₱659,393,725**	**₱1,463,891,002**

	2018		
	Land	Building	Total
Cost			
Balance at beginning of year	₱764,275,033	₱310,665,629	₱1,074,940,662
Condominium units held for lease (Note 8)	–	5,540,316	5,540,316
Balance at end of year	764,275,033	316,205,945	1,080,480,978
Accumulated Depreciation			
Balance at beginning of year	–	101,437,897	101,437,897
Depreciation (Notes 17 and 19)	–	12,717,625	12,717,625
Balance at end of year	–	114,155,522	114,155,522
Net Book Value	₱764,275,033	₱202,050,423	₱966,325,456

Depreciation amounting to ₱20.2 million and ₱12.7 million for the period ended December 31, 2019 and 2018, are included as part of "Cost of sales and services" (see Note 18).

In 2019 and 2018, rent income amounted to ₱17.5 million and ₱16.9 million, respectively. Direct operating expenses related to the investment properties amounted to ₱0.1 million in 2019 and 2018.

Undepreciated capitalized interest relating to the Building Complex as of December 31, 2019 and 2018 amounted to ₱4.7 million and ₱5.3 million, respectively.

In 2019, the Company acquired long-term loan amounting to ₱315.0 million. The loan is secured by land and building of Vertex One located in Sta. Cruz, Manila with a fair value of ₱1.8 billion and ₱1.2 billion as of December 31, 2019 and 2018, respectively (see Note 14).

Fair Market Values

As of December 31, 2019, the aggregate fair value of the Company's investment properties amounted to ₱12.7 billion. Fair values of the Carmona property, Sta. Cruz properties and the building as of February 21 and 14, 2020 and the building as of September 30, 2019 have been determined based on valuation performed by independent professional appraisers using replacement cost approach method and market data approach method. Management has assessed that there are no material changes in fair value on these investment properties as of December 31, 2019 from the most recent revaluations performed by independent appraisers.

Investment property was classified as Level 3 in 2019 and 2018 as to the qualification of fair value hierarchy.

13. **Other Noncurrent Assets**

This account consists of:

	2019	2018
Financial assets at FVOCI:		
Debt securities	**₱55,325,362**	₱15,050,042
Quoted equity securities	**16,415,865**	9,201,393
Deferred input VAT (Note 9)	**56,457,043**	13,538,829
Deposits	**11,102,505**	10,465,503
Franchise fee (Note 1)	**5,414,839**	7,208,839
Others	**236,429**	236,428
	₱144,952,043	₱55,701,034

Financial Assets at FVOCI
The reconciliation of the carrying amounts of financial assets at FVOCI is as follows:

	2019	**2018**
Balance at beginning of year	**₱24,251,435**	₱35,199,339
Additions during the year	**48,000,000**	15,000,000
DTL – net	–	1,404,632
Disposal during the year	–	(27,000,000)
Unrealized mark-to-market gains (losses) during the year	**(510,208)**	(352,536)
Balance at end of year	**₱71,741,227**	₱24,251,435

The movements in net cumulative changes in fair value of financial assets at FVOCI are as follows:

	2019	2018
Balance at beginning of year	**₱4,597,612**	₱4,950,148
Disposal during the year	–	(265,460)
Unrealized mark-to-market losses during the year	**(510,208)**	(87,076)
Balance at end of year	**₱4,087,404**	₱4,597,612

Loss on sale of financial assets at FVOCI amounted to nil in 2019 and ₱0.3 million in 2018 (see Note 25). Dividend income from these investments amounted ₱0.1 million and ₱0.4 million in 2019 and 2018, respectively (see Note 25). Interest income on these investments is nil and ₱0.7 million in 2019 and 2018, respectively (see Note 25).

Franchise Fee
Movements in the carrying amounts of franchise fee are shown below:

	2019	2018
Acquisition cost	**₱44,850,000**	₱44,850,000
Accumulated amortization:		
Balance at beginning of year	**37,641,161**	35,847,161
Amortization for the year (Note 18)	**1,794,000**	1,794,000
Balance at end of year	**39,435,161**	37,641,161
	₱5,414,839	₱7,208,839

Franchise fee has remaining amortization period of three (3) years as of December 31, 2019.

14. Short-term and Long-term Loans and Borrowings

Short-term Loans

As of December 31, 2019 and 2018, outstanding balance of short-term loans and borrowings amounted to nil and ₱288.6 million, respectively. These loans bear average interest of 6.14% and 4.3% in 2019 and 2018, respectively. The promissory notes covering these loans have terms of one year or less and are renewed upon maturity. The loans are secured by real estate mortgages on the land of Carmona property with carrying value of ₱216.0 million as of December 31, 2019 and 2018 (see Note 11).

The movements in the short-term loans and borrowings are as follows:

	2019	2018
Balance at the beginning of year	**₱288,636,040**	₱234,000,000
Additions	**–**	124,000,000
Payments	**(288,636,040)**	(69,363,960)
Balance at end of year	**₱–**	₱288,636,040

Interest expense on short-term loans amounted to ₱9.1 million and ₱9.5 million in 2019 and 2018, respectively (see Note 24).

Long-term loan

In 2019, the Company acquired five (5) year long-term loan amounting to ₱315.0 million maturing on September 2024. This loan is payable in equal monthly installments. The Company has an option to shift from a floating rate every quarter to a fixed interest rate within two years from the availment date of the loan. The loan is secured by land and building of Vertex One located in Sta. Cruz, Manila with carrying value ₱1.0 million and fair value of ₱1.8 billion as of December 31, 2019 (see Note 12).

The movements in long-term loans and borrowing is as follows:

	2019
Principal	₱315,000,000
Payment	(15,750,000)
	299,250,000
Less current portion	63,000,000
Noncurrent portion	₱236,250,000

On March 19, 2020, the Company exercised the option to fix the interest rate at 6.02%.

Interest expense on long-term loan amounted to ₱4.3 million in 2019 and nil in 2018 (see Note 24).

15. Accounts Payable and Other Liabilities

This account consists of:

	2019	2018
Due to RALI (Note 11)	**₱89,900,000**	₱89,900,000
Accounts payable	**86,141,778**	74,333,367
Documentary stamps payable	**37,700,364**	25,262,379
Cash bond on OTB operators	**36,290,998**	33,980,321

(Forward)

	2019	2018
Unclaimed winnings (Note 30)	**₱17,130,747**	₱15,888,348
Deferred VAT output	**17,075,228**	13,059,748
Rental deposits	**15,041,923**	11,245,137
Accrued expenses	**11,982,812**	4,277,190
Lease liability - current portion (Note 30)	**9,925,933**	–
Dividends payable (Note 28)	**5,974,351**	5,974,351
Taxes on winnings	**4,077,659**	6,360,050
Due to Dangerous Drug Board	**2,998,175**	2,118,923
Due to winning horse owners	**2,962,508**	1,415,052
Withholding taxes payable	**2,388,594**	1,940,963
Retention payable	**1,978,343**	1,978,343
Due to contractors	**1,683,538**	1,683,538
Telebet accounts payable	**1,581,718**	1,492,981
Due to OTB operators	**1,554,546**	1,179,942
Taxes on horse prize	**924,656**	1,284,766
VAT payable	**–**	1,646,343
Others	**12,060,953**	13,381,082
	₱359,374,824	₱308,402,824

Accounts payable and other liabilities are noninterest-bearing and are normally settled within the next financial year.

Cash bond on OTB operators serves as security deposits received by the Company from OTB operators at the inception of the OTB operations. These are refunded to OTB operators upon termination of the operations. Due to OTB operators are unpaid commissions to the OTB operators that are settled within the next operating cycle.

16. Other Noncurrent Liabilities

This account consists of:

	2019	2018
Accrued retirement benefit (Note 22)	**₱64,270,716**	₱55,637,438
Lease liabilities - net of current portion (Note 30)	**16,846,389**	–
	₱81,117,105	₱55,637,438

17. Revenue

This account consists of:

	2019	2018
Revenue from contracts with customer		
Club races	**₱127,562,715**	₱141,697,231
Food and beverages	**31,995,421**	31,547,076
Real estate	**12,632,090**	112,116,802
	172,190,226	285,361,109
Rent (Notes 11, 12 and 30)	**273,876,391**	170,385,083
	₱446,066,617	₱455,746,192

18. Cost of Sales and Services

This account consists of:

	2019	2018
Depreciation (Notes 11, 12, and 20)	**₱73,091,805**	₱61,901,795
Personnel cost (Notes 21 and 22)	**67,891,622**	62,968,997
Utilities	**38,900,845**	37,138,873
Purchased stocks	**15,699,600**	15,949,510
Contracted services	**10,091,118**	10,485,345
Commission	**8,924,212**	14,451,469
Software license	**6,918,692**	9,097,662
Repairs and maintenance	**6,018,776**	5,063,850
Meetings and conferences	**5,488,084**	5,340,895
Security services	**5,000,260**	4,270,154
Transportation and travel	**3,398,954**	4,375,575
Real estate (Note 8)	**2,307,422**	11,162,674
Amortization of franchise fee (Note 13)	**1,794,000**	1,794,000
Rent (Note 30)	**1,589,628**	5,537,840
Taxes and licenses	**1,479,967**	7,437,992
Gas, fuel and oil	**1,190,456**	2,242,047
Franchise tax - gaming	**630,032**	607,154
Insurance	**399,537**	410,468
Semi-expendable equipment	**266,202**	782,988
Others	**11,469,089**	14,425,612
	₱262,550,301	₱275,444,900

Aggregate cost of sales and service per segment follows:

	2019	2018
Club races	**₱161,909,235**	₱185,571,840
Rent	**69,724,907**	48,170,124
Food and beverages	**28,608,737**	30,540,261
Real estate (Note 8)	**2,307,422**	11,162,675
	₱262,550,301	₱275,444,900

19. General and Administrative Expenses

This account consists of:

	2019	2018
Personnel costs (Notes 21 and 22)	**₱93,587,395**	₱80,924,272
Taxes and licenses	**32,085,772**	7,139,278
Provision for ECL (Note 7)	**25,971,656**	12,151,047
Depreciation (Notes 11, 20 and 30)	**25,355,719**	18,096,152
Contracted services	**11,546,861**	18,403,899
Professional fees	**10,906,477**	8,208,612
Utilities	**10,451,916**	11,221,166
Security services	**9,213,674**	7,140,045

(Forward)

	2019	2018
Directors' fee	**₱8,552,211**	₱3,963,024
Repairs and maintenance	**6,977,590**	11,822,542
Meetings and conferences	**5,535,043**	6,053,335
Advertising	**4,540,920**	1,332,171
Transportation and travel	**2,998,227**	4,266,311
Gas, fuel and oil	**2,466,452**	4,449,893
Supplies	**1,333,667**	1,607,968
Entertainment, amusement and recreation	**1,329,151**	1,717,881
Rent (Note 30)	**1,031,694**	11,493,765
Commission	**906,115**	931,432
Membership dues	**875,307**	936,838
Insurance	**520,178**	1,118,865
Semi-expendable equipment	**240,830**	646,989
Trainings and programs	**187,857**	288,207
Others	**9,196,916**	10,313,285
	₱265,811,628	₱224,226,977

20. Depreciation

This account consists of:

	2019	2018
Cost of sales and services (Notes 11, 12 and 18)	**₱73,091,805**	₱61,901,795
General and administrative expenses (Notes 11 and 19)	**25,355,719**	18,096,152
	₱98,447,524	₱79,997,947

21. Personnel Costs

This account consists of:

	2019	2018
Salaries and wages	**₱133,379,098**	₱119,513,312
Retirement benefits costs (Note 22)	**12,168,764**	9,554,186
Other employee benefits	**15,931,155**	14,825,771
	₱161,479,017	₱143,893,269

22. Retirement Benefits Costs

The Company has four tax-qualified, funded, noncontributory retirement plans covering both regular permanent and race day operation employees. The retirement plans provide for benefits on retirement, death and disability equivalent to a certain percentage of salary for every year of service based on the final monthly salary of the employee at the time of retirement, death or disability. An independent actuary, using the projected unit credit method, conducted the actuarial valuation of the fund. The latest actuarial valuation reports are as of December 31, 2019.

The details of the retirement benefits costs are as follows:

	2019	2018
Current service costs	**₱8,225,998**	₱7,342,013
Interest costs - net of interest income	**3,942,766**	2,212,173
	₱12,168,764	₱9,554,186

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

	2019	2018
Actuarial loss in defined benefit obligation	**(₱6,719,194)**	(₱10,632,291)
Remeasurement gain (loss) in plan assets	**1,799,117**	(3,973,333)
	(4,920,077)	(14,605,624)
Less tax effect	**1,476,023**	4,381,687
	(₱3,444,054)	(₱10,223,937)

The details of accrued retirement benefits are as follows:

	2019	2018
Defined benefit obligation	**₱123,587,283**	₱103,221,604
Fair value of plan assets	**(59,316,567)**	(47,584,166)
	₱64,270,716	₱55,637,438

Movements in the accrued retirement benefits are as follows:

	2019	2018
Balance at beginning of year	**₱55,637,438**	₱39,858,117
Net retirement benefits costs for the year	**12,168,764**	9,554,186
Contributions for the year	**(8,446,992)**	(8,284,606)
Defined benefit income recognized in OCI	**4,920,077**	14,605,624
Benefits paid from book reserves	**(8,571)**	(95,883)
Balance at end of year	**₱64,270,716**	₱55,637,438

Changes in present value of defined benefit obligation are as follows:

	2019	2018
Defined benefit obligation at beginning of year	**₱103,221,604**	₱85,248,923
Current service costs	**8,225,998**	7,342,013
Interest costs	**7,741,620**	4,944,438
Actuarial loss (gain) due to:		
Change in financial assumptions	**9,431,394**	(11,666,043)
Experience adjustments	**(2,588,586)**	22,271,250
Change in demographic assumptions	**(123,614)**	27,084
Benefits paid	**(2,321,133)**	(4,946,061)
Defined benefit obligation at end of year	**₱123,587,283**	₱103,221,604

The movements in fair value of plan assets are as follows:

	2019	2018
Fair value of plan assets at beginning of year	**₱47,584,166**	₱45,390,806
Interest income	**3,798,854**	2,732,265
Contributions	**8,446,992**	8,284,606
Actuarial gain (loss)	**1,799,117**	(3,973,333)
Benefits paid	**(2,312,562)**	(4,850,178)
Fair value of plan assets at end of year	**₱59,316,567**	₱47,584,166
Actual return on plan assets	**₱5,597,971**	(₱1,241,068)

The plan assets of the Company are being held by its trustee banks. The investing decisions of the plan are made by the authorized officers of the Company.

The following table presents the carrying amounts and fair values of the combined assets of the plan less liabilities:

	2019	2018
Cash and cash equivalents	**₱8,759,535**	₱6,717,013
Investment in government securities	**36,553,557**	30,441,209
Investment in unit investment trust fund	**6,884,306**	6,539,607
Investment in stocks	**3,608,500**	–
Others	**4,018,614**	4,377,681
	59,824,512	48,075,510
Liabilities	**(507,945)**	(491,344)
	₱59,316,567	₱47,584,166

The plan assets' carrying amount approximates its fair value since these are either short-term in nature or mark-to-market. The plan assets consist of the following:

- Cash and cash equivalents, which includes regular savings and time deposits;
- Investment in unit investments trust fund includes ready-made investments such as money market securities, bonds and equities with return from capital gains on top of interest income; and,
- Others include investments in corporate debt instruments, consisting of both short-term and long-term corporate loans, notes and bonds, which bears interest rates ranging from 2.5% to 8.5% and have maturities from 2020 to 2031.

The carrying amounts of investments in government securities also approximate their fair values since they are mark-to-market.

- Other financial assets held by the plan are primarily accrued interest income on cash deposits and debt securities held by the plan; and
- Liabilities of the plan pertain to trust fee payable and retirement benefits payable.

The principal assumptions used in determining retirement benefits costs of the Company as of December 31 are as follows:

	2019	2018
Discount rates	**5.20%**	7.50%
Expected rate of salary increase		
Monthly employees	**3.00%**	4.00%
Race day employees	**3.00%**	3.50%

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

	Effect on Net Retirement Liability		
	Increase (decrease)	**2019**	2018
Discount rate	+1.00%	**(₱6,867,973)**	(₱5,294,961)
	-1.00%	**7,868,969**	6,004,105
Salary increase rate	+1.00%	**7,966,363**	6,164,928
	-1.00%	**(7,069,099)**	(5,518,389)

The weighted average duration of the defined benefit obligation as of December 31, 2019 and 2018 are 6.0 years and 5.5 years, respectively.

Shown below are the expected future benefit payments as of December 31, 2019 and 2018, respectively:

	2019	2018
Less than 1 year	**₱42,783,091**	₱38,592,903
More than 1 year to 5 years	**40,550,671**	37,141,385
More than 5 years to 10 years	**58,458,756**	52,491,210
Over 10 years	**229,713,670**	255,758,558

23. Interest Income

Interest income related to:

	2019	2018
Cash and cash equivalents (Note 6)	**₱3,481,090**	₱324,328
Real estate receivables (Note 7)	**3,123,779**	6,627,464
Advances and loans to officers and employees (Note 7)	**778,955**	909,638
Receivable from third parties (Note 7)	**647,677**	1,075,667
Financial assets at FVOCI (Note 13)	–	661,549
	₱8,031,501	₱9,598,646

24. Finance Costs

This account consists of:

	2019	2018
Interest expense on short-term loans (Note 14)	**₱9,126,366**	₱9,520,466
Interest expense on long-term loans (Note 14)	**4,267,171**	–
Interest expense on lease liabilities (Note 30)	**2,372,795**	–
Bank charges (Note 6)	**582,272**	601,792
	₱16,348,604	₱10,122,258

25. **Other Income - net**

	2019	2018
Income from:		
Dividend (Notes 10 and 27)	**₱197,270,708**	₱53,211,923
Advertising campaign	**14,540,366**	11,222,677
Management fees (Note 27)	**12,000,000**	12,000,000
Parking fees	**5,862,346**	4,613,857
Entrance fees	**787,970**	865,996
Dividend income from financial assets at FVOCI (Note 13)	**108,000**	374,750
Disposal of property and equipment	**30,982**	25,000
Gain on reversal of liabilities	**–**	5,400,000
Loss on:		
Sales cancellation (Note 8)	**(32,110,494)**	–
Impairment of land improvements (Note 11)	**(14,637,381)**	–
Loss on sale of financial assets at FVOCI (Note 13)	**–**	(271,966)
Others - net	**8,148,499**	290,916
	₱192,000,996	₱87,733,153

Income from advertising campaign pertains to advertising placement rights granted by the Company to third parties. Others include various individually insignificant items of income and expenses.

26. **Income Tax**

a. The components of the Company's net deferred tax liabilities are as follows:

	2019	2018
Deferred tax assets on:		
Accrued retirement benefits	**₱19,281,215**	₱16,691,231
Allowance for ECL	**17,624,583**	9,833,086
Lease liabilities	**8,031,697**	–
Advance rentals and non-refundable deposits	**4,469,834**	3,373,540
Impairment loss on land improvements	**4,391,214**	–
PAS 17 adjustment on rent income	**3,202,069**	3,593,373
Unamortized past service cost	**1,642,902**	1,943,229
Unearned income	**₱1,215,144**	₱1,168,727
Provision for inventory write-down	**435,297**	435,297
Allowance for impairment on investment in associate	**300,000**	300,000
Unrealized foreign exchange loss - net	**52,440**	28,904
PAS 17 adjustment on rent expense	**–**	319,724
	60,646,395	37,687,111
Deferred tax liabilities on:		
Unrealized gain from real estate transactions	**(20,037,683)**	(30,277,509)
Undepreciated capitalized borrowing costs	**(9,774,015)**	(10,466,426)
ROU asset	**(7,391,937)**	–

(Forward)

	2019	2018
Unrealized deemed cost adjustment on investment properties (Note 28)	**(₱13,643,032)**	₱–
Unrealized deemed cost adjustment on real estate inventories (Note 28)	**–**	(14,782,596)
Deferred tax liabilities on (recognized directly in OCI):		
Unrealized deemed cost adjustment on investment properties (Note 28)	**(169,822,203)**	(169,822,203)
Fair value adjustments on financial assets at FVOCI	**(1,248,632)**	(1,248,632)
	(221,917,502)	(226,597,366)
Net deferred tax liabilities	**(₱161,271,107)**	(₱188,910,255)

b. The provision for current tax consists of the following:

	2019	2018
Regular corporate income tax (RCIT)	**₱13,445,444**	₱28,173,583
Final tax on interest income	**695,040**	195,924
	₱14,140,484	₱28,369,507

c. The reconciliation of the Company's provision for (benefit from) income tax at statutory tax rate to the provision for (benefit from) income tax shown in the parent company statements of comprehensive income is as follows:

	2019	2018
Provision for income tax at statutory rate	**₱27,600,380**	₱9,832,472
Additions to (reductions in) income tax resulting from tax effects of:		
Nontaxable income	**(59,213,612)**	(16,076,002)
Nondeductible expenses	**19,938,700**	8,078,239
Interest income subjected to final tax	**(348,109)**	(98,588)
Provision for (benefit from) income tax	**(₱12,022,641)**	₱1,736,121

27. **Related Party Transactions**

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprises and their key management personnel, directors or its stockholders. Outstanding balances are settled through cash.

The Company adopted the materiality threshold of ten percent (10%) or higher of its total assets based on its latest audited parent company financial statements. A threshold lower than ten percent (10%) may be set by the Board of Directors upon its determination of the risk of the material related party transactions to cause damage to the Company and its shareholders. The threshold shall apply to material related party transactions entered between the Company, its subsidiary or affiliate or any related party.

a. Advances from/to subsidiaries, associate, special purpose entity (SPE) and stockholder:

	Nature	Amount/Volume 2019	Amount/Volume 2018	Receivable (Payable) 2019	Receivable (Payable) 2018	Terms	Conditions
Subsidiaries:							
NVTL	Advances[1]	**₱–**	₱310,663	**₱3,745,390**	₱3,745,390	Noninterest-bearing	Unsecured, no impairment
	Payable[3]	**–**	–	**(2,570,715)**	(2,570,715)	Noninterest-bearing	Unsecured
SLLPHI	Advances[1]	**8,934**	8,833	**44,967**	36,033	Noninterest-bearing	Unsecured, no impairment
MFC	Advances[1]	**9,195**	–	**125,525**	134,720	Noninterest-bearing	Unsecured, no impairment
	Payable[3]	**180,000**	–	**–**	(180,000)	Noninterest-bearing	Unsecured
	Dollar purchases	**17,132,471**	22,334,257	**–**	–	Noninterest-bearing	Unsecured
Biohitech	Advances[1]	**8,934**	8,833	**44,967**	36,033	Noninterest-bearing	Unsecured, no impairment
MCI	Rent[1]	**198,139,443**	92,664,147	**68,627,922**	–	Noninterest-bearing	Unsecured, no impairment
	Receivables[1]	**34,952,058**	–	**34,952,058**	–	Noninterest-bearing	Unsecured, no impairment
	Payables[3]	**22,087,857**	11,315,218	**–**	(22,087,857)	Noninterest-bearing	Unsecured
	Dividends[2]	**132,500,000**	29,812,500	**53,000,000**	29,812,500	Noninterest-bearing	Unsecured, no impairment
	Subscriptions[4]	**–**	122,500,000	**(91,875,000)**	(91,875,000)	Noninterest-bearing	Unsecured
	Advances[1]	**23,744,142**	5,952,189	**20,254,437**	–	Noninterest-bearing	Unsecured, no impairment
GSTI	Service fee[3]	**5,228,182**	5,868,952	**(19,544,747)**	(14,088,030)	Noninterest-bearing	Unsecured
	Wagers[1]	**9,988,650**	3,099,691	**13,401,700**	5,163,680	Noninterest-bearing	Unsecured, no impairment
	Management fees[1]	**12,000,000**	12,000,000	**9,749,849**	16,829,323	Noninterest-bearing	Unsecured, no impairment
	Advances[1]	**7,964,769**	12,465,363	**9,284,467**	12,006,439	Noninterest-bearing	Unsecured, no impairment
	Share in expenses[3]	**405,063**	622,650	**(2,622,828)**	(2,217,765)	Noninterest-bearing	Unsecured
	Receivables[1]	**77,653**	41,683	**9,920**	88,795	Noninterest-bearing	Unsecured, no impairment
	Dividends[2]	**16,000,000**	–	**16,000,000**	–	Noninterest-bearing	Unsecured, no impairment
Hi-tech	Advances[1]	**–**	–	**208,795**	208,795	Noninterest-bearing	Unsecured, no impairment
Apo Reef World Resorts Inc.	Subscriptions[4]	**(17,000,000)**	(11,500,000)	**(20,000,000)**	(37,000,000)	Noninterest-bearing	Unsecured
	Advances[1]	**33,261**	9,822	**1,493,504**	1,460,244	Noninterest-bearing	Unsecured, no impairment
	Advances and others[1]	**–**	659,616	**659,616**	659,616	Noninterest-bearing	Unsecured, no impairment
SLBPO	Payable[3]	**(82,841,477)**	–	**(82,841,477)**	–	Noninterest-bearing	Unsecured
	Receivables[1]	**19,831,828**	–	**19,831,828**	–	Noninterest-bearing	Unsecured, no impairment
	Dividends[2]	**48,770,708**	23,399,423	**–**	4,739,449	Noninterest-bearing	Unsecured, no impairment
Associates:							
Techsystems	Advances[1]	**₱8,934**	₱8,833	**₱44,967**	₱36,033	Noninterest-bearing	Unsecured, no impairment
MIC	Advances[1]	**–**	–	**4,982,104**	4,982,104	Noninterest-bearing	Unsecured, no impairment
Affiliate:							
Arco Management and Development Corporation (AMDC) (Notes 15, 16 and 30)	Lease of office spaces and parking lots	**13,194,933**	11,233,492	**(26,772,322)**	(35,461,929)	Noninterest-Bearing	Unsecured

[(1)] *Included in due from related parties presented under "Receivables" account (see Note 7).*
[(2)] *Included in dividends receivable presented under "Receivables" account (see Note 7).*
[(3)] *Included in the "Due to related parties" account in the parent company statements of financial position.*
[(4)] *Included in the "Subscription Payable" account in the parent company statements of financial position.*

Outstanding balances at year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the years ended December 31, 2019 and 2018, the Company has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

b. Compensation of key management personnel of the Company amounted to ₱96.0 million and ₱86.5 million in 2019 and 2018, respectively. The Company has no standard arrangement with regard to the remuneration of its directors. In 2019 and 2018, the BOD received a total of ₱18.8 million. Advances and loans to officers and employees amounted to ₱16.2 million and ₱18.1 million as of December 31, 2019 and 2018, respectively (see Note 7).

28. **Equity**

Capital Stock

The details of the Company's capital stock as of December 31, 2019 and 2018 are as follows:

	2019		2018	
	Number of Shares	**Amount**	Number of Shares	Amount
Common shares - ₱1 par value				
Authorized - 2,000,000,000 shares in 2019 and 1,000,000 shares in 2018				
Issued and outstanding (held by 959 and 962 equity holders in 2019 and 2018)	**1,494,251,391**	**₱1,494,251,391**	996,170,748	₱996,170,748
	1,494,251,391	**₱1,494,251,391**	996,170,748	₱996,170,748

The movement of common shares is as follows:

	2019	2018
Common shares issued and outstanding		
Balance at beginning of year	**996,170,748**	996,170,748
Issuance	**498,080,643**	–
Balance at end of year	**1,494,251,391**	996,170,748

On September 11, 2018, the BOD approved the increase of the Company's authorized capital stock from ₱1.0 billion divided into one billion share with a par value of ₱1.00 per share to ₱2.0 billion divided into two billion shares with a par value of ₱1.00 per share.

During the special stockholders' meeting held on December 7, 2018, the stockholders approved the declaration of 50% stock dividends from the Company's unrestricted retained earnings for the period ended December 31, 2017, to be taken from an increase in the Company's authorized capital stock.

On May 3, 2019, the SEC approved the increase in the authorized capital stock and the declaration of the 50% stock dividends amounting to ₱498.1 million.

Retained Earnings

In accordance with SEC Memorandum Circular No. 11 issued in December 2008, the Company's retained earnings available for dividend declaration as of December 31, 2019 and 2018 amounted to ₱632.9 million and ₱814.9 million, respectively.

Retained earnings account is restricted for the payment of dividends to the extent of the cost of shares held in treasury and deemed cost adjustment totaling ₱428.1 million and ₱430.7 million as of December 31, 2019 and December 31, 2018, respectively.

The components of the deemed cost adjustment are as follows:

	2019	2018
Investment properties	**₱611,550,782**	₱566,074,010
Real estate inventories	**−**	49,275,332
Revaluation increment	**611,550,782**	615,349,342
Deferred income tax liability	**(183,465,235)**	(184,604,803)
Deemed cost adjustment	**₱428,085,547**	₱430,744,539

The deemed cost adjustment will be realized through sale for both real estate inventories and land under investment properties. The amount of the deemed cost adjustment and undistributed earnings included in the balance of the unappropriated retained earnings are restricted and not available for dividend declaration.

On April 12, 2018, the BOD of the Company approved the appropriations of the following:

- declaration of cash dividends of ₱0.05 per share or ₱49.8 million;
- payment for the subscription to Stock Rights Offering of its affiliate, MIC, amounting to ₱201.8 million; and
- payment for the subscription to the increase in the authorized capital stock of its subsidiary, MCI, amounting to ₱30.6 million.

As of December 31, 2018, appropriated retained earnings amounted to ₱282.2 million.

On April 3, 2019, the BOD approved the reversal of appropriation of retained earnings amounting to ₱282.2 million.

Declaration of Dividends
The following are the details of dividends declared in 2018:

Type of Dividend	Date of Declaration	Date of Record	Dividends per Share
Cash	April 12, 2018	May 28, 2018	₱0.05
Stock	December 7, 2018	May 17, 2019	50.00%

As of December 31, 2019 and 2018, outstanding dividends payable amounted to ₱6.0 million (see Note 15).

During the special stockholders' meeting held on December 7, 2018, the stockholders approved the declaration of 50% stock dividends from the Company's unrestricted retained earnings for the period ended December 31, 2017, to be taken from an increase in the Company's authorized capital stock. On May 3, 2019, the SEC approved the declaration of the 50% stock dividends amounting to ₱498.1 million.

29. **Operating Segment Information**

The Company's operating businesses are recognized and managed separately according to the nature of the products and services provided. The Company's four reportable operating segments are the operation and maintenance of race tracks and holding of horse races, the development and sale of real estate properties, rental of stables, building and other facilities, and the food and beverage services provided in its casino and restaurant. No operating segments were aggregated to form these reportable operating segments. There have been no inter-segment sales and transfers. All sales and rendering of services are made to external customers and the Company does not have any major customers.

Management monitors the operating results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net income or loss and is measured consistently with the total comprehensive income in the Company financial statements.

As of December 31, 2019 and 2018, the Company has no transactions between reportable segments. The Company measures the segment net income or loss, segment assets and segment liabilities for each reportable segment in a manner similar to the measurement of the Company's total comprehensive income.

The Company's asset-producing revenues are located in the Philippines (i.e. one geographical location). Therefore, geographical segment information is no longer presented.

Segment Revenue and Expenses

The segment results for the years ended December 31 are as follows:

	2019					
	Club Races	**Real Estate**	**Rent**	**Food and Beverage**	**Unallocated**	**Total**
Segment revenue	**₱127,562,715**	**(₱16,354,625)**	**₱282,054,199**	**₱31,995,421**	**₱220,841,404**	**₱646,099,114**
Costs and expenses	**(161,909,235)**	**(11,694,737)**	**(69,724,907)**	**(28,608,737)**	**(282,160,232)**	**(554,097,848)**
Income (loss) before income tax	**(34,346,520)**	**(28,049,362)**	**212,329,292**	**3,386,684**	**(61,318,828)**	**92,001,266**
Benefit from income tax	**–**	**–**	**–**	**–**	**12,022,641**	**12,022,641**
Net income (loss)	**(₱34,346,520)**	**(₱28,049,362)**	**₱212,329,292**	**₱3,386,684**	**(₱49,296,187)**	**₱104,023,907**

	2018					
	Club Races	Real Estate	Rent	Food and Beverage	Unallocated	Total
Segment revenue	₱141,697,231	₱118,744,266	₱170,385,083	₱31,547,076	₱90,704,335	₱553,077,991
Costs and expenses	(185,571,840)	(21,671,625)	(48,170,124)	(30,540,261)	(234,349,236)	(520,303,086)
Income (loss) before income tax	(43,874,609)	97,072,641	122,214,959	1,006,815	(143,644,901)	32,774,905
Provision for income tax	–	–	–	–	(1,736,121)	(1,736,121)
Net income (loss)	(₱43,874,609)	₱97,072,641	₱122,214,959	₱1,006,815	(₱145,381,022)	₱31,038,784

Finance costs, other income-net and provision for income taxes are not allocated to individual segments as the underlying instruments are managed on a group basis, and are not provided to the chief operating decision maker at the operating segment level in 2019 and 2018.

Segment Assets and Liabilities and Other Information

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

	2019					
	Club Races	**Real Estate**	**Rent**	**Food and Beverage**	**Unallocated**	**Total**
Assets	**₱784,364,721**	**₱76,773,976**	**₱934,011,173**	**₱9,935,213**	**₱2,454,877,340**	**₱4,259,962,423**
Liabilities	**113,181,346**	**195,893,079**	**64,746,727**	**–**	**1,252,069,359**	**1,625,890,511**
Capital expenditures	**16,181,037**	**–**	**465,588,491**	**137,331**	**21,895,019**	**503,801,878**
Depreciation	**32,794,167**	**–**	**40,018,399**	**279,239**	**25,355,719**	**98,447,524**

	2018					
	Club Races	Real Estate	Rent	Food and Beverage	Unallocated	Total
Assets	₱834,382,595	₱215,021,931	₱486,995,511	₱11,267,008	₱2,007,243,847	₱3,554,910,892
Liabilities	96,457,483	32,152,717	62,826,457	–	829,471,968	1,020,908,625
Capital expenditures	5,588,158	–	1,286,606	23,127	22,139,532	29,037,423
Depreciation	42,350,135	–	19,226,070	325,589	18,096,152	79,997,946

30. **Commitments and Contingencies**

Commitments

The following are the significant commitments of the Company:

a. Right-of-Use Assets and Lease Liabilities/Operating Lease

The Company as Lessee
The Company has lease contracts for various items of property used in its operations. Leases of property generally have lease terms of 5 years. The Company's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Company is restricted from assigning and subleasing the leased assets and some contracts require the Company to maintain certain financial ratios.

Set out below are the rollforward analyses of right-of-use assets and lease liabilities during the year ended December 31, 2019:

Right-of-use assets

Effect of adoption of PFRS 16 as at January 1, 2019 (Note 3)	₱35,461,929
Depreciation expense (Notes 11 and 18)	10,822,138
Balance at year-end	₱24,639,791

Lease liabilities

Effect of adoption of PFRS 16 as at January 1, 2019 (Note 3)	₱35,461,929
Interest expense (Note 24)	2,372,795
Payment	(11,062,402)
Balance at year-end	26,772,322
Less current portion (Note 15)	9,925,933
Noncurrent portion (Note 16)	₱16,846,389

The following are the amounts recognized in the parent company statements of comprehensive income:

	2019	2018
Depreciation expense of right-of-use assets (Notes 11 and 19)	₱10,822,138	₱–
Interest expense on lease liabilities (Note 24)	2,372,795	–
Expenses relating to short-term leases (Notes 18 and 19)	2,621,322	–
Rent expense - PAS 17 (Notes 18 and 19)	–	17,031,605
Total amount recognized in the parent company statements of comprehensive income	₱15,816,255	₱17,031,605

The Company as Lessee - Operating Lease
On December 31, 2017, the Company renewed its lease agreement with AMDC, an affiliate under common control, for the lease of office space and four parking lots. The lease is for a period of five years starting January 1, 2018 to December 31, 2022. The monthly rate of the lease amounted to ₱ 545,671 subject to an annual escalation rate of 5.0%.

On January 1, 2011, the Company entered into another lease agreement with AMDC for another office space. The lease is for the period of five years starting 2011 and has ended on December 31, 2015. The contract was renewed for another five years from January 1, 2016 to December 31, 2020. The monthly rate of the lease is ₱332,297 subject to an annual escalation rate of 5.0%.

The future minimum lease payments under this operating lease as of December 31 are as follows:

	2019	2018
Within one year	**₱11,615,522**	₱11,062,402
After one year but not more than five years	**18,324,664**	29,940,185
	₱29,940,186	₱41,002,587

The Company entered into various short-term leases pertaining to production equipment, photocopiers, and additional parking spaces not included in the contract with AMDC. Rental expense charged to profit and loss amounted to ₱2.6 million in 2019.

b. Operating Lease Commitment with PAGCOR - the Company as Lessor

In 2013, the Company entered into a lease contract for three years commencing on July 10, 2013 with PAGCOR to lease an area of 189.231 sqm. for a monthly fixed rental of ₱587.08 per sqm. for its casino and related activities. The agreement expired on June 30, 2016. In January 2019, the Company renewed the lease agreement for a period of three (3) years.

Rent income from PAGCOR in 2019 and 2018 amounted to ₱1.4 million and ₱1.2 million in 2019 and 2018, respectively (Note 11).

c. In October 2013, the Company entered into a lease agreement with PAGCOR to lease 1,427 sqm. property, with modern slot machines, including the rights to a proprietary system of linking and networking the said slot machines in Turf Club Bldg., San Lazaro Leisure Park, Carmona, Cavite. The Company shall receive monthly variable rent equivalent to thirty-five percent (35%) of revenues less winnings/prizes and five (5%) franchise tax. The agreement expired on June 30, 2016. In May 2018, the Company renewed the lease agreement with PAGCOR valid until June 30, 2023.

In 2019 and 2018, income from the lease agreement with PAGCOR amounted to ₱12.6 million and ₱12.1 million, respectively.

d. In April 2018, the Company entered into an agreement with Jade Entertainment and Gaming Technologies, Inc., where the latter shall supply, install, commission, conduct and provide marketing for Casino, including but not limited to, food and beverages, entertainment, promotions, consumables for membership station.. In addition, the latter shall provide and maintain the floor management system to the machines. The Company shall pay USD$1.00 per day per machine for all machines connected to the system.

e. On January 1, 2018, the Company entered into new lease agreement with MCI for the use of existing facilities at MJCI complex in Carmona, Cavite which are: a.) the cockpit arena located at the ground floor of the turf club with an aggregated area of 315 sqm., b.) maintenance of the staging area or the gamefowls houses 1 and 2, and c.) the gamefowls farm stabling the gamefowls and open area for the preparation and pointing of the gamefowls. The lease has a fixed monthly rate of ₱1.5 million and a variable lease equivalent to 13% of the Company's gross revenue exclusive of 12% VAT which commenced on January 1, 2018. In 2019 and 2018, rent income from the lease agreement with MCI amounted to ₱198.1 million and ₱92.7 million, respectively.

f. On May 1, 2018, the Company entered into a lease agreement with Datem, Inc. to lease an area of 16,719 sqm. in Sta. Cruz, Manila for a monthly fixed rental of ₱150,000, exclusive of VAT. On January 1, 2019, the lease agreement is renewed for another nine (9) months. In 2019 and 2018, rent income from these lease agreements with Datem amounted to ₱1.4 million and ₱1.2 million, respectively.

g. In 2018, the Company entered into various lease agreements for one year to lease condominium units in Alveo and Avida for a monthly fixed rental of ₱24,000 - ₱25,000 inclusive of VAT. The lease agreements are renewable for another one (1) year upon mutual agreements of both parties. In 2019 and 2018, rent income from these lease agreements amounted to ₱1.2 million and ₱1.1 million, respectively.

h. Memorandum of Agreement with AKL Properties, Inc. (AKL)

   On July 16, 2019, a memorandum of agreement has been executed between the Company and AKL Properties, Inc. (AKL) to purchase the Company's land properties located in Carmona, Cavite with 608,712 sqm., for the purpose of developing it into a mixed-used township project with complementary uses. This excludes the MJC Turf Club Building with 36,000 sqm. where the Company shall retain its ownership. The Company agrees to vacate the land properties no later than three (3) years from the signing of the agreement or the expiration of the congressional franchise on November 23, 2022 whichever is later, subject to a phase-out plan acceptable to AKL. If the agreement is terminated, the advances shall be paid within 90 days from the termination date.

   On December 13, 2019, the Company received an advances from AKL amounting to ₱500.0 million and are presented under "Advances to third parties" account in the parent company statements of financial position. These advances are subject to liquidation in 2022.

i. Memorandum of Agreement with Wisem Global Inc. (WGI) and SymVerse Inc. (SVI)

   On October 29, 2019, a memorandum of agreement has been executed between the WGI and SVI and Company and MCI to deliver the latter party the content in accordance with the specifications and in such format as agreed between the parties from time to time, to enable the WGI and SVI to create, develop and deliver the Platform on or before the delivery date. In accordance with the contract, the Company and MCI will share in the revenue derived from the use of the betting platform.

   The Company received advances from WGI and SVI amounting to US$100.0 thousand (₱5.1 million) and are presented under "Advances from third parties" account in the parent company statements of financial position. The deposits shall thereafter be deducted from the revenue share of the Company upon commencement of operations, which is expected to be in 2021.

<u>Contingencies:</u>

Unclaimed Dividends on Winnings
Under PR58D of the *Rules and Regulations on Horse Racing* promulgated by the Philippine Racing Commission (PHILRACOM), the latter claims control over the disposition of unclaimed dividends.

The Company disputed the legality of PR58D in its letters to PHILRACOM dated June 14, 2012 and July 13, 2012. The Company maintained that there is no law authorizing PHILRACOM to determine the proper use or disposition of the unclaimed dividends and PHILRACOM exceed its rule-making authority in issuing PR58D. The Company likewise contended that unclaimed dividends are private funds as these funds are not included in the amounts that are supposed to be remitted to or held by the Company for the government under its charter.

Furthermore, a *Notice* appears in the dorsal portion of the Company's betting tickets which state that winning tickets must be claimed within thirty days from date of purchase, otherwise, the prize shall be forfeited in favor of the Company. This provision is a valid agreement between the Company and the bettor under the principle of autonomy of contracts.

As part of its audit of the PHILRACOM, the Commission on Audit (COA) issued an *Independent Auditor's Report* dated March 27, 2013 wherein COA opined that unclaimed dividends of winning bettors should be forfeited in favor of the government and should form part of the National Treasury. However, in the same report, COA acknowledged the absence of any legislative mandate as regards the disposition of unclaimed dividends. Thus, COA required the PHILRACOM to request for a Declaratory Relief from the Department of Justice to resolve the issue on the nature of unclaimed dividends.

To resolve the foregoing issue, the Company filed a *Petition for Declaratory Relief* on November 6, 2013.

On July 27, 2016, the Regional Trial Court of Bacoor, Cavite granted the petition in favor of the Company. On January 17, 2017, PHILRACOM and Games and Amusement Board (GAB) filed a Petition for Review on Certiorari before the Supreme Court. As of July 10, 2020, the status is still pending before the Supreme Court.

Claims and Legal Actions
As of December 31, 2019 and 2018, there are pending claims and legal actions against or in favor of the Company arising from the normal course of business, in addition to the matters already mentioned elsewhere in these financial statements. In the opinion of the Company's management and its legal counsel, liabilities arising from these claims, if any, would not have any material effect on the Company and any liability or loss arising therefrom would be taken up when the final resolution of the claims and actions are determined.

31. Financial Value Measurement

The following tables present the fair value hierarchy of the Company's financial assets at FVOCI loans and borrowings, and investment properties:

	2019				
			Fair value measurement using		
	Carrying Amounts	**Fair Value**	**Quoted Prices in Active Market (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets Measured at Fair Value:					
Financial assets at FVOCI**	**₱71,741,227**	**₱71,741,227**	**₱71,741,227**	**₱–**	**₱–**
Deposits**	**3,375,580**	**3,375,580**	**–**	**–**	**3,375,580**

(Forward)

	2019				
			Fair value measurement using		
	Carrying Amounts	**Fair Value**	**Quoted Prices in Active Market (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets for which Fair Values are disclosed:					
Investment properties	**₱1,463,891,002**	**₱12,671,172,000**	**₱–**	**₱–**	**₱12,671,172,000**
Liabilities Measured at Fair Value:					
Loans and borrowings	**299,250,000**	**299,250,000**	**–**	**–**	**299,250,000**
Advances from third parties	**505,076,000**	**505,076,000**	**–**	**–**	**505,076,000**

***Included in the "Other noncurrent assets" account in the parent company statements of financial position.*

	2018				
			Fair value measurement using		
	Carrying Amounts	Fair Value	Quoted Prices in Active Market (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets Measured at Fair Value:					
Financial assets at FVOCI**	₱24,251,435	₱24,251,435	₱24,251,435	₱–	₱–
Deposits**	3,375,580	3,375,580	–	–	3,375,580
Assets for which Fair Values are disclosed:					
Investment properties	966,325,456	5,074,995,805	–	–	5,074,995,805
Liabilities Measured at Fair Value:					
Loans and borrowings	288,636,040	288,636,040	–	–	288,636,040

***Included in the "Other noncurrent assets" account in the parent company statements of financial position.*

As of December 31, 2019 and 2018, the Company's financial assets at FVOCI assets measured at fair value under the Level 1 hierarchy totaled ₱71.7 million and ₱24.3 million, respectively. There were no financial instruments measured at fair value under the Level 2 and Level 3 hierarchy.

In 2019 and 2018, the carrying value of cash in banks (except cash on hand), receivables, deposits, accounts payable and other liabilities (except statutory liabilities), short-term loans and borrowings and due to related parties approximate their fair value due to the short-term nature of the accounts.

32. Financial Risk Management Objectives and Policies

The Company's financial instruments comprise cash in bank except cash on hand, receivables, financial assets at FVOCI, deposits, accounts payable and other liabilities, interest-bearing loans and borrowings, due to related parties and subscription payable. The main purpose of these financial instruments is to finance the Company's operations.

The main risks arising from the use of these financial instruments include cash flow interest rate risk, equity price risk, foreign currency risk, credit risk and liquidity risk. The Company's BOD reviews and approves the policies for managing these risks and these are summarized below.

Cash flow interest rate risk
Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has no exposure to the risk of changes in market interest rate because the Company's interest-bearing loans and borrowings carry fixed interest rates (see Note 14).

Equity price risk
Equity price risk is the risk that the fair values of quoted equity securities will fluctuate because of changes in the level of indices and the value of individual stocks. The Company is exposed to equity price risk because of quoted equity investments held by the Company, which are classified in the parent company statements of financial position as financial assets at FVOCI.

The following table demonstrates the sensitivity of the Company's equity to a reasonably possible change in the PSE index (PSEi), with all other variables held constant, for the years ended December 31, 2019 and 2018:

	Increase (decrease) in PSEi	**Effect on equity**
2019	**+5%**	**₱7,214,472**
	-5%	**(7,214,472)**
2018	+14%	5,516,740
	-14%	(5,516,740)

Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows from the Company's foreign currency denominated assets or liabilities may fluctuate due to changes in foreign exchange rates.

The Company's foreign currency risk relates to its foreign currency-denominated cash in banks. To manage this risk, management closely monitors the movements in exchange rates and regularly assesses future foreign exchange rate movements.

The Company's outstanding foreign currency-denominated financial asset pertaining to cash in banks as of December 31 and its Peso equivalent are as follows:

	United States (US) Dollar	Philippine Peso
2019	**US$4,481**	**₱226,893**
2018	1,913	100,592

As of December 31, 2019 and 2018, the applicable closing exchange rates were ₱50.64 and ₱52.58 to US$1, respectively. Net foreign exchange loss amounted to ₱174,799 and ₱96,350 in 2019 and 2018, respectively (see Note 25).

The sensitivity of the Company's income before income tax to a reasonably possible change in the US Dollar exchange rate against the Peso, with all other variables held constant, has no significant effect in the parent company financial statements for the years ended December 31, 2019 and 2018.

Credit risk
Credit risk arises because the counterparty may fail to discharge its contractual obligations. The Company transacts only with related parties and recognized and creditworthy third parties. Receivable balances are monitored on an ongoing basis. Further, management intensifies its collection efforts to collect from defaulting third parties.

The Company's policy is to enter into transactions with a diversity of creditworthy parties to mitigate any significant concentrations of credit risk. There is no significant concentration of credit risk in the Company.

The table below shows the maximum exposure to credit risk of the Company as of December 31, 2019 and 2018.

	2019	2018
Loans and receivables:		
Cash and cash equivalents:		
Cash in banks	**₱131,012,877**	₱182,517,891
Cash equivalents	**15,105,647**	–
	146,118,524	182,517,891
Receivables:		
Due from related parties	**187,450,731**	45,375,920
Dividends receivable	**69,000,000**	34,551,949
Real estate receivables*	**21,145,589**	109,133,058
Rent receivables - net	**20,224,839**	15,998,220
Advances and loans to officers and employees	**16,164,116**	18,149,468
Advances to suppliers and contractors	**13,745,399**	9,645,515
Receivables from OTB operators	**12,969,297**	3,246,618
Receivable from food and beverages operation	**3,766,582**	4,423,786
Receivable from third parties	**–**	16,132,801
Others	**9,946,191**	3,277,081
	354,412,744	259,934,416
Other noncurrent assets:		
Deposits	**3,375,580**	3,375,580
Financial assets at FVOCI	**71,741,227**	24,251,435
	₱575,648,075	₱470,079,322

**Inclusive of noncurrent real estate receivables*

The tables below show the credit quality of financial assets as of December 31.

	2019				
	Neither past due nor impaired				
	Grade A	**Grade B**	**Grade C**	**Past Due or Individually Impaired**	**Total**
Loans and receivables:					
Cash and cash equivalents:					
Cash in banks	**₱131,012,877**	**₱–**	**₱–**	**₱–**	**₱131,012,877**
Cash equivalents	**15,105,647**	**–**	**–**	**–**	**15,105,647**
	146,118,524	**–**	**–**	**–**	**146,118,524**
Receivables					
Due from related parties	**187,450,731**	**–**	**–**	**11,285**	**187,462,016**
Dividends receivable	**69,000,000**	**–**	**–**	**–**	**69,000,000**
Real estate receivables	**21,145,589**	**–**	**–**	**44,319,063**	**65,464,652**
Rent receivables	**20,224,839**	**–**	**–**	**1,360,639**	**21,585,478**
Advances and loans to officers and employees	**16,164,116**	**–**	**–**	**–**	**16,164,116**
Advances to suppliers and contractors	**13,745,399**	**–**	**–**	**7,623,924**	**21,369,323**
Receivables from OTB operators	**12,969,297**	**–**	**–**	**468,356**	**13,437,653**
Receivables from food and beverages operations	**3,766,582**	**–**	**–**	**–**	**3,766,582**
Receivable from third parties	**–**	**–**	**–**	**1,083,880**	**1,083,880**

(Forward)

	2019				
	Neither past due nor impaired			**Past Due or Individually**	
	Grade A	**Grade B**	**Grade C**	**Impaired**	**Total**
Others	**₱9,946,191**	**₱–**	**₱–**	**₱3,881,462**	**₱13,827,653**
	354,412,744	**–**	**–**	**58,748,609**	**413,161,353**
Deposits*	**3,375,580**	**–**	**–**	**–**	**3,375,580**
Financial assets at FVOCI*	**71,741,227**	**–**	**–**	**–**	**71,741,227**
	₱575,648,075	**₱–**	**₱–**	**₱58,748,609**	**₱634,396,684**

**Included in "Other noncurrent assets" account in the parent company statements of financial position.*

	2018				
	Neither past due nor impaired			**Past Due or Individually**	
	Grade A	**Grade B**	**Grade C**	**Impaired**	Total
Loans and receivables:					
Cash in banks	₱182,517,891	₱–	₱–	₱–	₱182,517,891
Receivables					
Real estate receivables	109,133,058	–	–	18,888,371	128,021,429
Due from related parties	45,375,920	–	–	11,285	45,387,205
Dividends receivable	34,551,949	–	–	–	34,551,949
Advances and loans to officers and employees	18,149,468	–	–	–	18,149,468
Receivable from third parties	16,132,801	–	–	1,083,880	17,216,681
Rent receivables	15,998,220	–	–	1,360,639	17,358,859
Advances to suppliers and contractors	9,645,515	–	–	7,082,960	16,728,475
Receivables from OTB operators-net	3,246,618	–	–	468,356	3,714,974
Others	7,700,867	–	–	3,881,462	11,582,329
	259,934,416	–	–	32,776,953	292,711,369
Deposits*	3,375,580	–	–	–	3,375,580
Financial assets at FVOCI*	24,251,435	–	–	–	24,251,435
	₱470,079,322	₱–	₱–	₱32,776,953	₱502,856,275

** Included in "Other noncurrent assets" account in the parent company statements of financial position.*

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

Financial instruments and cash deposits
Credit risk from balances with banks and financial institutions is managed by the Company's treasury department in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Company's BOD on an annual basis, and may be updated throughout the year subject to approval of the Company's Finance Committee. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments. These financial assets are classified as Grade A due to the counterparties' low probability of insolvency.

Receivables
Credit risk from receivables is managed by the Company through an established policy, procedures and control relating to credit risk management of receivables from customers, OTB operators, lessees, related parties and other counterparties.

An impairment analysis is performed at each reporting date. In addition, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actual incurred historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 7. The Company does not hold collateral as security. The Company evaluates the concentration of risk with respect to trade receivables as low, as its customers are in different industries and none of which holds at least 5.0% of the total receivables.

For real estate receivables, and other receivables, Grade A are classified as financial assets with high credit worthiness and probability of default is minimal. While receivables under Grade B and C have favorable and acceptable risk attributes, respectively, with average credit worthiness.

Receivable from related parties are considered Grade A due to the Company's positive collection experience.

Refundable Deposits
Security and refundable deposits are classified as Grade A since these are to be refunded by the utility companies at the end of lease term and holding period, respectively, as stipulated in the agreements.

Liquidity risk
The Company monitors and maintains a certain level of cash and cash equivalents to finance the Company's operation, ensure continuity of funding and to mitigate the effect of fluctuations in cash flows. It maintains a balance between continuity of funding and flexibility by regularly evaluating its projected and actual cash flows through the use of bank loans and extension of suppliers' credit terms. The Company maximizes the net cash inflows from operations to finance its working capital requirements.

The tables below summarize the maturity profile of the Company's financial liabilities as of December 31, 2019 and 2018 based on contractual undiscounted payments (principal and interest) and the profile of the financial assets used to manage the Company's liquidity risk.

December 31, 2019

	Within 1 year	>1 year to <3 years	3 years to <5 years	5 years and more	Total
Loans and borrowings:					
Short term loans and borrowings*	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**
Long-term loans and borrowings	**79,458,750**	**148,522,500**	**118,912,500**	**–**	**346,893,750**
Accounts payable and other liabilities**	**371,376,902**	**–**	**–**	**–**	**371,376,902**
Due to related parties	**107,579,767**	**–**	**–**	**–**	**107,579,767**
	₱558,415,419	**₱148,522,500**	**₱118,912,500**	**₱–**	**₱825,850,419**

**Amounts are inclusive of interest amounting to ₱47.6 million for December 31, 2019.*
***Amounts are exclusive of nonfinancial liabilities amounting to ₱99.9 million.*

	Within 1 year	>1 year to <3 years	3 years to <5 years	Total
Financial assets at AC:				
Cash in banks	**₱131,012,877**	**₱–**	**₱–**	**₱131,012,877**
Cash Equivalents	**15,105,647**	**–**	**–**	**15,105,647**
Receivables	**354,412,744**	**–**	**–**	**354,412,744**
Deposits*	**–**	**–**	**3,375,580**	**3,375,580**
	500,531,268	**–**	**3,375,580**	**503,906,848**
Financial assets at FVOCI	**71,741,227**	**–**	**–**	**71,741,227**
	₱572,272,495	**₱–**	**₱3,375,580**	**₱575,648,075**

**Included in "Other noncurrent assets" in the parent company statements of financial position.*

December 31, 2018

	Within 1 year	>1 year to <3 years	3 years to <5 years	5 years and more	Total
Loans and borrowings:					
Short term loans and borrowings*	₱301,047,390	₱–	₱–	₱–	₱301,047,390
Accounts payable and other liabilities**	370,199,638	–	–	–	370,199,638
Due to related parties	40,964,367	–	–	–	40,964,367
	₱712,211,395	₱–	₱–	₱–	₱712,211,395

**Amounts are inclusive of interest amounting to ₱12.4 million for December 31, 2018.*
***Amounts are exclusive of nonfinancial liabilities amounting to ₱67.1 million.*

	Within 1 year	>1 year to <3 years	3 years to <5 years	Total
Loans and receivables:				
Cash in banks	₱182,517,891	₱–	₱–	₱182,517,891
Receivables	259,934,416	–	–	259,934,416
Deposits*	–	–	3,375,580	3,375,580
	442,452,307	–	3,375,580	445,827,887
Financial assets at FVOCI	24,251,435	–	–	24,251,435
	₱466,703,742	₱–	₱3,375,580	₱470,079,322

**Included in "Other noncurrent assets" in the parent company statements of financial position.*

Changes in liabilities arising from financing activities

2019

	December 31, 2018	**Cash flows**	**Interest expense**	**Dividends declared**	**Additional subscription**	**December 31, 2019**
Short-term loans and borrowings (Note 14)	**₱288,636,040**	**(₱288,636,040)**	**₱–**	**₱–**	**₱–**	**₱–**
Long-term loans and borrowings (Note 14)	**–**	**299,250,000**	**–**	**–**	**–**	**299,250,000**
Advances from third parties	**–**	**505,076,000**	**–**	**–**	**–**	**505,076,000**
Dividends payable (Note 15)	**5,974,351**	**–**	**–**	**–**	**–**	**5,974,351**
Subscription payable	**128,875,000**	**(17,000,000)**	**–**	**–**	**–**	**111,875,000**
Interest payable	**–**	**(13,975,809)**	**13,975,809**	**–**	**–**	**–**
Total liabilities from financing activities	**₱423,485,391**	**₱484,714,151**	**₱13,975,809**	**₱–**	**₱–**	**₱922,175,351**

2018

	December 31, 2017	Cash flows	Interest expense	Dividends declared	Additional subscription	December 31, 2018
Short-term loans and borrowings (Note 14)	₱234,000,000	₱54,636,040	₱–	₱–	₱–	₱288,636,040
Dividends payable (Note 15)	4,180,958	(48,014,670)	–	49,808,063	–	5,974,351
Subscription payable	48,500,000	(42,125,000)	–	–	122,500,000	128,875,000
Interest payable	–	(10,122,258)	10,122,258	–	–	–
Total liabilities from financing activities	₱286,680,958	(₱45,625,888)	₱10,122,258	₱49,808,063	₱122,500,000	₱423,485,391

33. Capital Management

The Company maintains a capital base to cover risks inherent in the business. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend payments to shareholders, return capital to shareholders or issue capital securities.

The following table summarizes the total capital considered by the Company:

	2019	2018
Capital stock	**₱1,494,251,391**	₱996,170,748
Remeasurement on retirement benefits	**13,969,716**	17,413,770
Net cumulative changes in fair values of financial assets at FVOCI	**4,087,404**	4,597,612
Retained earnings	**1,121,770,497**	1,515,827,233
Treasury shares	**(7,096)**	(7,096)
	₱2,634,071,912	₱2,534,002,267

No changes were made in the objectives, policies and processes from the previous years.

34. Basic/Diluted EPS

Basic/diluted EPS were computed as follows:

	2019	2018
Net income	**₱104,023,907**	₱31,038,784
Divided by weighted average number of outstanding common shares	**1,494,251,391**	1,494,256,122
Basic/diluted earnings per share	**₱0.0696**	₱0.0207

Common shares outstanding at beginning of the year	**996,170,748**	996,170,748
Effect of stock dividends in 2019	**498,080,643**	498,080,643
Number of outstanding common shares	**1,494,251,391**	1,494,251,391

Stock dividends declared and distributed in 2019 has retroactive effect on the number of outstanding common shares for purposes of EPS calculation.

The Company does not have potential dilutive common shares as of December 31, 2019 and 2018. Therefore, the basic and diluted earnings per share are the same as of those dates.

35. Subsequent Events

COVID-19 Outbreak

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region (NCR) effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six months and imposed an enhanced community quarantine throughout the island of Luzon until April 12, 2020, which was subsequently extended to May 15, 2020. On May 12, 2020, the NCR and certain parts of the Philippines were placed under a modified form of ECQ (MECQ) until May 31, 2020. On May 28, 2020, the NCR was placed under GCQ starting June 1, 2020, while the rest of the country were placed under either MECQ, GCQ or modified GCQ, depending on the risk classification of the area. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve.

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

36. Supplementary Information Required Under Revenue Regulation (RR) 15-2010

In compliance with the requirements set forth by RR 15-2010, hereunder are the information on taxes and license fees paid or accrued during the taxable year 2019.

a. Details of the Company's gross receipts, output VAT and input VAT accounts are as follows:

	Gross Receipts	Output VAT
Taxable sales	₱439,029,169	₱52,683,501
Sales to government	1,463,060	175,567
Zero - rated sales	99,184,170	–
Exempt sales	11,918,444	–
	₱551,594,843	₱52,859,068

The amount of VAT input taxes claimed are broken down as follows:

Balance at the beginning of the year	₱3,335,850
Current year's purchases:	
Domestic purchases of services	75,884,850
Domestic purchases of goods other than capital goods not subject to amortization	2,692,265
Importation of goods other than capital goods	–
Services rendered by non-residents	1,389,209
Purchase of capital goods exceeding ₱1.0 million	322,562
Purchase of capital goods not exceeding ₱1.0 million	1,576,151
Input tax used for the year	(81,433,152)
Balance at the end of the year	₱3,767,735

b. In 2019, the company paid VAT amounting to ₱25,229,623 including 2018 VAT payable of ₱1,646,343.

c. Documentary stamp taxes (DST) paid/accrued by the Company are shown below:

	2019
Acquisition contracts	₱9,683,884
Increase in authorized capital stock and declaration of stock dividend	4,980,808
Loan instruments	3,583,426
Registration of real estate mortgage	1,260,020
Lease agreement	939,398
	₱20,447,536

The Company paid and accrued documentary stamp tax for sale of races amounting to ₱336,165,273.

d. Other taxes and licenses:

National:	
BIR annual registration	₱1,000
Local:	
Mayor's permit	1,529,710
Racing permit	361,162
Annual inspection fee	71,343
Barangay clearance	14,200
Community Tax Certificate (CTC)	10,500

(Forward)

Other permits	₱61,856
Others:	
Transfer tax	4,391,179
Filing fee for the application for the increase of capital stock	2,021,010
Real estate mortgage (REM) registration fee	1,432,862
Annual listing fee (SEC)	1,040,994
Final taxes	858,419
Real property tax	780,515
Permit to operate generator	201,133
GAB/Philracom/Occupational permits/licenses of employees, tellers, racing officials	83,195
Other taxes	259,125
	₱13,118,203

e. The amount of withholding taxes paid/accrued for the year amounted to:

Withholding taxes on compensation	₱10,070,009
Expanded withholding taxes	6,654,386
Final withholding income tax	1,500,315
Value-added tax and other percentage tax	1,389,209
Fringe benefit tax	445,362
	₱20,059,281

SECURITIES AND EXCHANGE COMMISSION

FORM 17-Q

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

1. For the quarterly period ended March 31, 2020

2. Commission identification number PW803 3. BIR Tax Identification No. 000-786-765

4. Exact name of issuer as specified in its charter **MANILA JOCKEY CLUB, INC.**

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

6. Industry Classification Code: (SEC Use Only)

7. Address of issuer's principal office Postal Code

   San Lazaro Leisure and Business Park, Brgy. Lantic, Carmona, Cavite 1014

8. Issuer's telephone number, including area code (632) 687-9889

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

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

Title of each Class	**Number of shares of common stock outstanding and amount of debt outstanding**
Common	1,494,241,674

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

    Yes [x] No [ ]

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

    Philippine Stock Exchange, Inc. Common Shares

12. Indicate by check mark whether the registrant:

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

    Yes [x] No [ ]

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

    Yes [x] No [ ]

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

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

- Consolidated Statements of Financial Position as of March 31, 2020 and December 31, 2019
- Consolidated Statements of Comprehensive Income for the quarters ended March 31, 2020 and 2019
- Consolidated Statements of Comprehensive Income for the periods ended March 31, 2020 and 2019
- Consolidated Statements of Changes in Equity for the periods ended March 31, 2020 and 2019
- Consolidated Statements of Cash Flows for the quarters ended March 31, 2020 and 2019
- Consolidated Statements of Cash Flows for the periods ended March 31, 2020 and 2019
- Aging Schedule of Receivables as of March 31, 2020
- Notes to Consolidated Financial Statements

Item 2. Management's Discussion and Analysis of Plan of Operations

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

PART II – OTHER INFORMATION

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

SIGNATURES

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

MANILA JOCKEY CLUB, INC.

July 15, 2020
Date

By:

NESTOR N. UBALDE
Chief Finance Officer

ANNEX "A"

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF MARCH 31, 2020 AND DECEMBER 31, 2019

	UNAUDITED MARCH 2020	AUDITED DECEMBER 2019
ASSETS	(In Philippine Peso)	
Current Assets		
Cash and cash equivalents (Note 6)	**364,154,420**	602,987,261
Receivables (Note 7)	**194,275,021**	176,853,170
Inventories (Note 8)	**11,179,024**	9,104,522
Prepayments and other current assets (Note 9)	**72,265,836**	26,127,770
Total Current Assets	**641,874,301**	815,072,723
Noncurrent Assets		
Real estate receivables - net of current portion (Note 7)	**20,791,854**	7,944,094
Investments in and advances to associates and joint ventures (Note 10)	**2,011,299,594**	2,032,407,093
Property and equipment (Notes 11)	**832,561,284**	840,366,743
Investment properties (Notes 10 and 12)	**1,627,362,818**	1,622,622,254
Deferred tax assets - net	**1,799,260**	1,799,260
Other noncurrent assets (Note 13)	**118,217,388**	161,224,234
Total Noncurrent Assets	**4,612,032,198**	4,666,363,678
	5,253,906,498	5,481,436,401
LIABILITIES AND EQUITY		
Current Liabilities		
Current portion of long-term loans and borrowings (Note 14)	**63,000,000**	63,000,000
Accounts payable and other liabilities (Notes 15)	**282,197,674**	507,619,135
Income tax payable	**43,733,082**	34,249,717
Due to related parties	**13,734,482**	13,734,482
Total Current Liabilities	**402,665,238**	618,603,334
Noncurrent Liabilities		
Long-term loans and borrowings - net of current portion (Note 14)	**225,750,000**	236,250,000
Deferred tax liabilities - net	**170,419,412**	170,419,412
Advances from third parties	**505,076,000**	505,076,000
Other non-current liabilities (Note 16)	**138,372,612**	143,480,712
Total Noncurrent Liabilities	**1,039,618,024**	1,055,226,124
	1,442,283,262	1,673,829,458
Equity		
Capital stock (Note 27)	**1,494,251,136**	1,494,251,136
Additional paid-in capital	**27,594,539**	27,594,539
Actuarial gains on accrued retirement benefits	**13,708,769**	13,708,769
Net cumulative changes in fair values of financial assets measured at FVOCI	**4,260,960**	4,260,960
Retained earnings (Note 31)	**2,213,727,714**	2,208,852,730
Treasury shares (Note 31)	**(7,096)**	(7,096)
Equity attributable to equity holders of the parent company	**3,753,536,022**	3,748,661,038
Non-controlling interests (Note 1)	**58,087,214**	58,945,905
Total Equity	**3,811,623,236**	3,807,606,943
	5,253,906,498	5,481,436,401

See accompanying Notes to Consolidated Financial Statements.

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE QUARTERS ENDED MARCH 31, 2020 AND 2019

	UNAUDITED MARCH 2020	UNAUDITED MARCH 2019
	(In Philippine Peso)	
REVENUES		
Club races	**21,440,149**	33,603,462
Cockfighting	**234,933,338**	324,744,554
Real estate	**-**	(520,968)
Rent (Notes 11 and 12)	**118,480,042**	18,658,279
Food and beverages	**6,300,447**	6,138,988
Others	**1,551,146**	411,810
	382,705,122	383,036,125
COST OF SALES AND SERVICES (Note 17)		
Club races	**36,967,497**	41,113,006
Cockfighting	**192,377,488**	179,502,721
Real estate	**-**	(176,989)
Rent	**35,910,947**	12,162,651
Food and beverages	**5,853,456**	7,420,828
Others	**2,986,489**	2,057,641
	274,095,877	242,079,858
GROSS INCOME	**108,609,245**	140,956,267
General and administrative expenses (Note 18)	**(77,216,068)**	(85,123,324)
Selling expense (Note 8)	**-**	(36,600)
Interest income (Notes 6, 7 and 22)	**140,215**	2,907,406
Finance costs (Notes 14 and 23)	**(3,904,466)**	(4,471,310)
Equity in net earnings (losses) of associates and joint ventures (Note 10)	**(21,107,499)**	(22,770,721)
Other income - net (Note 24)	**6,998,514**	5,933,451
INCOME (LOSS) BEFORE INCOME TAX	**13,519,941**	37,395,169
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 25)		
Current	**9,503,648**	19,107,591
Deferred	**-**	-
	9,503,648	19,107,591
NET INCOME (LOSS)	**4,016,293**	18,287,578
OTHER COMPREHENSIVE INCOME (LOSS)		
Items of other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods		
Net changes in fair values of AFS financial assets	-	-
Items of other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods		
Actuarial gains (losses) on remeasurement of retirement benefits, net of tax	-	-
TOTAL COMPREHENSIVE INCOME (LOSS)	**4,016,293**	18,287,578
Net income attributable to:		
Equity holders of the parent company	**4,874,984**	18,807,869
Noncontrolling interests	**(858,691)**	(520,291)
	4,016,293	18,287,578
Total comprehensive income (loss) attributable to:		
Equity holders of the parent company	**4,874,984**	18,807,869
Noncontrolling interests	**(858,691)**	(520,291)
	4,016,293	18,287,578
Basic/Diluted Earnings (Loss) Per Share (Note 28)	**0.0033**	0.0189

See accompanying Notes to Consolidated Financial Statements

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE PERIODS ENDED MARCH 31, 2020 AND 2019

	UNAUDITED **MARCH 2020**	UNAUDITED MARCH 2019
	(In Philippine Peso)	
REVENUES		
Club races	**21,440,149**	33,603,462
Cockfighting	**234,933,338**	324,744,554
Real estate	-	(520,968)
Rent (Notes 11 and 12)	**118,480,042**	18,658,279
Food and beverages	**6,300,447**	6,138,988
Others	**1,551,146**	411,810
	382,705,122	383,036,125
COST OF SALES AND SERVICES (Note 17)		
Club races	**36,967,497**	41,113,006
Cockfighting	**192,377,488**	179,502,721
Real estate	-	(176,989)
Rent	**35,910,947**	12,162,651
Food and beverages	**5,853,456**	7,420,828
Others	**2,986,489**	2,057,641
	274,095,877	242,079,858
GROSS INCOME	**108,609,245**	140,956,267
General and administrative expenses (Note 18)	**(77,216,068)**	(85,123,324)
Selling expense (Note 8)	-	(36,600)
Interest income (Notes 6, 7 and 22)	**140,215**	2,907,406
Finance costs (Notes 14 and 23)	**(3,904,466)**	(4,471,310)
Equity in net earnings (losses) of associates and joint ventures (Note 10)	**(21,107,499)**	(22,770,721)
Other income - net (Note 24)	**6,998,514**	5,933,451
INCOME (LOSS) BEFORE INCOME TAX	**13,519,941**	37,395,169
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 25)		
Current	**9,503,648**	19,107,591
Deferred	-	-
	9,503,648	19,107,591
NET INCOME (LOSS)	**4,016,293**	18,287,578
OTHER COMPREHENSIVE INCOME (LOSS)		
Items of other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods		
Net changes in fair values of AFS financial assets	-	-
Items of other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods		
Actuarial gains (losses) on remeasurement of retirement benefits, net of tax	-	-
TOTAL COMPREHENSIVE INCOME (LOSS)	**4,016,293**	18,287,578
Net income attributable to:		
Equity holders of the parent company	**4,874,984**	18,807,869
Noncontrolling interests	**(858,691)**	(520,291)
	4,016,293	18,287,578
Total comprehensive income (loss) attributable to:		
Equity holders of the parent company	**4,874,984**	18,807,869
Noncontrolling interests	**(858,691)**	(520,291)
	4,016,293	18,287,578
Basic/Diluted Earnings (Loss) Per Share (Note 28)	**0.0033**	0.0189

See accompanying Notes to Consolidated Financial Statements.

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED MARCH 31, 2020 AND 2019

MARCH 2020 (UNAUDITED)
(In Philippine Peso)

	Capital Stock (Note 27)	Additional Paid-In Capital	Actuarial Gains on Accrued Retirement Benefits	Net Cumulative Changes in Fair Values of AFS Financial Assets	Retained Earnings - Unappropriated	Treasury Shares	Subtotal	Noncontrolling Interests	Total
BALANCES AT DECEMBER 31, 2019	**1,494,251,136**	**27,594,539**	**13,708,769**	**4,260,960**	**2,208,852,730**	**(7,096)**	**3,748,661,038**	**58,945,905**	**3,807,606,943**
Total comprehensive income (loss) for the period					4,874,984		4,874,984	(858,691)	4,016,293
BALANCES AT MARCH 31, 2020	**1,494,251,136**	**27,594,539**	**13,708,769**	**4,260,960**	**2,213,727,714**	**(7,096)**	**3,753,536,022**	**58,087,214**	**3,811,623,236**

See accompanying Notes to Consolidated Financial Statements.

MARCH 2019 (UNAUDITED)
(In Philippine Peso)

	Capital Stock (Note 26)	Additional Paid-In Capital	Actuarial Gains on Accrued Retirement Benefits (Note 20	Net Cumulative Changes in Fair Values of AFS Financial Assets (Note 13)	Retained Earnings - Unappropriated (Note 26)	Treasury Shares (Note 26)	Subtotal	Noncontrolling Interests	Total
BALANCES AT DECEMBER 31, 2018	996,170,748	27,594,539	17,413,770	4,620,965	2,670,524,084	(7,096)	3,716,317,010	61,375,411	3,777,692,421
Total comprehensive income (loss) for the period					18,807,869		18,807,869	(520,292)	18,287,577
BALANCES AT MARCH 31, 2019	996,170,748	27,594,539	17,413,770	4,620,965	2,689,331,953	(7,096)	3,735,124,879	60,855,119	3,795,979,998

See accompanying Notes to Consolidated Financial Statements.

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE QUARTERS ENDED MARCH 31, 2020 AND 2019

	UNAUDITED MARCH 2020	UNAUDITED MARCH 2019
	(In Philippine Peso)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (Loss) before income tax	**13,519,941**	37,395,169
Adjustments for:		
Depreciation (Notes 11, 12 and 19)	**35,261,690**	21,374,878
Equity in net losses (earnings) of associates and joint ventures (Note 10)	**21,107,499**	22,770,721
Interest income (Note 22)	**(140,215)**	(2,907,406)
Finance costs (Note 23)	**3,904,466**	4,471,310
Amortization of franchise fee (Note 13)	**448,500**	448,500
Dividend income		-
Operating income before working capital changes	**74,101,881**	83,553,173
Decrease (increase) in:		
Receivables	**(30,269,611)**	(16,593,645)
Inventories	**(2,074,502)**	1,117,558
Other current assets	**(46,138,066)**	(5,381,259)
Increase (decrease) in:		
Accounts payable and other liabilities	**(225,421,461)**	67,036,014
Other noncurrent laibilities	**(308,100)**	-
Accrued retirement benefits (Note 21)	**(4,800,000)**	(6,433,578)
Cash generated from operations	**(234,909,859)**	123,298,263
Income taxes paid, including creditable withholding and final taxes	**(19,968)**	(23,728)
Net cash provided (used) by operating activities	**(234,929,827)**	123,274,535
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**140,215**	2,907,406
Dividends received		-
Decrease (increase) in other noncurrent assets	**43,006,846**	(240,139)
Acquisitions of property and equipment (Note 11)	**(17,305,218)**	(11,777,190)
Acquisitions of investment property (Note 12)	**(15,340,391)**	-
Advances to an associate (Note 10)	-	(40,000,000)
Net cash provided (used) by investing activities	**10,501,452**	(49,109,924)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of loans and borrowings (Note 14)	**(10,500,000)**	(17,636,040)
Interest paid	**(3,904,466)**	(4,471,310)
Net cash provided (used) in financing activities	**(14,404,466)**	(22,107,350)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(238,832,841)**	52,057,261
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**602,987,261**	332,347,036
CASH AND CASH EQUIVALENTS AT END OF QUARTER (Note 6)	**364,154,420**	384,404,297

See accompanying Notes to Consolidated Financial Statements.

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED MARCH 31, 2020 AND 2019

	UNAUDITED MARCH 2020	UNAUDITED MARCH 2019
	(In Philippine Peso)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (Loss) before income tax	**13,519,941**	37,395,169
Adjustments for:		
Depreciation (Notes 11, 12 and 19)	**35,261,690**	21,374,878
Equity in net losses (earnings) of associates and joint ventures (Note 10)	**21,107,499**	22,770,721
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See accompanying Notes to Consolidated Financial Statements.

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES
AGING SCHEDULE OF RECEIVABLES
AS OF MARCH 31, 2020
UNAUDITED
(In Philippine Peso)

A. AGING OF ACCOUNTS RECEIVABLE-NET

	TYPE OF RECEIVABLES	TOTAL	1-30 DAYS	31-60 DAYS	61-90 DAYS	91-120 DAYS	OVER 120 DAYS
1	Real estate receivables - net of current portion	44,548,312	-	-	-	-	44,548,312
2	Rent receivables	114,871,060	24,509,975	20,936,005	23,605,771	12,004,720	33,814,589
3	Receivables from off-track/off-cockpit betting (OTB/OCB) operators	12,839,021	1,540,683	4,108,487	1,155,512	898,731	5,135,608
4	Receivables from food and beverage operations	7,619,150	1,094,328	678,020	862,613	333,929	4,650,259
5	Advances and loans to officers and employees	42,820,285	3,243,769	5,905,021	3,594,985	7,846,150	22,230,359
6	Advances to suppliers and contractor	23,105,387	181,690	1,340,947	6,400,285	63,378	15,119,087
7	Due from related parties	5,027,070	-	-	500	-	5,026,570
8	Others	8,557,165	1,711,433	427,858	3,046,351	171,143	3,200,380
	TOTAL	259,387,451	32,281,878	33,396,338	38,666,017	21,318,052	133,725,165
	Less ECL/allowance for doubtful accounts	65,112,430					
	RECEIVABLES - NET	194,275,021	32,281,878	33,396,338	38,666,017	21,318,052	133,725,165

B. ACCOUNTS DESCRIPTION

	TYPE OF RECEIVABLES	DESCRIPTION	COLLECTION PERIOD
1	Real estate receivables - net of current portion	Sales on real estate operations	Monthly
2	Rent receivables	Receivables on leasing transactions from stables, building and other facilities	Semi-monthly/Monthly
3	Receivables from off-track/off-cockpit betting (OTB/OCB) operators	Receivables from racing and cockfighting operations	Monthly
4	Receivables from food and beverage operations	Receivable from sale of food and beverages	Daily/Monthly
5	Advances and loans to officers and employees	Advances granted to and loans availed by officers and employees	Daily/Monthly
6	Advances to suppliers and contractor	Advance payments to suppliers for goods and services yet to be received	Daily/Monthly
7	Due from related parties	Due from third parties	Monthly
8	Others	Various deposits and advances	Daily/Semi-monthly/Monthly

C. OPERATING CYCLE

Calendar Year

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

1.1 General Corporate Information

Manila Jockey Club, Inc. (the "Parent Company") and Subsidiaries (collectively referred to as the "Group") was incorporated in the Philippines on March 22, 1937 and was listed in the Philippine Stock Exchange (PSE) on October 11, 1963. In 1987, the Philippine Securities and Exchange Commission (SEC) approved the extension of the Parent Company's corporate life for another 50 years starting March 22, 1987.

The Parent Company is presently engaged in the construction, operations and maintenance of a racetrack located in Cavite, Philippines and in the holding or conducting of horse races therein with bettings both directly or indirectly by means of mechanical, electric and/or computerized totalizator. It has a congressional franchise granted on November 23, 1997 under Republic Act (R.A.) No. 8407 to hold such races and to maintain the race track, which will expire on November 23, 2022 (see Note 13). The Parent Company is also engaged in the development and sale of condominium units and residential properties, and lease of an office building through joint venture (JV) arrangements with certain developers.

Under R.A. No. 8407, the Parent Company shall pay annually to the National Treasury a franchise tax equivalent to 25% of its gross earnings from horse races in lieu of all taxes, except income tax, that are imposed by the national or local government on the activities covered by the franchise. Starting 2001, the Parent Company pays value-added tax (VAT) in lieu of the franchise tax by virtue of the provision of R.A. No. 7716 or the Expanded VAT Law.

The registered office address of the Parent Company is San Lazaro Leisure and Business Park, Brgy. Lantic, Carmona, Cavite.

1.2 Subsidiaries, Joint Ventures and Associates

	Place of incorporation	Nature of business	Functional currency	Percentage of ownership			
				MAR 2020		DEC 2019	
				Direct	**Indirect**	Direct	Indirect
Subsidiaries							
Gametime Sports and Technologies, Inc. (GSTI)	Philippines	Gaming	Philippine Peso	**100.00**	–	100.00	–
Manilacockers Club, Inc. (MCI)	Philippines	Gaming	Philippine Peso	**100.00**	–	100.00	–
MJC Forex Corporation (MFC)	Philippines	Money changer	Philippine Peso	**100.00**	–	100.00	–
New Victor Technology, Ltd. (NVTL)	Hong Kong	Gaming	Philippine Peso	**100.00**	–	100.00	–
San Lazaro Resources and Development Corporation (SLRDC)[a]	Philippines	Real estate	Philippine Peso	**100.00**	–	100.00	–
SLLP Holdings, Inc. (SLLPHI)[a]	Philippines	Holdings	Philippine Peso	**100.00**	–	100.00	–
Hi-Tech Harvest Limited[a]	Hong Kong	Marketing	Philippine Peso	**100.00**	–	100.00	–
Apo Reef World Resorts, Inc. (ARWRI)[a]	Philippines	Beach Resorts Complex	Philippine Peso	**56.87**	–	56.87	–
Biohitech Philippines, Inc (Biohitech)[a]	Philippines	Waste management	Philippine Peso	**50.00**	–	50.00	–
San Lazaro BPO Complex (SLBPO)[b, c]	Philippines	Real estate	Philippine Peso	**90.00**	**10.00**	**90.00**	10.00

	Place of incorporation	Nature of business	Functional currency	Percentage of ownership MAR 2020 Direct	Percentage of ownership MAR 2020 Indirect	DEC 2019 Direct	DEC 2019 Indirect
Joint Ventures							
Gamespan, Inc. (Gamespan) [a]	Philippines	Gaming	Philippine Peso	**50.00**	–	50.00	–
Associates							
MJC Investments Corporation Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino (MIC)	Philippines	Gaming	Philippine Peso	**22.31**	–	22.31	–
Techsystems, Inc. (Techsystems) [a]	Philippines	Information Technology	Philippine Peso	**33.33**	–	33.33	–

[a] *Not yet started commercial operation as of March 31, 2020*
[b] *Acquired in 2019 (see Note 1.5)*
[c] *Accounted for as investment in subsidiaries, associates and joint ventures in 2019.*

2. Basis of Preparation

Basis of Preparation
The consolidated financial statements have been prepared using the historical cost basis, except for financial assets at fair value through other comprehensive income (FVOCI), which are carried at fair value. The consolidated financial statements are presented in Philippine Peso (₱ or Peso), the Group's functional and presentation currency. All values are rounded to the nearest Peso, unless otherwise indicated.

3. Summary of Significant Changes in Accounting Policies and Disclosures

Changes in Accounting Policies
The accounting policies adopted are consistent with those of the previous financial year except that the Group has adopted the following amended standards as at January 1, 2019:

- PFRS 16, *Leases*

  PFRS 16 supersedes PAS 17, *Leases*, Philippine Interpretation IFRIC 4, *Determining whether an Arrangement contains a Lease*, Philippine Interpretation SIC-15, *Operating Leases-Incentives* and Philippine Interpretation SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases in the consolidated statements of financial position.

  The Group adopted PFRS 16 using the modified retrospective method of adoption, with the date of initial application as January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized only at the date of initial application. The comparative information was not restated and continues to be reported under PAS 17 and related interpretations. The Group elected to apply the recognition exemptions for leases for which the lease term ends within 12 months of the date of initial application and leases for which the underlying asset is of low value. The Group disclosed the amount of adjustment, on a line-by-line basis, in the balance sheet on the date of initial application.

The Group have lease contracts for office spaces and parking lots. Before the adoption of PFRS 16, the Group classified this lease (as lessee) at the inception date as an operating lease.

The effect of adoption of PFRS 16 at January 1, 2019 is, as follows:

	Increase (decrease)
Consolidated Statements of Financial Position	
ASSETS	
Property and equipment (Note 31)	₱36,417,492
Net impact in total assets	₱36,417,492
LIABILITIES	
Lease liabilities - current portion (Note 31)	₱9,645,170
Lease liabilities - noncurrent portion (Note 31)	26,772,322
Net impact in total liabilities	₱36,417,492

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

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

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

  The Group determined, based on its tax compliance review/assessment, in consultation with its tax counsel, that it is probable that its income tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. Accordingly, the adoption of this Interpretation has no significant impact on the consolidated financial statements.

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

  Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income (FVOCI), provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

  These amendments had no impact on the consolidated financial statements of the Group.

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

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

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

The amendments had no impact on the consolidated financial statements of the Group as it did not have any plan amendments, curtailments, or settlements during the period.

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

  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests. The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

  These amendments had no impact on the consolidated financial statements as the Group does not have long-term interests in its associate and joint venture to which the equity method is not applied.

- *Annual Improvements to PFRSs* 2015-2017 Cycle

  - Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*

    The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

    A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

    These amendments did not have any impact to the consolidated financial statements of the Group.

  - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted.

These amendments had no impact on the consolidated financial statements of the Group because no financial instruments classified as equity.

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

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

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

Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

Standards Issued but not yet Effective

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

Effective beginning on or after January 1, 2020

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

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

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

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

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

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

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

Effective beginning on or after January 1, 2023

- PFRS 17, *Insurance Contracts*

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

  The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or insurance contracts.

Deferred effectivity

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

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

  These amendments may apply to future transactions of the Group.

- *PIC updates on PFRS 15 implementation issues – PIC Q&A no. 2018-14*
  PIC Q&A no. 2018-14 prescribed the accounting treatment for cancellation of real estate sales using two approaches. Both approaches are acceptable but each approach should be applied consistently.

  The first approach prescribed that the repossessed property is recognized at its fair value less cost to repossess, while the second approach prescribed that the repossessed property is recognized at its fair value plus repossession cost.

  On February 7, 2019, upon request by the real estate industry to defer the implementation of the above PIC Q&A, the Securities and Exchange Commission (SEC) en banc decided to provide relief to the real estate industry by deferring the application of the above PIC Q&A for a period of three years.

  Effective January 1, 2021, real estate companies are required to adopt PIC Q&A no. 2018-14 retrospectively or as the SEC will later prescribed.

Real estate companies which opted for the deferral shall be required to disclose in the notes to the consolidated financial statements the accounting policy applied, a discussion of the deferral and a qualitative discussion of the impact in the consolidated financial statements had the concerned application guidance been adopted.

As of December 31, 2019, the Group opted to avail of the relief provided by the SEC.

4. Summary of Significant Accounting and Financial Reporting Policies

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at March 31, 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

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

- The contractual arrangements with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

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

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

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

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

Subsidiaries. Subsidiaries are entities controlled by the Parent Company. Subsidiaries are consolidated from the date of acquisition or incorporation, being the date on which the Group obtains control, and continue to be consolidated until the date such control ceases.

Non-controlling Interests. Non-controlling interests represent the portion of profit or loss and net assets in Biohitech and ARWRI in 2019 and 2018 that are not held by the Group and are presented separately in the consolidated statements of comprehensive income and consolidated statements of financial position separate from equity attributable to equity holders of the parent.

An acquisition, transfer or sale of a non-controlling interest is accounted for as an equity transaction. No gain or loss is recognized in an acquisition of a non-controlling interest. If the Group loses control over a subsidiary, it: (i) derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interest and the cumulative translation differences recorded in equity; (ii) recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in the consolidated profit or loss; and (iii) reclassifies the Parent Company's share of components previously recognized in OCI to the consolidated profit or loss or retained earnings, as appropriate.

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

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

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

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method.

Initial Measurement

The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date, fair value, and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects to measure the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included as part of "General and administrative expenses" account in the consolidated statements of comprehensive income.

Subsequent Measurement

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or group of units. Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and

- is not larger than a segment based on the Group's format determined in accordance with PFRS 8, *Operating Segments*.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

When subsidiaries are sold, the difference between the selling price and the net assets and goodwill is recognized as gain or loss in the consolidated statements of comprehensive income.

Acquisition of Assets

When assets are acquired, through corporate acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents an acquisition of a business.

When such an acquisition is not adjudged to be an acquisition of a business, it is not treated as a business combination. Rather, the cost to acquire the entity is allocated between the identified assets and liabilities of the entity based on their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred tax arises.

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statements of financial position based on current or noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within 12 months after the reporting period or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within 12 months after the reporting period or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period

The Group classifies all other liabilities as noncurrent.

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

Fair Value Measurement

The Group measures financial instruments and non-financial assets at fair value at each reporting date. Additional fair value related disclosures including fair values of financial instruments measured at amortized cost are disclosed in Note 32.

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

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

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

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

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

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

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

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

For assets and liabilities that are recognized in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and are subject to an insignificant risk of change in value.

Financial Instruments – Classification and Measurement

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

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

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

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

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

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

Financial assets at amortized cost
A financial asset is measured at amortized cost if (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the EIR method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in 'Interest income' in the statement of income and is calculated by applying the EIR to the gross carrying amount of the financial asset, except for (i) purchased or originated credit-impaired

financial assets and (ii) financial assets that have subsequently become credit-impaired, where, in both cases, the EIR is applied to the amortized cost of the financial asset.

The Group's financial assets at AC includes cash in banks, receivables, and deposits.

Financial assets at fair value through other comprehensive income (FVOCI)

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

As of March 31, 2020, and December 31, 2019, the Group elected to classify irrevocably all debt instruments as financial assets at FVOCI.

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

As of March 31, 2020, and December 31, 2019, the Group elected to classify irrevocably all equity instruments as financial asset at FVOCI.

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

The Group does not have financial assets at FVTPL.

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

Impairment of Financial Assets (Effective January 1, 2018)

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

The Group recognizes ECL for the following financial assets that are not measured at FVTPL:

- debt instruments that are measured at AC and FVOCI;
- contract assets;
- trade receivables;
- loan commitments; and
- financial guarantee contracts.

No ECL is recognized on equity investments.

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

For all debt financial assets other than trade receivables, ECLs are recognized using the general approach wherein the Group tracks changes in credit risk and recognizes a loss allowance based on either a 12-month or lifetime ECLs at each reporting date.

The Group considers certain debt investment securities to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Determining the stage for impairment. At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

Exposures that have not deteriorated significantly since origination, or where the deterioration remains within the Group's investment grade criteria are considered to have a low credit risk. The provision for credit losses for these financial assets is based on a 12-month ECL. The low credit risk exemption has been applied on debt investments that meet the investment grade criteria of the Group from the time of origination.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

Derecognition of Financial Assets and Liabilities

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through agreement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of income. Otherwise, where the net present value of the cash flows under the new terms discounted using the effective interest rate of the original debt is less than 10 percent different from the discounted present value of the remaining cash flows of the original debt instrument, the financial liability is not derecognized.

Write-off Policy

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

Financial Assets and Financial Liabilities *(applicable prior to January 1, 2018)*

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

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

The Group classifies its financial assets in the following categories: financial assets at FVTPL, loans and receivables, held-to-maturity investments and available-for-sale financial assets. Financial liabilities are classified as financial liabilities at FVTPL or other financial liabilities. The classification depends on the purpose for which the instruments were acquired or liabilities incurred and whether they are quoted in an active market. Management determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this classification at every reporting date.

The Group has no financial assets or liabilities at FVTPL and held-to-maturity investments as of December 31, 2019.

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

The Group determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this classification at every reporting date.

a. *Loans and receivables*

This category is the most relevant to the Group. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at AC using the EIR method, less impairment. AC is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the consolidated statements of comprehensive income. The losses arising from impairment are recognized in the consolidated statements of comprehensive income in finance costs for loans and under cost of sales or other operating expenses for receivables.

b. *AFS financial assets*

AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held-for-trading nor designated at FVTPL. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses recognized in OCI and credited in the AFS reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the consolidated statements of comprehensive income in finance costs. Interest earned whilst holding AFS financial assets is reported as interest income using the EIR method.
The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial

assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on the asset that has been recognized in equity is amortized to consolidated profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated statements of comprehensive income.

Unquoted AFS financial assets that do not have ready market prices are measured at cost, less allowance for impairment, if any, since their fair market value cannot be reliably measured.

The Group's AFS financial assets consist of investments in quoted and unquoted equity securities, quoted debt securities, preferred shares and club membership shares as of December 31, 2017.

c. *Other financial liabilities*
This category pertains to financial liabilities that are not held for trading or not designated at FVTPL upon the inception of the liability. These include liabilities arising from operations (e.g., payables and accruals) or borrowings (e.g., loans and obligations arising from finance lease). The liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the EIR method of amortization (or accretion) for any related premium (or discount) and any directly attributable transaction costs. Gains and losses on amortization and accretion are recognized in the consolidated statements of comprehensive income.

Included in this category are the Group's short-term loans and borrowings, accounts payable and other liabilities, and due to related parties as of March 31, 2020.

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

Inventories
Inventories include real estate inventories, food and beverages inventory, and gamefowls, which are valued at the lower of cost and net realizable value (NRV).

Real Estate Inventories
Real estate inventories include completed projects of the Group, and are stated at the lower of cost and net realizable value. Cost of real estate inventories pertains to the cost of land. Real estate inventories include memorial lots for sale in the ordinary course of business. In few cases of buyer defaults, the Group can repossess the properties and hold it for sale in the ordinary course of business at the prevailing market price. The repossessed properties are included in the "Real Estate Inventories" account in the consolidated statements of financial position at its original cost. Costs incurred in bringing the repossessed assets to its marketable state are included in their carrying amounts unless these exceed the recoverable values.

Accounting for cancelled sales and repossessed inventories
PIC Q&A no. 2018-14 prescribed the accounting treatment for cancellation of real estate sales using two approaches. Both approaches are acceptable but each approach should be applied consistently. The first approach prescribed that the repossessed property is recognized at its fair value less cost to repossess, while the second approach prescribed that the repossessed property is recognized at its fair value plus repossession cost.

On February 7, 2019, upon request by the real estate industry to defer the implementation of the above PIC Q&A, the Securities and Exchange Commission (SEC) en banc decided to provide relief to the real estate industry by deferring the application of the above PIC Q&A for a period of three years. Effective January 1, 2021, real estate companies are required to adopt PIC Q&A no. 2018-14 retrospectively or as the SEC will later prescribed.

The Group availed the relief for the year ended December 31, 2019. As a result, the Group recognized the repossessed inventory from cancelled sales at original cost.

Investments in Associates and Joint Ventures
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Group's investment in its associate and joint venture are accounted using the equity method.

Under the equity method, the cost of investment in associates and a joint venture is carried in the consolidated balance sheet at cost plus post acquisition changes in the Group's share of net assets of the associates and the joint venture. Goodwill, if any, relating to associates or a joint venture is included in the carrying amount of the investment and is not amortized or separately tested for impairment. The consolidated statements of comprehensive income reflects the share of the results of operations of the associates and joint venture. Where there has been a change recognized directly in the equity of the associates and the joint venture, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statements of changes in equity. Unrealized profits or losses resulting from transactions between the Group and the associates and joint venture are eliminated to the extent of the interest in the associates and joint venture.

The reporting dates of the associates, the joint venture and the Parent Company are identical and the accounting policies of the associates and joint venture conform to those used by the Group for like transactions and events in similar circumstances.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associates or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associates or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates or joint venture and its carrying value, and then recognizes the loss as "Equity in net earnings (losses) of associates and joint ventures" in the consolidated statements of comprehensive income.

Property and Equipment

Property and equipment, except land, is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Land is stated at cost less any impairment in value.

The initial cost of property and equipment comprise of its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Such cost also includes the cost of replacing part of the property and equipment and borrowing cost for long-term construction projects if the recognition criteria are met, and any obligation related to the retirement of the asset. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance and overhaul costs, are generally recognized in the consolidated statements of comprehensive income in accordance with the accounting policy. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment. When significant parts of property and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. When assets are sold or retired, their costs and accumulated depreciation, amortization and impairment losses, if any, are eliminated from the accounts and any gain or loss resulting from their disposal is included in the consolidated statements of comprehensive income of such period.

Depreciation commences when an asset is in its location and in a condition capable of being operated in the manner intended by the management. Depreciation ceases at the earlier of the date that the asset is classified as held for sale in accordance with PFRS 5, *Noncurrent Asset held for Sale and Discontinued Operations*, and the date the asset is derecognized.

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

	No. of Years
Land improvements	5 to 25
Building and improvements	5 to 25
Machinery and equipment	3 to 10
Transportation equipment	5 to 10
Furniture and fixtures	5

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

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation and amortization is charged to current operations.

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

Construction in progress is stated at cost, net of accumulated impairment losses, if any. This includes cost of construction and other direct costs. Construction in progress is not depreciated until such time as the relevant assets are completed and are available for use.

Borrowing Costs

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

Investment Properties

The Group's investment properties consist of land that is not used in operations and land and building held for lease. Investment properties are measured initially at cost, including transaction costs. The revalued amount of the land is taken as its deemed cost in accordance with PFRS 1 as of the date of adoption.

Investment properties, except land, are subsequently measured at cost less accumulated depreciation and any accumulated impairment in value. Land is subsequently carried at cost less any impairment in value.

Depreciation of investment properties commences once they become available for use and is calculated on a straight-line method over the estimated useful life of 25 years.

Depreciation ceases at the earlier of the date that the asset is classified as held for sale in accordance with PFRS 5 and the date the asset is derecognized. The estimated useful life and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from the items of investment property.

Investment properties are derecognized either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in consolidated profit or loss in the period of derecognition.

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

Franchise Fee

The franchise fee, presented as part of "Other noncurrent assets" in the consolidated statements of financial position, is accounted for at cost less accumulated amortization and any accumulated impairment in value. Costs incurred for the renewal of the Parent Company's franchise for another 25 years starting November 23, 1997 have been capitalized and are amortized over the period covered by the new franchise. The carrying value of the franchise is reviewed for impairment when there are indicators of impairment and any impairment loss is recognized in the consolidated profit or loss.

Impairment of Nonfinancial Assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth is calculated and applied to project future cash flows after the fifth year.

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

When the shares are sold at a premium, the difference between the proceeds and the par value is credited to "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Parent Company, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Retained Earnings
Retained earnings are the result of Group's accumulated profits or losses, declaration of dividends and the effects of retrospective application or retrospective restatement recognized in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

Unappropriated retained earnings represent the portion which is free and can be declared as dividends to stockholders, after adjustments for any unrealized items, which are considered not available for dividend declaration.

Dividend Distribution
Dividends are recognized as a liability and deducted from equity when declared by the BOD of the Parent Company. Dividends for the year that are declared after the reporting date are dealt with as a non-adjusting event after the reporting date.

Earnings per Share (EPS)
Basic EPS is computed by dividing the net income for the year attributable to equity holders of the Parent Company by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year, if any.

Diluted EPS is calculated by dividing the net income attributable to equity holders of the Parent Company (after adjusting for interest on the convertible preference shares) by the weighted average number of common shares outstanding during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares into common shares.

The Parent Company currently does not have potential dilutive common shares.

Revenue Recognition (applicable starting January 1, 2018 upon the adoption of PFRS 15)
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment, excluding incentives, output tax, and other sales taxes or duties.

The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as an agent in its club racing and cockfighting operations and as principal in all other arrangements (i.e., real estate sales and rental services).

Commission income from club races
Revenue is recognized at a point in time based on a percentage of total wager funds from horse racing operations in accordance with the Parent Company's franchise agreement.

Commission income from cockfighting
Revenue is recognized at a point in time based on a percentage of net ticket sales from cockfighting operations.

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

Real estate sales
The Parent Company derives its real estate revenue from sale of condominium units and memorial lots. Revenue from sales of real estate projects from the joint venture are recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, the Parent Company's performance does not create an asset with an alternative use and the Parent Company has an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the Parent Company uses the output method. The Parent Company recognizes revenue on the basis of direct measurements of the value to customers of the goods or services transferred to date, relative to the remaining goods or services promised under the contract. Progress is measured using survey of performance completed to date. This is based on the monthly project accomplishment report prepared by the third-party surveyor as approved by the construction manager which integrates the surveys of performance to date of the construction activities for both sub-contracted and those that are fulfilled by the developer itself.

Any excess of progress of work over the right to an amount of consideration that is unconditional, recognized as residential and office development receivables, under trade receivables, is included in the "contract asset" account in the asset section of the consolidated statements of financial position.

Any excess of collections over the total of recognized trade receivables and contract assets is included in the "contract liabilities" account in the liabilities section of the consolidated statements of financial position.

The real estate projects were already completed as of December 31, 2019.

In case of sales cancellation due to the default of the buyers, the Group derecognizes the outstanding balance of contract asset or real estate receivables and recognize the repossessed property at its original cost, applying the relief provided by SEC.

Cost recognition
The Group recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets such as land. These costs are allocated to the saleable area, with the portion allocable to the sold area being recognized as costs of sales while the portion allocable to the unsold area being recognized as part of real estate inventories.

Commission income from club races
Revenue is recognized as earned based on a percentage of gross receipts from ticket sales from horse racing operations in accordance with the Parent Company's franchise agreement.

Commission income from cockfighting
Revenue is recognized as earned based on a percentage of gross receipts from ticket sales of cockfighting operations.

Revenue from food and beverages
Revenue from food and beverages are recognized when services are rendered or the goods are sold.

Real estate sales
The Parent Company assesses whether it is probable that the contract price (which embodies economic benefits) will flow to the Parent Company. Collectability of the contract price is demonstrated by the buyer's commitment to pay, which is supported by the buyer's initial and continuous investments that motivates the buyer to honor its obligation. Collectability is also assessed by considering factors such as collections and credit standing of the buyer.

Revenue from sales of completed real estate projects from the joint venture is accounted for using the full accrual method. In accordance with Philippine Interpretations Committee Q&A No. 2006-01, the percentage-of-completion method is used to recognize income from sales of projects where the Parent Company has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished), and the costs incurred or to be incurred can be measured reliably. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

Any excess of collections over the recognized revenue are included in the "Trade payable and buyers' deposits" under the "Accounts payable and other liabilities" account in the consolidated statements of financial position. If any of the criteria under the full accrual or percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers are presented under the "Trade payable and buyers' deposits" under the "Accounts payable and other liabilities" account in the consolidated statements of financial position.

Cost of real estate sales pertains to the cost of the land and is recognized under the percentage-of-completion method, if the criteria of the full accrual method are not satisfied.
The cost of inventory recognized in the consolidated statements of comprehensive income upon sale is determined with reference to the costs of the land contributed for the property, allocated to saleable area based on relative size and takes into account the percentage of completion used for revenue recognition purposes.

For income tax purposes, full recognition is applied when more than 25% of the selling price has been collected in the year of sale. Otherwise, the installment method is applied.

The real estate projects were already completed as of December 31, 2019.

Rental income from stables, building and other facilities
Revenue from the lease of stables, building and other facilities is recognized in the consolidated statements of comprehensive income on a straight-line basis over the lease term.

Interest income
Revenue is recognized as the interest accrues taking into account the effective yield on the asset.

Dividend income
Revenue is recognized when the Parent Company's right to receive the payment is established, which is generally when the shareholders approves the dividend.

Cost of Sales and Services and Expenses
Cost of club races, cost of cockfighting, cost of rental services and expenses are recognized in the consolidated statements of comprehensive income at the date they are incurred.

General and administrative expenses constitute cost of administering the business. Selling expense pertains to the marketing fees related to the real estate sales.

Other Comprehensive Income (OCI)
Items of income and expense (including items previously presented under the consolidated statements of changes in equity) that are not recognized in the profit or loss for the year are recognized as OCI and are presented as OCI in the consolidated statements of comprehensive income.

The OCI of the Group pertains to gains and losses on remeasuring AFS financial assets/financial assets at FVOCI and actuarial gains (losses) on remeasurement of retirement plan.

Retirement Benefits Cost
The Parent Company has noncontributory funded defined benefit plans, administered by trustees, covering substantially all of its regular employees.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

The Group as a lessee (effective January 1, 2019 *upon adoption of PFRS 16*)
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and ROU assets representing the right to use the underlying assets.

Right-of-use assets
Effective January 1, 2019, it is the Group's policy to classify right-of-use assets with "Property and Equipment" in the consolidated statements of financial position. Prior to that date, all of the Group's leases are accounted for as operating leases in accordance with PAS 17, hence, not recorded on the

consolidated statements of financial position. The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Lease liabilities
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

The Group as a lessor
Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating lease. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Taxes
Current tax
Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

For income tax purposes, full revenue recognition on real estate sales is applied when more than 25% of the contract price has been collected in the year of sale; otherwise, the installment method is applied, where real estate sales are recognized based on collection multiplied by the gross profit rates of the individual sales contracts.

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

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

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and is probable that the temporary differences will not reverse in the foreseeable future

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

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Value Added Tax (VAT)
Revenue, expenses and assets are recognized net of the amount of VAT, if applicable. When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statements of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/ or services (output VAT), the excess is recognized as an asset in the consolidated statements of financial position to the extent of the recoverable amount.

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

Foreign Currency Denominated Transactions and Translations
Transactions denominated in foreign currency are recorded using the exchange rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rate at reporting date. All foreign exchange gains and losses are recognized in the consolidated statements of comprehensive income.

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

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

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. These are in the notes to consolidated financial statements disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

Events after the Reporting Date
Events after the reporting date that provide additional information about the Group's financial position at the reporting date (adjusting events), if any, are reflected in the consolidated financial statements. Events after the reporting date that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. Significant Accounting Judgments, Estimates and Assumptions

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

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

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

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

Determination of Acquisition of Group of Assets as a Business in Accordance with PFRS 3
Management uses judgment in assessing if the group of assets and liabilities acquired would constitute a business. In accordance with PFRS 3, business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants.

The acquisition of Vertex One from ALI in 2019 qualified as an acquisition of a business in accordance with PFRS 3 and was accounted for under the purchase method (see Note 1).

Determination if control exists in an investee company

Control is presumed to exist when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. On the other hand, joint control is presumed to exist when the investors contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Management has determined that it has control by virtue of its power to cast the majority votes at meetings of the BOD in all of its subsidiaries (see Note 1).

Determination if joint control exists in a joint venture
Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Management has determined that it has joint control in San Lazaro BPO Complex Joint Venture and Gamespan Inc. since the strategic financial and operating decisions of the entity are made jointly for all relevant activities by the venturers through its BOD (see Note 1).
Determination of joint venture or joint operation
A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e., joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e., joint venturers) have rights to the net assets of the arrangement.

Management has determined that arrangement for ventures with Avida Land Corporation (Avida), Alveo Land Corporation (Alveo) and Century Communities Corporation (CCC) are classified as joint operations since the Group have rights to the assets and obligations for the liabilities relating to the arrangement and not to the net assets of the arrangement.

Determination if significant influence exists in an associate
Significant influence exists when an investor has the power to participate in the financial and operating policy decisions of the investee but is not control or joint control. Management has determined that the Group has significant influence in MIC and Techsystems since the Group has the power to appoint representatives to the BOD of MIC and Techsystems to participate in the financial and operating policy decision (see Note 1).

Distinction between real estate inventories and investment properties
The Group determines whether a property is classified as investment property or real estate inventories as follows:

Investment properties comprises land and buildings (principally offices, commercial and retail property) which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. Transfers are made to investment properties when there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development.

Real estate inventories comprise property that is held for sale in the ordinary course of business. Principally, this is residential and industrial property that the Group develops and intends to sell before or on completion of construction.

In 2019 and 2018, the Group reclassified real estate inventories to investment property amounting to ₱52.2 million and ₱5.5 million, respectively (see Notes 8 and 12).

Determination of lease term of contracts with renewal and termination options – the Group as a lessee – Effective starting January 1, 2019
The Parent Company has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Group included the renewal period as part of the lease term for leases of office spaces and parking lots with shorter non-cancellable period (i.e., three to five years). The Group typically exercises its option to renew for these leases because there will be a significant negative effect on production if a replacement asset is not readily available. The renewal periods for leases of office spaces and parking lots with longer non-cancellable periods (i.e., 10 to 15 years) are not included as part of the lease term as these are not reasonably certain to be exercised. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Refer to Note 31 for information on potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term.

Leases - Estimating the IBR – Effective starting January 1, 2019
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use assets in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the Parent Company's stand-alone credit rating).

The Group's lease liabilities amounted to ₱27.2 million as at December 31, 2019.

Classification of leases - Effective prior to January 1, 2019
Management exercises judgment in determining whether substantially all the significant risks and rewards of ownership of the leased assets are transferred to the Group. Lease agreements which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased items are accounted for as finance leases. Otherwise, these are considered as operating leases.

a. *Operating lease commitments - the Group as a lessor*
   The Group has entered into lease agreements on certain items of its property and equipment and investment properties. The Group has determined that it retains all the significant risks and rewards of ownership of these properties. i.e. ownership of the assets remains with the Group at the end of the lease terms. Accordingly, the lease agreements are accounted for as operating leases .

b. *Operating lease commitments - the Group as lessee*
   The Group has entered into a lease agreement for the lease of office space and parking lots where it has determined that the risks and rewards related to the leased assets are retained by the lessor. i.e. ownership of the assets remains with the lessor at the end of the lease term. As such, the lease agreement was accounted for as an operating lease.

Impairment of noncurrent nonfinancial assets

The Group assesses at each reporting date whether there is any indication that its interest in associates and joint ventures, advances to an associate, property and equipment, investment properties and franchise fee may be impaired. Indication of impairment includes: (a) decline in the asset's market value that is significantly higher than would be expected from normal use; (b) evidence of obsolescence or physical damage; (c) internal reports indicate that the economic performance of the asset will be worse than expected; etc. If such indication exists, the entity shall estimate the recoverable amount of the asset, which is the higher of an asset's or CGU's fair value less costs to sell and its value in use. Based on management's assessment, there was an indicator of impairment of investment in and advances to an associate and property and equipment as of December 31, 2019.

In 2019, due to continuous decline in revenues from club races, the Parent Company assessed that its property and equipment used in its racing activities may be impaired. These property and equipment related to the Parent Company's racing activities have a carrying amount of ₱433.9 million as of December 31, 2019 prior to impairment assessment. The recoverable amount of the CGU has been determined based on fair value less cost to sell. Fair value less cost to sell is based on appraisal of the property performed by an independent appraiser.

Management has determined that certain land improvements, that was supposed to generate new cash inflow for the Group did not materialize, therefore, the Group will not be able to recover the costs of construction. As a result, the Group recognized an allowance for impairment amounting to ₱14.6 million in 2019.

In addition, due to the continuous losses incurred by MIC, the Group performed impairment testing on its investment in and advances to MIC with a carrying value of ₱2.0 billion as of December 31, 2019. The recoverable amount of investment in and advance to an associate is the greater of the investment's fair value less costs to sell and value-in-use. Determination of impairment of investment in and advances to an associate requires an estimation of the value-in-use of the CGU to which the investments relate. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the CGU and applying an appropriate discount rate in order to calculate the present value of those cash flows. In discounting, the Group uses a discount rate based on the weighted average cost of capital adjusted to reflect the way that the market would assess the specific risks associated with the cash flow and exclude risks that are not relevant to the cash flow. The recoverable amount resulting from the impairment testing done by the Group was based on value in use method.

In 2019, no impairment provisions were recognized for nonfinancial assets of the Group, except for the land improvement amounting to ₱14.6 million in 2019.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation and uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Estimation of allowance for doubtful accounts (applicable until December 31, 2017 prior to the adoption of PFRS 9)

The allowance for doubtful accounts relating to receivables is estimated based on two methods. The amounts calculated using each of these methods are combined to determine the total allowance to be provided. First, specific accounts are evaluated based on information that certain customers may be unable to meet their financial obligations. In these cases, judgment is used based on the best available facts and circumstances, including but not limited to, the length of relationship with the customer and the customer's current credit status based on third party credit reports and known market factors, to record specific reserves against amounts due to reduce receivable amounts expected to be collected. These specific reserves are re-evaluated and adjusted as additional information received impacts the amounts estimated. Second, a collective assessment of historical collection, write-off, experience and customer payment terms is made.

The amount and timing of recorded expenses for any period could therefore differ based on the judgments or estimates made. An increase in the Group's allowance for doubtful accounts will increase its recorded operating expenses and decrease its current assets.

In 2017, provision for doubtful accounts are disclosed in Note 7 to the consolidated financial statements, and written off receivable accounts without previous impairment allowance are disclosed in Note 26 to the consolidated financial statements.

Provision for ECL of financial assets (applicable starting January 1, 2018 upon the adoption of PFRS 9)
The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for its receivables from real estate.

The provision matrix is initially based on the Group's historical observed default rates. The Group shall calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of actual default in the future.

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

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

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group's debt instruments at fair value through OCI comprise solely of quoted bonds that are graded in the top investment category, a reputable credit rating agency and, therefore, are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from a reputable credit rating agency both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

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

Determination of NRV of real estate inventories
The Group's estimates of the NRVs of real estate inventories are based on the most reliable evidence available at the time the estimates are made of the amount that the inventories are expected to be realized. These estimates consider the fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. A new assessment is made of the NRV in each subsequent period. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is a clear evidence of an increase in NRV because of change in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised NRV.

As of December 31, 2019 and 2018, the cost of the real estate inventories, the amount written down to NRV and the carrying value of the real estate inventories are disclosed in Note 8 to the consolidated financial statements.

Estimation of impairment of financial assets at FVOCI
The Group treats FVOCI financial assets as impaired when there has been a significant decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is 'significant' requires judgment.

The Group defines 'significant' generally as a reduction of 20% or more of the original cost. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equity securities and the future cash flows and the discount factors for unquoted equity securities.

As of March 31, 2020, and December 31, 2019, the carrying value of the Group's FVOCI financial assets is disclosed in Note 13 to the consolidated financial statements. No impairment loss was recognized in 2019.

Estimation of the useful lives of property and equipment and investment properties (excluding Land)
The Group estimates the useful lives of property and equipment and investment properties based on the internal technical evaluation and experience with similar assets. Estimated useful lives of property and equipment and investment properties (the period over which the assets are expected to be available for its intended use) are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical and commercial obsolescence and other limits on the use of the assets.

There were no changes in the useful lives of property and equipment and investment properties in 2019. As of March 31, 2020 and December 31, 2019, the carrying amount of depreciable property and equipment are disclosed in Note 11 to the consolidated financial statements. The carrying amount of depreciable investment property as of March 31, 2020 and December 31, 2019 are disclosed in Note 12 to the consolidated financial statements.

Provisions and Contingencies
The Group provides for present obligations (legal or constructive) where it is probable that there will be an outflow of resources embodying economic benefits that will be required to settle said obligations. An estimate of the provision is based on known information at the reporting date, net of any estimated amount that may be reimbursed to the Group. The Group's management and legal counsels believe that the eventual liabilities under these lawsuits or claims, if any, will not have material effect on the consolidated financial statements. Further, the Group's management, together with its tax counsel, has assessed that the findings on MCI have no legal or factual basis (see Notes 31 and 35).

No provisions were recognized as of December 31, 2019.

Recognition of deferred tax assets
The Group reviews the carrying amount of the deferred tax assets at each reporting date and adjusts to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

Estimation of retirement benefits cost and obligations
The determination of the obligation and cost for retirement benefits cost is dependent on management's selection of certain assumptions used by the actuary in calculating such amounts. Those assumptions are described in Note 22 and include among others, discount rates, expected rate of return on plan assets and expected rate of salary increase. Actual results that differ from the Group's assumptions are accumulated and amortized over the future periods and therefore generally affect the recognized expense and recorded obligation in such future period. While the Group believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's retirement and other retirement obligations.

As of March 31, 2020, and December 31, 2019, the carrying value of accrued retirement benefits are disclosed in Note 22 to the consolidated financial statements.

6. Cash and Cash Equivalents

This account consists of:

	MAR 2020	DEC 2019
Cash on hand	**₱35,587,918**	₱28,509,541
Cash in banks	**293,426,463**	549,372,073
Cash equivalents	**35,105,647**	25,105,647
	₱364,120,028	₱602,987,261

Cash in banks generally earns interest at the respective bank deposit rates. Cash equivalents are short-term deposits made for varying periods of up to three months and earn interest at the respective short-term deposit rates. Interest income earned amounted to ₱0.1 million for the periods ended March 31, 2020 and 2019 (see Note 22).

7. Receivables

This account consists of:

	MAR 2020	DEC 2019
Trade		
Real estate receivables - current portion	**₱44,548,312**	₱57,520,558
Rent receivables (Notes 11 and 12)	**114,871,060**	75,348,327
Receivables from off-track/off-cockpit betting (OTB/OCB) operators	**12,839,021**	19,415,437
Receivables from food and beverage operations	**7,619,150**	3,766,582
Non-trade		
Advances to suppliers and contractor	**23,105,387**	45,125,815
Advances and loans to officers and employees	**42,820,285**	23,920,604
Due from related parties (Note 26)	**5,027,071**	5,027,071
Receivable from third parties	**–**	3,553,975
Others	**8,557,165**	8,287,231
	259,387,451	241,965,600
Less Allowance for ECL	**65,112,430**	65,112,430
	₱194,275,021	₱176,853,170

Real Estate Receivables

The real estate receivables of the Parent Company are as follows:

	MAR 2020	DEC 2019
Current	**₱44,548,312**	₱57,520,558
Noncurrent	**20,791,854**	7,944,094
	₱65,340,166	₱65,464,652

Real estate receivables, which are collectible in monthly installments, represent noninterest-bearing receivables with average term ranging from two to three years. Titles to condominium properties are not transferred to the buyers until full payment is made.

Interest income from accretion of real estate receivables amounted to nil and ₱2.6 million for the periods ended March 31, 2020 and 2019, respectively (see Note 22).

Advances and Loans to Officers and Employees

The Parent Company grants salary loans and advances to its officers. The loans bear an average interest rate of 9% per annum. Interest income earned on advances and loans to officers and employees amounted to ₱0.03 million for the period ended March 31, 2020 and ₱0.20 million for the same period in 2019 (see Note 22).

Advances to Suppliers and Contractors

Advances to suppliers are noninterest-bearing payments, which is normally collectible within 12 months or within the normal operating cycle.

Other Receivables
Other receivables include accrued interest and other various individually insignificant items.

Allowance for ECL
Movements in the allowance for doubtful accounts are summarized below:

	MAR 2020		
	Trade	**Nontrade**	**Total**
Balance at beginning of year	**₱21,122,304**	**₱14,228,604**	**₱35,350,908**
Provision during the year	**25,430,692**	**5,387,173**	**30,817,865**
Amounts written off during the year	**–**	**(894,212)**	**(894,212)**
Recovery of doubtful accounts	**–**	**(162,131)**	**(162,131)**
Balance at end of period	**₱46,552,996**	**₱18,559,434**	**₱65,112,430**

	DEC 2019		
	Trade	Nontrade	Total
Balance at beginning of year	₱21,122,304	₱14,228,604	₱35,350,908
Provision during the year	25,430,692	5,387,173	30,817,865
Amounts written off during the year	–	(894,212)	(894,212)
Recovery of doubtful accounts	–	(162,131)	(162,131)
Balance at end of year	₱46,552,996	₱18,559,434	₱65,112,430

8. Inventories

This account consists of:

	MAR 2020	DEC 2019
Real estate:		
Memorial lots for sale - at net realizable value	**₱6,489,904**	₱6,489,904
Gamefowls - at cost	**3,505,500**	2,448,000
Food and beverages - at cost	**1,183,620**	781,227
	₱11,179,024	₱54,573,219

Condominium units for sale and residential units for sale pertain to the completed condominium and residential projects of the Parent Company.

The movements in the real estate inventories account are as follows:

	MAR 2020	DEC 2019
Balance at beginning of year	**₱6,489,904**	₱51,343,992
Repossessed real estate inventories	–	9,668,688
Transfers to investment property (Note 12)	–	(52,215,354)
Cost of real estate sold (Note 17)	–	(2,307,422)
Balance at end of period	**₱6,489,904**	₱6,489,904

Repossessed real estate inventories pertain to sales cancellations due to buyers' default in payment. These are recorded at fair value less cost to sell and cost to complete at the time of transfer and are held for sale in the ordinary course of business.

No sale from memorial lots during the first quarter of 2020. The cost of memorial lots for sale as at March 31, 2020 and December 31, 2019 amounted to ₱6.5 million.

The Parent Company entered into agreements with certain real estate developers to develop their properties located in Sta. Cruz, Manila and Carmona, Cavite into condominium units and residential complexes.

Significant provisions of the agreements are discussed below.

Condominium units for sale

On February 26, 2005, the Parent Company entered into Joint Development Agreements (JDAs) with Avida and Alveo for the development of 5.2 hectares and 1.3 hectares (the "Project Areas"), respectively, of the Parent Company's 11.6-hectare property located in Sta. Cruz, Manila, into a primary residential complex consisting of condominium buildings and townhouses (the "Project"). Under the JDAs, the Parent Company agreed and contributed its rights, title and interest in the Project and the Project Areas, while Avida and Alveo agreed and provided the necessary capital to finance the Project and expertise to develop the Project Areas. In return for their respective contributions to the Project, the Parent Company, Avida and Alveo received their respective allocation as described in the JDAs.

Towers 1 to 5 of Avida and Towers 1 to 3 of Alveo are fully completed as of December 31, 2019.

Residential units for sale

On February 24, 2004, the Parent Company entered into an agreement with CCC for the development of 17.09 hectares of the Parent Company's 33-hectare property in Carmona, Cavite into an exclusive residential subdivision with some commercial areas. As of December 31, 2018, the project is 100% complete.

Marketing expense, presented as "Selling expense" in the consolidated statements of comprehensive income, is the share of the Parent Company in the marketing cost pertaining to real estate operations. The amount of marketing cost for the periods ended March 31,2020 and 2019 amounted to nil and ₱ 12.1 million, respectively.

Gamefowls

The movements in the gamefowls inventory account are as follows:

	MAR 2020	DEC 2019
Balance at beginning of year	**₱2,024,000**	₱2,448,000
Purchases	**17,549,830**	107,430,972
Cost of gamefowls used (Note 17)	**(16,068,330)**	(107,854,972)
Balance at end of period	**₱3,505,500**	₱2,024,000

9. Prepayments and Other Current Assets

This account consists of:

	MAR 2020	DEC 2019
Input VAT	**₱55,952,564**	₱12,773,224

	MAR 2020	DEC 2019
Prepaid expenses	**15,405,486**	12,512,859
Deposit	**224,206**	130,000
Others	**683,577**	711,687
	₱72,265,833	₱26,127,770

Prepaid expenses include prepayments made for insurance, licenses, employee health benefits and professional fees.

Others include fuel and oil.

10. Investments in and Advances to Associates and Joint Ventures

This account consists of:

	MAR 2020	DEC 2019
Cost	**₱2,312,510,445**	₱2,312,510,445
Equity in net losses of associates and joint ventures		
Beginning balance	**(601,336,998)**	(417,690,108)
Equity in net losses during the period	**(21,107,499)**	(114,568,044)
Share on dividends declared		(48,770,708)
Derecognition of equity in joint venture		(20,308,138)
	(622,444,497)	(601,336,998)
	1,690,065,948	1,711,173,447
Advances to an associate	**321,233,646**	321,233,646
	₱2,011,299,594	₱2,032,407,093
Investment in associates		
MIC	**₱1,680,273,787**	₱1,701,381,286
	1,680,273,787	1,701,381,286
Investment in joint ventures		
Gamespan	**9,792,161**	9,792,161
	9,792,161	9,792,161
	1,690,065,948	1,711,173,447
Advances to an associate	**321,233,646**	321,233,646
	₱2,011,299,594	₱2,032,407,093

Investment in and Advances to Associates

MIC. Investment in MIC pertains to the Group's 22.31% interest in MIC as of March 31, 2020 and December 31, 2019. MIC started its commercial operations on January 6, 2016. The movements and details of the accounts are as follows:

	MAR 2020	DEC 2019
Investment in associate	**₱1,701,381,286**	₱1,844,622,146
Equity in net losses of the associate	**(21,107,499)**	(143,240,860)
	1,680,273,787	1,701,381,286
Advances to an associate	**321,233,646**	321,233,646
	₱2,001,507,433	₱2,022,614,932

Advances to MIC pertains to deposit for future stock subscriptions.

The summarized financial information of MIC is as follows:

	MAR 2020	DEC 2019
Current assets	**₱549,581,451**	₱497,491,866
Noncurrent assets	**5,510,528,338**	5,599,362,854
Current liabilities	**765,699,054**	726,519,308
Noncurrent liabilities	**4,990,418,846**	4,971,957,402
Equity	**303,991,889**	398,378,010
Income	**167,735,553**	758,808,720
Expenses	**262,352,244**	1,400,901,652
Net loss	**(94,616,691)**	642,092,932
Other comprehensive income (loss)	**(94,386,120)**	(2,047,307)

The difference between the carrying values of investment in MIC against the share in net asset of MIC as of December 31, 2019 represents goodwill amounting to ₱1.6 billion. Fair value of the investment in MIC as of December 31, 2019 amounted to ₱2.3 billion.

On April 12, 2018, the BOD of MIC approved the conduct of a stock rights offering in order to raise additional capital. The total number of shares to be issued is 1,587,202,910 common shares and the stock offer price shall be ₱1.00 per share. The entitlement ratio shall be one (1) rights share for every two (2) common shares held as of record date.

On September 17, 2018, the BOD approved the offer price for the rights shall be ₱1.00 per rights share, if paid in full upon submission of the application to subscribe and ₱2.00 per right share, if paid on installment basis. As of July 15, 2020, the stock rights offering is still pending for approval of SEC.

Status of Operations

On March 15, 2020, in response to the directive of the Philippine government to impose stringent social distancing measures in the National Capital Region to contain the spread of COVID-19, PAGCOR issued a memorandum to suspend the all gaming operations in Metro Manila until the end of the community quarantine. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed community quarantine, which resulted to the temporary suspension of the hotel and casino operations. On June 7, 2020, the hotel resumed its operations after receiving the approval from the Department of Tourism.

Techsystems. The investment in associate, Techsystems, pertains to the acquisition cost of ₱1.0 million representing 33.33% ownership of the Parent Company. Techsystems undertakes to facilitate the short message service betting or online betting for the races conducted by the Parent Company. The investment in Techsystems is fully provided with allowance. As of July 15, 2020, Techsystems has not yet started commercial operations.

The summarized financial information of Techsystems is as follows:

	MAR 2020	DEC 2019
Total liabilities	**₱5,184,317**	₱5,184,317
Capital deficiency	**(5,184,317)**	(5,184,317)

Investment in Joint Ventures

Gamespan. Gamespan was incorporated on June 20, 2012 to operate and manage the totalizator hardware and software owned by the Parent Company, set-up new media infrastructure for offering and taking bets in horse racing and other sports. It shall also have the exclusive broadcast rights to all the races and other games operated by the Parent Company which it may distribute to different broadcasters to maximize viewership and participation. As of July 15, 2020, Gamespan has not yet started its commercial operations.

Reconciliation of the summarized financial information to the carrying amount of the interest in the joint venture recognized in the consolidated financial statements is as follow:

	MAR 2020	DEC 2019
Current assets	**₱20,184,979**	₱20,184,979
Noncurrent assets	**29,167**	29,167
Current liabilities	**(629,824)**	(629,824)
Equity	**19,584,322**	19,584,322
Percentage of ownership	**50%**	50%
	₱9,792,161	₱9,792,161

Equity investment in joint venture in Gamespan amounted to ₱9.8 million as of March 31, 2020 and December 31, 2019. Equity in net earnings amounted to nil for periods ending March 31, 2020 and 2019.

SLBPO. On December 12, 2008, the Parent Company entered into a Joint Venture Agreement (JVA) with ALI to create SLBPO, an unincorporated entity, for the purpose of leasing, managing and administering the developed office units and retail development area in the building complex at the Sta. Cruz property (the Building Complex). The Building Complex was also constructed and developed under a JDA with ALI. The Building Complex was thereafter named "Vertex One".

In September 2019, the Parent Company acquired from ALI, developed office units and parking lots and ALI's equity interest in SLBPO for a total consideration of ₱511.7 million, excluding applicable taxes. This resulted in the Parent Company owning 100% of Vertex One. In connection with acquisition, ALI assigned, transferred and conveyed all its rights, interest and obligations in certain lease and service contracts which it has entered into with certain office tenants and service providers in connection with its obligation under the JVA with respect to the management and leasing operation of the building.

On the same date, ALI, with the conformity of the Parent Company, assigned its rights under the JVA in favor of SLLPHI, including, the right (i) to manage, market and lease the developed office units, retail units, and parking slots, of Vertex One, and (ii) to manage the funds of SLBPO.

The Parent Company and SLLPHI, as assignee-in-interest ALI to SLBPO, agreed to continue the unincorporated joint venture. SLLPHI shall act as property manager of Vertex One. On the same date, the Parent Company and SLLPHI amended the division of net rental income from leasing the developed office units in Vertex One by SLBPO for a more equitable distribution of net income of the JV, proportionate to and taking into account SLLPHI's contribution. The net rental income from leasing out the developed office units by SLBPO shall be divided between the Parent Company and SLLPHI as dividends, on the basis of the following percentages: Parent Company – 90%, SLLPHI – 10%.

Effective October 1, 2019, SLBPO is a wholly owned subsidiary of the Group.

Equity in net earnings (losses) of associates and joint ventures

	MAR 2020	MAR 2019
MIC	(₱21,107,499)	(₱30,692,520)
SLBPO	–	7,921,799
	(₱21,107,499)	(₱22,770,721)

11. Property and Equipment

Movements in this account are as follows:

MAR 2020

	January 1	Effect of PFRS 16	Additions/ Effect of PFRS 3	Disposals	Reclassifications and adjustments	Mar 2020
Cost						
Land	₱304,869,383	₱–	₱–	₱–	₱–	₱304,869,383
Land improvements	363,389,437	–	–	–	–	363,389,437
Building and improvements	683,012,552	–	–	–	–	682,994,810
Machinery and equipment	612,236,260	4,227,277	–	–	(1,097,321)	613,923,860
Transportation equipment	74,815,266	7,810,053	–	–	–	82,625,322
Furniture and fixtures	33,743,390	424,976	–	–	–	34,193,645
Right-of-use assets	36,417,492	–	–	–	–	36,417,492
	2,108,483,780	12,462,306	–	–	(1,097,321)	2,118,413,949
Accumulated depreciation						
Land improvements	228,133,126	3,683,159	–	–	–	231,816,285
Building and improvements	427,118,713	7,281,350	–	–	–	434,382,322
Machinery and equipment	537,085,331	6,996,429	–	–	–	542,652,981
Transportation equipment	39,911,118	1,367,565	–	–	–	41,278,681
Furniture and fixtures	29,314,764	1,979,317	–	–	–	31,305,788
Right-of-use assets	11,343,354	2,705,535	–	–	–	14,048,889
	1,272,906,406	24,013,355	–	–	–	1,295,484,946
Net book value	835,577,374	(11,551,049)	–	–	(1,097,321)	822,929,003
Construction in progress	19,426,750	4,842,912	–	–	–	24,269,662
	855,004,124	(6,708,137)	–	–	(1,097,321)	847,198,665
Allowance for impairment	(14,637,381)	–	–	–	–	14,637,381
	₱840,366,743	₱ (6,708,137)	(₱–)	(₱–)	(₱1,097,321)	₱832,561,284

DEC 2019

	January 1	Effect of PFRS 16 (see Note 3)	Additions/ Effect of PFRS 3 (see Note 1.5)	Disposals	Reclassifications and adjustments	December 31
Cost						
Land	₱304,869,383	₱–	₱–	₱–	₱–	₱304,869,383
Land improvements	349,904,869	–	–	–	13,484,568	363,389,437
Building and improvements	672,282,229	–	10,730,323	–	–	683,012,552
Machinery and equipment	581,148,687	–	31,161,127	(73,554)	–	612,236,260
Transportation equipment	45,034,816	–	30,480,450	(700,000)	–	74,815,266
Furniture and fixtures	33,198,923	–	544,467	–	–	33,743,390
Right-of-use assets	–	36,417,492	–	–	–	36,417,492
	1,986,438,907	36,417,492	72,916,367	(773,554)	13,484,568	2,108,483,780
Accumulated depreciation						
Land improvements	212,920,601	–	15,212,525	–	–	228,133,126
Building and improvements	399,801,330	–	27,317,383	–	–	427,118,713
Machinery and equipment	511,291,037	–	25,847,416	(53,122)	–	537,085,331
Transportation equipment	33,336,500	–	6,901,285	(326,667)	–	39,911,118
Furniture and fixtures	27,352,759	–	1,962,005	–	–	29,314,764
Right-of-use assets	–	–	11,343,354	–	–	11,343,354
	1,184,702,227	–	88,583,968	(379,789)	–	1,272,906,406
Net book value	801,736,680	36,417,492	(4,324,247)	(393,765)	13,484,568	835,577,374
Construction in progress	30,045,780	–	2,865,538	–	(13,484,568)	19,426,750

	January 1	Effect of PFRS 16 (see Note 3)	Additions/ Effect of PFRS 3 (see Note 1.5)	Disposals	Reclassifications and adjustments	December 31
	831,782,460	36,417,492	(1,458,709)	(393,765)	–	855,004,124
Allowance for impairment	–	–	(14,637,381)	–	–	(14,637,381)
	₱831,782,460	₱36,417,492	(₱16,096,090)	(₱393,765)	₱–	₱840,366,743

Depreciation Charges

The amount of depreciation is allocated as follows:

	MAR 2020	MAR 2019
Cost of sales and services (Notes 17)	**₱14,744,332**	₱16,222,017
General and administrative expenses (Notes 19)	**9,917,531**	1,990,801
	₱24,661,863	₱18,212,818

Capitalized Borrowing Costs

No interest on loans was capitalized in 2020 and 2019. Undepreciated capitalized interest relating to land improvements, building and improvements and machinery and equipment as of March 31, 2020 and December 31, 2019 amounted to ₱26.9 million.

Land

In 2001, the Parent Company acquired a parcel of land located in Carmona, Cavite from Royal Asia Land, Inc. (RALI), formerly known as KPPI Land Corporation, valued at ₱523.6 million payable in 12 equal quarterly installments from 2001 to 2004. The remaining installment payments due in 2004 were rescheduled as part of the requirements of the term loan obtained from a local bank. Total payments made by the Parent Company amounted to ₱433.7 million. No payments were made in 2020 and 2019. The outstanding balance of ₱89.9 million as of March 31, 2020 and December 31, 2019 is included under "Accounts payable and other liabilities" in the consolidated statements of financial position (see Note 15).

Assets Under Operating Lease – the Parent Company as Lessor

The Parent Company has various operating lease agreements for its building improvements, specifically, cluster stables, with horse owners. The lease agreements provide for fixed monthly payments which are subject to rental escalations and renewal options. The carrying value of the cluster stables that are leased out on these operating leases amounted to ₱20.9 million and ₱21.3 million as of March 31, 2020 and December 31, 2019, respectively. Rent income from stable rentals for the periods ended March 31, 2020 and 2019 amounted to ₱9.3 million and ₱10.7 million, respectively.

The Parent Company has various operating lease agreements with concessionaires to lease certain areas within the Turf Club. The lease shall be for a period of two to five years. Rent income from concessionaires amounted to ₱0.1 million for the periods ended March 31, 2020 and 2019.

Impairment

Management has determined that certain land improvements, that was supposed to generate new cash inflow for the Group did not materialize, therefore, the Group will not be able to recover the costs of construction. As a result, the Group recognized an allowance for impairment amounting to ₱14.6 million in 2019.

12. Investment Properties

This account consists of:

	MAR 2020	DEC 2019
Land:		
Sta. Cruz property held for capital appreciation	**₱397,821,478**	₱397,821,478
Sta. Cruz property held for lease	**238,168,692**	238,168,692
Mamburao property	**151,776,158**	136,435,767
Carmona property held for capital appreciation	**111,783,131**	111,783,131
Undivided interest in a parcel of land in Batangas	**56,723,976**	56,723,976
	956,273,435	940,933,044
Building:		
Developed office units	**631,812,213**	641,737,853
Retail development area	**27,497,839**	27,998,224
Condominium units	**11,779,331**	11,953,133
	671,089,383	681,689,210
	₱1,627,362,818	₱1,622,622,254

The movements in the carrying amount of investment properties are shown below:

	MAR 2020		
	Land	**Building**	**Total**
Cost			
Balance at beginning of year	**₱940,363,044**	**₱816,703,839**	**₱1,757,636,883**
Additions	**15,340,391**	**–**	**15,340,391**
Transfers from inventory	**–**	**–**	
Balance at end of year	**956,273,435**	**816,703,839**	**1,772,977,274**
Accumulated Depreciation			
Balance at beginning of year	**–**	**135,014,629**	**135,014,629**
Depreciation	**–**	**10,599,827**	**10,559,827**
Balance at end of period	**–**	**145,614,456**	**145,614,456**
Net Book Value	**₱940,363,044**	**₱671,089,383**	**₱1,627,362,818**

	DEC 2019		
	Land	Building	Total
Cost			
Balance at beginning of year	₱892,705,490	₱316,205,945	₱1,208,911,435
Additions	8,005,310	488,504,784	496,510,094
Transfers from inventory (Note 8)	40,222,244	11,993,110	52,215,354
Balance at end of year	940,933,044	816,703,839	1,757,636,883
Accumulated Depreciation			
Balance at beginning of year	–	114,155,522	114,155,522
Depreciation (Notes 16 and 18)	–	20,859,107	20,859,107
Balance at end of year	–	135,014,629	135,014,629
Net Book Value	₱940,363,044	₱681,689,210	₱1,622,622,254

Depreciation amounting to ₱10.6 million and ₱0.5 million for the period ended March 31, 2020 and December 31, 2019, are included as part of "Cost of sales and services".

Undepreciated capitalized interest relating to the Building Complex as of December 31, 2019.

In 2019, the Parent Company acquired long-term loan amounting to ₱315.0 million. The loan is secured by land and building of Vertex One located in Sta. Cruz, Manila with a fair value of ₱1.8 billion as of December 31, 2019.

Fair Market Values
As of December 31, 2019, the aggregate fair value of the Parent Company's investment properties amounted to ₱12.7 billion. Fair values of the Carmona property and Sta. Cruz properties as of February 21 and 14, 2020 and the building as of September 30, 2019 have been determined based on valuation performed by Philippine SEC-accredited and independent professional appraisers using replacement cost approach method and market data approach method. Management has assessed that there are no material changes in fair value on these investment properties as of December 31, 2019 from the most recent revaluations performed by independent appraisers.

As of December 31, 2019, the fair value of the Mamburao property amounted to ₱175.6 million. Fair values of the land as of July 25, 2019 have been determined based on valuation performed by Philippine SEC-accredited and independent professional appraisers using replacement cost approach method and market data approach method. Management has assessed that there are no material changes in fair value on these investment properties as of December 31, 2019 from the most recent revaluations performed by independent appraisers.

13. Other Noncurrent Assets

This account consists of:

	MAR 2020	DEC 2019
Financial assets at FVOCI:		
Debt securities	**₱65,573,299**	₱65,573,299
Quoted equity securities	**16,415,865**	16,415,865
Deferred input VAT	**15,673,535**	58,079,891
Deposits	**13,470,672**	13,353,912
Franchise fee (Note 1)	**4,966,339**	5,414,839
Software	**1,881,250**	2,150,000
Others	**236,428**	236,428
	₱118,217,388	₱161,224,234

Financial Assets at FVOCI
The reconciliation of the carrying amounts of financial assets at FVOCI is as follows:

	MAR 2020	DEC 2019
Balance at beginning of year	**₱81,989,164**	₱34,284,796
Additions during the period	**–**	48,000,000
DTL – net	**–**	64,373
Disposal during the period	**–**	–
Unrealized mark-to-market gains (losses) during the period	**–**	(360,005)
Balance at end of period	**₱81,989,164**	₱81,989,164

The movements in net cumulative changes in fair values of financial assets at FVOCI are as follows:

	MAR 2020	DEC 2019
Balance at beginning of year	₱4,260,960	₱4,620,965
Disposal during the period	–	–
Unrealized market-to-market gains (losses) during the period	–	(360,005)
Balance at end of period	₱4,260,960	₱4,260,960

Franchise Fee

Movements in the carrying amounts of franchise fee are shown below:

	MAR 2020	DEC 2019
Acquisition cost	₱44,850,000	₱44,850,000
Accumulated amortization:		
Balance at beginning of year	39,435,161	35,641,161
Amortization for the year (Note 17)	448,500	1,794,000
Balance at end of period	39,883,661	39,435,161
	₱4,966,339	₱5,414,839

Franchise fee is to be amortized until November 2020.

Software

Movements in the carrying amount of the software are shown below:

	MAR 2020	DEC 2019
Acquisition cost:	₱3,225,000	₱3,225,000
Accumulated amortization		
Balance at beginning of the year	1,075,000	–
Amortization for the period	268,750	1,075,000
Balance as at end of period	1,343,750	1,075,000
	₱1,881,250	₱2,150,000

14. Short-term and Long-term Loans and Borrowings

Short-term Loans

The outstanding balance of short-term loans and borrowings was fully paid in 2019.

Long-term Loan

In 2019, the Parent Company acquired five (5) year long-term loan amounting to ₱315.0 million maturing on September 2024. This loan is payable in equal monthly installments. The Parent Company has an option to shift from a floating rate every quarter to a fixed interest rate within two years from the availment date of the loan. The loan is secured by land and building of Vertex One located in Sta. Cruz, Manila with carrying value ₱1.0 million and fair value of ₱1.8 billion as of December 31, 2019.

The movements in long-term loans and borrowing is as follows:

	MAR 2020	DEC 2019
Balance at beginning of year	₱299,250,000	₱315,000,000

Payment during the period	**(10,500,000)**	(15,750,000)
	288,750,000	299,250,000
Less current portion	**63,000,000**	63,000,000
Noncurrent portion	**₱225,750,000**	₱236,250,000

On March 19, 2020, the Parent Company exercised the option to fix the interest rate at 6.02%.

Interest expense on long-term loan amounted to ₱3.4 million for the period ended March 31, 2020 and ₱4.3 million for the same period in 2019.

15. Accounts Payable and Other Liabilities

This account consists of:

	MAR 2020	DEC 2019
Accounts payable	**₱38,062,771**	₱145,444,634
Due to RALI (Note 11)	**89,900,000**	89,900,000
Percentage tax payable	**39,258,966**	72,920,022
Documentary stamps payable	**5,641,566**	37,700,364
Cash bond on OTB/OCB operators	**35,212,738**	36,290,998
Accrued expenses	**7,408,977**	24,361,293
Unclaimed winnings	**18,266,877**	23,875,777
Rental deposits	**15,152,901**	15,041,923
Lease liabilities - current portion	**10,873,401**	10,383,879
Withholding taxes payable	**(1,482,929)**	7,943,421
Dividends payable (Note 27)	**5,972,792**	5,974,351
Due to winning horse owners	**1,398,906**	2,962,508
Retention payable	**1,978,343**	1,978,343
Due to contractors	**1,683,538**	1,683,538
Due to OTB/OCB operators	**810,459**	1,554,546
Others	**12,058,367**	29,603,538
	₱282,197,672	₱507,619,135

Accounts payable and other liabilities are noninterest-bearing and are normally settled within the next financial year.

Cash bond on OTB/OCB operators serves as security deposits received by the Group from OTB/OCB operators at the inception of the operation. These are refunded to OTB/OCB operators upon termination of the OTB/OCB operations. Due to OTB/OCB operators are unpaid commissions to the operators that are settled within the next operating cycle.

16. Other Noncurrent Liabilities

This account consists of:

	MAR 2020	DEC 2019
Accrued retirement benefits (Note 21)	**₱59,328,767**	₱64,128,767
Security deposit	**46,606,803**	46,914,903
Lease liabilities - net of current portion	**16,846,389**	16,846,389

	MAR 2020	DEC 2019
Others	**15,590,653**	15,590,653
	₱138,372,612	₱143,480,712

Security deposit pertains to the security deposit from tenants of the Group's leased properties.

17. Cost of Sales and Services

Cost of club races consists of:

	MAR 2020	MAR 2019
Personnel costs	**₱13,647,855**	₱14,228,390
Depreciation	**10,149,449**	10,308,412
Utilities	**3,422,757**	4,605,578
Commission	**1,446,503**	2,657,325
Contracted services	**1,213,540**	1,294,784
Supplies	**1,116,951**	769,856
Transportation and travel	**1,116,230**	650,260
Rent	**927,603**	1,152,170
Security services	**677,565**	688,364
Taxes and licenses	**655,569**	410,210
Amortization of franchise fee	**448,500**	448,500
Repairs and maintenance	**427,316**	1,719,924
Prizes and winnings	**300,000**	300,000
Software license	**190,050**	194,662
Meetings and conferences	**150,471**	429,537
Gas, fuel and oil	**13,061**	199,543
Others	**1,064,077**	1,055,491
	₱36,967,497	₱41,113,006

Cost of real estate sold amounted to nil and (₱0.2) million for the period ended March 31, 2020 and December 31, 2019, respectively.

Cost of cockfighting consists of:

	MAR 2020	MAR 2019
Percentage tax	**₱39,258,968**	₱8,454,020
Taxes and licenses	**39,051,379**	828,992
Breeder's subsidy	**38,011,605**	33,944,395
Commission	**29,489,575**	30,521,493
Gamefowls	**16,068,330**	22,659,626
Contracted services	**5,687,273**	735,506
Teller allowances	**5,543,342**	6,863,032
Rent	**4,196,020**	5,464,482
Communication	**2,366,416**	2,460,204
Supplies	**2,260,852**	1,882,594
Depreciation	**2,124,501**	857,839
Meetings and conferences	**1,571,813**	523,264
Security services	**1,224,869**	1,074,472
Service fee	**1,110,579**	5,491,239
Transportation and travel	**953,907**	1,608,273

	MAR 2020	MAR 2019
Professional fees	598,977	2,472,110
Repairs and maintenance	568,143	815,525
Utilities	304,178	299,833
Gas, fuel and oil	195,543	239,063
Personnel costs	118,124	445,154
Others	1,673,094	1,861,606
	₱192,377,488	₱179,502,721

Cost of rental services consists of:

	MAR 2020	MAR 2019
Depreciation	₱13,000,948	₱5,487,541
Utilities	13,168,547	2,813,840
Security services	2,608,119	541,287
Repairs and maintenance	2,252,289	405,680
Contracted services	1,074,100	882,620
Personnel costs	910,198	980,412
Taxes and licenses	714,473	–
Advertising	264,278	214,433
Rent	180,178	86,704
Franchise tax – gaming	150,602	157,608
Software license	46,800	440,671
Meetings and conferences	37,074	48,831
Others	1,503,342	103,025
	₱35,910,948	₱12,162,651

Cost of food and beverages consists of:

	MAR 2020	MAR 2019
Purchased stocks	₱3,368,096	₱4,255,598
Personnel costs	1,041,157	728,778
Utilities	823,627	1,341,389
Meetings and conferences	188,853	174,140
Depreciation	69,261	68,610
Communication	48,826	13,432
Supplies	48,388	46,277
Repairs and maintenance	19,855	14,299
Contracted services	–	711,996
Others	245,393	66,310
	₱5,853,456	₱7,420,828

18. General and Administrative Expenses

This account consists of:

	MAR 2020	MAR 2019
Personnel costs	₱31,233,044	₱25,262,419
Depreciation	9,917,531	4,597,072
Taxes and licenses	5,199,600	19,061,475

	MAR 2020	MAR 2019
Utilities	5,093,733	2,822,048
Repairs and maintenance	3,790,970	2,567,779
Professional fees	3,085,793	9,183,973
Security services	3,255,049	2,138,494
Rent	2,969,008	3,059,040
Service fee	2,176,674	2,676,255
Director's fee	1,764,932	2,254,018
Meetings and conferences	1,585,757	1,344,491
Contracted services	1,535,237	4,681,669
Transportation and travel	981,831	530,642
Gas, fuel and oil	634,731	712,030
Supplies	544,456	562,000
Advertising	383,650	445,089
Membership dues	331,180	256,443
Insurance	218,393	303,530
Semi-expendable equipment	36,019	246,487
Seminars and trainings	35,373	126,515
Others	2,443,107	2,291,855
	₱77,216,068	₱85,123,324

19. Depreciation and amortization

This account consists of:

	MAR 2020	MAR 2019
Cost of sales and services (Notes 11, 12, and 17)	₱25,612,909	₱16,722,402
General and administrative expenses (Notes 18)	9,917,531	4,652,476
	₱35,530,440	₱21,374,878

20. Personnel Costs

This account consists of:

	MAR 2020	MAR 2019
Salaries and wages	₱35,240,119	₱33,209,760
Retirement benefits costs (Note 21)	7,537,132	3,300,000
Other employee benefits	4,173,127	4,566,916
	₱46,950,378	₱41,076,677

21. Retirement Benefits Costs

The Group has five tax-qualified, funded, noncontributory retirement plans covering both regular permanent and race day operation employees. The retirement plans provide for benefits on retirement, death and disability equivalent to a certain percentage of salary for every year of service based on the final monthly salary of the employee at the time of retirement, death or disability. An independent actuary, using the projected unit credit method, conducted the actuarial valuation of the fund. The latest actuarial valuation report as of December 31, 2019.

Movements in the accrued retirement benefits are as follows:

	MAR 2020	DEC 2019
Balance at beginning of year	**₱64,128,767**	₱55,944,377
Net retirement benefits costs for the period	**7,537,132**	12,347,094
Contributions during the period	**(11,550,000)**	(9,446,992)
Defined benefit income recognized in OCI	**–**	5,292,859
Benefits paid from book reserves	**(187,133)**	(8,571)
Balance at end of period	**₱59,928,767**	₱64,128,767

22. Interest Income

Interest income related to:

	MAR 2020	MAR 2019
Cash and cash equivalents (Note 6)	**₱106,912**	₱120,708
Real estate receivables (Note 7)	**–**	2,591,367
Advances and loans to officers and employees (Note 7)	**33,304**	195,330
	₱140,215	₱2,907,406

23. Finance Costs

This account consists of:

	MAR 2020	MAR 2019
Interest expense on short-term loans (Note 14)	**₱–**	₱4,458,130
Interest expense on long-term loans (Note 14)	**3,409,066**	–
Interest expense on lease liabilities	**489,523**	–
Bank charges and others	**5,877**	13,180
	₱3,904,466	₱4,471,310

24. Other Income (Charges) - net

	MAR 2020	MAR 2019
Income from:		
Income from use of property and facilities	**₱2,103,018**	₱760,848
Tenant reimbursements	**1,821,454**	1,822,916
Parking fees	**988,571**	916,964
Income from sale of agricultural property	**716,000**	–
Income from advertising	**662,314**	–
Income from subscriptions	**234,090**	–
Dividend income from financial asset at FVOCI/AFS financial assets	**–**	69,688
Entrance fee	**84,995**	114,286
Income due to cancellations	**–**	123,899
Foreign exchange gain (loss)	**40,728**	–
Others - net	**347,343**	962,434
	₱6,998,514	₱4,921,034

Income from advertising campaign pertains to advertising placement rights granted by the Group to third parties. Others include various individually insignificant items of income and expenses.

25. Income Taxes

a. The provision for current tax consists of the following:

	MAR 2020	MAR 2019
RCIT	**₱8,757,966**	₱19,083,862
MCIT	**725,045**	–
Final tax on interest income	**20,637**	23,729
	₱9,503,648	₱19,107,591

26. Related Party Transactions

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprises and their key management personnel, directors or its stockholders. Outstanding balances are settled through cash.

The Group adopted the materiality threshold of ten percent (10%) or higher of its total consolidated assets based on its latest audited financial statements. A threshold lower than ten percent (10%) may be set by the Board of Directors upon its determination of the risk of the material related party transactions to cause damage to the Parent Company and its shareholders. The threshold shall apply to material related party transactions entered between the Parent Company, its subsidiary or affiliate or any related party.

The following are the transactions with related parties:

	Nature	Amount MAR 2020	Amount DEC 2019	Receivable/(Payable) MAR 2020	Receivable/(Payable) DEC 2019	Terms	Conditions
Affiliates:							
Arco Management Development Corporation (AMDC)	Lease of office spaces and parking lots[a]	**₱2,028,107**	₱13,194,933	**(₱28,935,943)**	(₱26,772,322)	Noninterest-bearing	Unsecured
Advances from shareholders	Advances	**-**	-	**(13,734,482)**	(13,734,482)	Noninterest-bearing	Unsecured
Associates:							
MIC	Advances[b]	**-**	-	**4,982,104**	4,982,104	Noninterest-bearing	Unsecured, no impairment
Techsystems	Advances[b]	**500**	8,934	**45,467**	44,967	Noninterest-bearing	Unsecured, no impairment

[a] *The Parent Company has a lease agreement with AMDC, an affiliate under common control, in the lease of office space and four parking lots.*
[b] *Included in the "Receivables" account.*

Outstanding balances at year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. The Group recorded impairment of receivables relating to amounts owed by related parties amounting to ₱11,285 as of December 31, 2018, and nil as of March 31, 2020. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

27. Equity

Capital Stock

The details of the Parent Company's capital stock as of March 31, 2020 and December 31, 2019 are as follows:

	MAR 2020 Number of Shares	MAR 2020 Amount	DEC 2019 Number of Shares	DEC 2019 Amount
Common shares - ₱1 par value				
Authorized - 2,000,000,000 shares in 2020 and 2019				
Issued and outstanding (held by 959 equity holders in 2019, with 9,462 shares in treasury)	**1,494,251,136**	**₱1,494,251,136**	1,494,251,136	₱1,494,251,136
	1,494,251,136	**₱1,494,251,136**	1,494,251,136	₱1,494,251,136

	MAR 2020	DEC 2019
Common shares issued and outstanding:		
Balance at beginning of year	**1,494,251,136**	996,170,748
Issuance	**-**	498,080,388
Balance at end of period	**1,494,251,136**	1,494,251,136

On September 11, 2018, the BOD approved the increase of the Parent Company's authorized capital stock from ₱1.0 billion divided into one billion share with a par value of ₱1.00 per share to ₱2.0 billion divided into two billion shares with a par value of ₱1.00 per share.

During the special stockholders' meeting held on December 7, 2018, the stockholders approved the declaration of 50% stock dividends from the Parent Company's unrestricted retained earnings for the period ended December 31, 2017, to be taken from an increase in the Parent Company's authorized capital stock.

On May 3, 2019, the SEC approved the increase in the authorized capital stock and the declaration of the 50% stock dividends amounting to ₱498.1 million.

Retained Earnings

In accordance with SEC Memorandum Circular No. 11 issued in December 2008, the Parent Company's retained earnings available for dividend declaration as of December 31, 2019 amounted to ₱632.9 million, respectively.

Retained earnings account is restricted for the payment of dividends to the extent of the cost of shares held in treasury and deemed cost adjustment totaling ₱428.1 million as of December 31, 2019.

Declaration of Dividends

The following are the details of the dividends declared in 2019 and 2018:

Type of Dividend	Date of Declaration	Date of Record	Dividends per Share
Cash	April 12, 2018	May 28, 2018	₱0.05
Stock	December 7, 2018	May 17, 2019	50.00%

As of March 31, 2020, and December 31, 2019, outstanding dividends payable amounted to ₱6.0 million.

During the special stockholders' meeting held on December 7, 2018, the stockholders approved the declaration of 50% stock dividends from the Parent Company's unrestricted retained earnings for the period ended December 31, 2017, to be taken from an increase in the Parent Company's authorized capital stock. On May 3, 2019, the SEC approved the declaration of the 50% stock dividends amounting to ₱498.1 million.

28. Basic/Diluted EPS

Basic/diluted loss per share were computed as follows:

	MAR 2020	DEC 2019
Net income (loss) attributable to equity holders of the Parent Company	**₱4,874,984**	₱36,409,034
Divided by weighted average number of outstanding common shares	**1,494,241,674**	1,494,241,674
Basic/diluted income (loss) per share	**₱0.0033**	₱0.0244
Common shares outstanding at beginning of the year	**996,161,286**	996,161,286
Effect of stock dividends in 2019	**498,080,388**	498,080,388
Number of outstanding common shares	**1,494,241,674**	1,494,241,674

The Parent Company does not have potential dilutive common shares as of March 31, 2020 and December 31, 2019. Therefore, the basic and diluted loss per share are the same as of those dates.

29. Operating Segment Information

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided. The Group's five reportable operating segments are the operation and maintenance of race tracks and holding of horse races, cockfighting operations, the development and sale of real estate properties, rental of stables, building and other facilities, and the food and beverage services provided in its casino and restaurant. No operating segments were aggregated to form these reportable operating segments. There have been no inter-segment sales and transfers. All sales and rendering of services are made to external customers and the Group does not have any major customers.

Management monitors the operating results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net income or loss and is measured consistently with the total comprehensive income in the consolidated financial statements.

The Group's asset-producing revenues are located in the Philippines (i.e., one geographical location). Therefore, geographical segment information is no longer presented.

Segment Revenue and Expenses

The segment results for periods ended March 31, 2020 and 2019 are as follows:

	MAR 2020						
	Club Races	**Cockfighting**	**Real Estate**	**Rent**	**Food and Beverage**	**Unallocated**	**Total**
Segment revenue	**₱21,440,149**	**₱234,933,338**	**₱-**	**₱115,467,997**	**₱6,300,447**	**₱11,701,920**	**₱389,843,851**
Cost and expenses	**(36,967,497)**	**(192,377,488)**	**-**	**(35,910,947)**	**(5,853,456)**	**(105,214,522)**	**(376,323,910)**
Income (loss) before income tax	**(15,527,348)**	**42,555,850**	**-**	**79,557,050**	**446,991**	**(93,512,602)**	**13,519,941**
Provision for income tax	**-**	**-**	**-**	**-**	**-**	**(9,503,648)**	**(9,503,648)**
Net income (loss)	**(₱15,527,348)**	**₱42,555,850**	**₱-**	**₱79,557,050**	**₱446,991**	**(₱103,016,250)**	**₱4,016,293**

	MAR 2019						
	Club Races	Cockfighting	Real Estate	Rent	Food and Beverage	Unallocated	Total
Segment revenue	₱33,603,462	₱324,744,554	₱2,070,399	₱18,658,279	₱6,138,988	(₱16,109,421)	₱399,106,261
Cost and expenses	(41,113,006)	(179,502,721)	140,389	(12,162,651)	(7,420,828)	(91,652,275)	(331,711,092)
Income (loss) before income tax	(7509,544)	145,241,833	2,210,788	6,495,628	(1,281,840)	(107,761,696)	37,395,169
Provision for income tax	-	-	-	-	-	(2,346,289)	(19,107,591)
Net income (loss)	(₱7,509,544)	₱128,480,531	₱2,210,788	₱6,495,628	(₱1,281,840)	(₱110,107,986)	(₱18,287,578)

Finance costs, other income - net and provision for income taxes are not allocated to individual segments as the underlying instruments are managed on a group basis and are not provided to the chief operating decision maker at the operating segment level in 2020 and 2019. Equity in net losses of associates and joint ventures amounting to ₱21.1 million and ₱22.8 million for the period ended March 31, 2020 and 2019, respectively, are included in the segment revenue of operating segment "Unallocated." Pre-operating cost of certain subsidiaries are also included in cost and expense of operating segment "Unallocated".

30. Commitments and Contingencies

Commitments

The following are the significant commitments of the Group:

a. Right-of-Use Assets and Lease Liabilities/Operating Lease

The Group as Lessee
The Group has lease contracts for the office space and parking lots. Leases of property generally have lease terms of 5 years. The Parent Company's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Parent Company is restricted from assigning and subleasing the leased assets and some contracts require the Parent Company to maintain certain financial ratios.
The Group as Lessee - Operating Lease
On December 31, 2017, the Parent Company renewed its lease agreement with AMDC, an affiliate under common control, for the lease of office space and four parking lots. The lease is for a period of five years starting January 1, 2018 to December 31, 2022. The monthly rate of the lease amounted to ₱545,671 subject to an annual escalation rate of 5.0%.

On January 1, 2011, the Parent Company entered into another lease agreement with AMDC for another office space. The lease is for the period of five years starting 2011 and has ended on December 31, 2015. The contract was renewed for another five years from January 1, 2016 to December 31, 2020. The monthly rate of the lease for 2019 is ₱332,297 subject to an annual escalation rate of 5.0%.

b. Operating Lease Commitment with PAGCOR - the Parent Company as Lessor

In 2013, the Parent Company entered into a lease contract for three years commencing July 10, 2013 with PAGCOR to lease an area of 189.231 sqm. for a monthly fixed rental of ₱510.51 per sqm. for its casino and related activities. The agreement expired on June 30, 2016. In January 2019, the Parent Company renewed the lease agreement for a period of three (3) years.

Rent income from PAGCOR amounted to ₱0.2 million and ₱0.3 million for the period ended March 31, 2020 and 2019.

c. In October 2013, the Parent Company entered into a lease agreement with PAGCOR to lease 1,427 sqm. property, with modern slot machines, including the rights to a proprietary system of linking and networking the said slot machines in Turf Club Bldg., San Lazaro Leisure Park, Carmona, Cavite. The Parent Company shall receive monthly variable rent equivalent to thirty-five percent (35%) of revenues less winnings/prizes and five (5%) franchise tax. The agreement expired on June 30, 2016. In May 2018, the Parent Company renewed the lease agreement with PAGCOR for five (5) years until May 2023.

Income from lease agreement with PAGCOR amounted to ₱3.0 million and ₱3.2 million, respectively.

d. In April 2018, the Parent Company entered into an agreement with Jade Entertainment and Gaming Technologies, Inc., where the latter shall supply, install, commission, conduct and provide marketing for Casino, including but not limited to, food and beverages, entertainment, promotions, consumables for membership station.. In addition, the latter shall provide and maintain the floor management system to the machines. The Parent Company shall pay USD$1.00 per day per machine for all machined connected to the system.

e. On May 1, 2018, the Parent Company entered into a lease agreement with Datem Inc. to lease an area of 16,719 sqm. in Sta. Cruz, Manila for a monthly fixed rental of ₱150,000, exclusive of VAT. On January 1, 2019, the lease agreement is renewed for another nine (9) months. The agreement was not renewed after it expired. Income recognized for the period ended March 31, 2020 and 2019 amounted to nil and ₱0.45 million, respectively.

f. In 2018, the Parent Company entered into various lease agreements for one year to lease condominium units in Alveo and Avida for a monthly fixed rental of ₱24,000 - ₱25,000 inclusive of VAT. The lease agreements are renewable for another one (1) year upon mutual agreements of both parties. For the periods ended March 31, 2020 and 2019, rent income from these lease agreements amounted to ₱0.2 million.

g. Memorandum of Agreement with AKL Properties, Inc. (AKL)

   On July 16, 2019, a memorandum of agreement has been executed between the Parent Company and AKL Properties, Inc. (AKL) to purchase the Parent Company's land properties located in Carmona, Cavite with 608,712 sqm., for the purpose of developing it into a mixed-used township project with complementary uses. This excludes the MJC Turf Club Building with 36,000 sqm. where the Parent Company shall retain its ownership. The Parent Company agrees to vacate the land properties no later than three (3) years from the signing of the agreement or the expiration of the congressional franchise on November 23, 2022 whichever is later, subject to a phase-out plan acceptable to AKL. If the agreement is terminated, the advances shall be paid within 90 days from the termination date.

   On September 13, 2019, the Parent Company received advances from AKL amounting to ₱500.0 million and is presented as part of "Advances from third parties" account in the consolidated statements of financial position. These advances are subject to liquidation in 2022.

h. Memorandum of Agreement with Wisem Global Inc. (WGI) and SymVerse Inc. (SVI)

   On October 29, 2019, a memorandum of agreement has been executed between the WGI, SVI, the Parent Company and MCI to deliver to WGI and SVI the content in accordance with their specifications and in such format as agreed between the parties, to enable WGI and SVI to create, develop and deliver a betting platform on or before the delivery date. In accordance with the contract, the Parent Company and MCI will share in the revenue derived from the use of the betting platform.

   The Parent Company received advances from WGI and SVI amounting to US$100.0 thousand (₱5.1 million) and are presented as part of "Advances from third parties" account in the consolidated statements of financial position. The deposits shall thereafter be deducted from the revenue share of the Parent Company upon commencement of operations, which is expected to be in 2021.

<u>Contingencies</u>

Unclaimed Dividends on Winnings
Under PR58D of the *Rules and Regulations on Horse Racing* promulgated by the Philippine Racing Commission (PHILRACOM), the latter claims control over the disposition of unclaimed dividends.

The Parent Company disputed the legality of PR58D in its letters to PHILRACOM dated June 14, 2012 and July 13, 2012. The Parent Company maintained that there is no law authorizing PHILRACOM to determine the proper use or disposition of the unclaimed dividends and PHILRACOM exceed its rule-making authority in issuing PR58D. The Parent Company likewise contended that unclaimed dividends are private funds as these funds are not included in the amounts that are supposed to be remitted to or held by the Parent Company for the government under its charter.

Furthermore, a *Notice* appears in the dorsal portion of the Parent Company's betting tickets which state that winning tickets must be claimed within thirty days from date of purchase, otherwise, the prize shall be forfeited in favor of the Parent Company. This provision is a valid agreement between the Parent Company and the bettor under the principle of autonomy of contracts.

As part of its audit of the PHILRACOM, the Commission on Audit (COA) issued an *Independent Auditor's Report* dated March 27, 2013 wherein COA opined that unclaimed dividends of winning bettors should be forfeited in favor of the government and should form part of the National Treasury. However, in the same report, COA acknowledged the absence of any legislative mandate as regards the disposition of unclaimed dividends. Thus, COA required the PHILRACOM to request for a Declaratory Relief from the Department of Justice to resolve the issue on the nature of unclaimed dividends.

To resolve the foregoing issue, the Parent Company filed a *Petition for Declaratory Relief* on November 6, 2013.

On July 27, 2016, the Regional Trial Court of Bacoor, Cavite granted the petition in favor of the Parent Company. On January 17, 2017, PHILRACOM and Games and Amusement Board (GAB) filed a Petition for Review on Certiorari before the Supreme Court. As of July 15, 2020, the case is still pending before the Supreme Court.

Claims and Legal Actions
As of December 31, 2019 and 2018, there are pending claims and legal actions against or in favor of the Parent Company arising from the normal course of business, in addition to the matters already mentioned elsewhere in these consolidated financial statements. In the opinion of the Parent Company's management and its legal counsel, liabilities arising from these claims, if any, would not have any material effect on the Parent Company and any liability or loss arising therefrom would be taken up when the final resolution of the claims and actions are determined.

BIR Audit of MCI
Pursuant to Letter of Authority No. eLOA/LOA SN: eLA201600068464 (LOA) dated January 23, 2019, the books of accounts and accounting records of MCI was audited by the Bureau of Internal Revenue (BIR). After the BIR's audit, the BIR National Investigation Division (BIR-NID) issued a Notice for Informal Conference dated October 3, 2019 with attached Details of Discrepancy.

The BIR has not yet issued any Preliminary Assessment Notice (PAN), Final Assessment Notice (FAN), or Formal Letter of Demand (FLD). It is only at that point in time that it can be said that MCI has been assessed deficiency taxes. Thus, MCI maintains that it has no deficiency taxes.
In a letter to the BIR dated November 21, 2019, MCI, through its tax counsel, requested that the findings of deficiency taxes be cancelled and withdrawn as it has no legal or factual basis. After finding merit in MCI's reply, the BIR issued a revised assessment reducing the deficiency tax from ₱3.0 billion to ₱1.3 billion.

The revised tax assessment essentially hinges on the following three (3) legal issues to which MCI had already presented its position and counterarguments in its reply letter to the BIR's NIC:

1. Whether or not the tickets issued for the cockfights are subject to documentary stamp tax (DST) under Section 190 of the National Internal Revenue Code, as amended, (the "Tax Code"), which imposes DST on jai alai, horse race tickets, lotto or other authorized numbers games;
2. Whether or not winnings from cockfights, as in the case of winnings from casinos, are subject to final withholding tax of 20% under Section 24(B) and Section 25(A)(2) of the Tax Code; and

3. Whether or not the machines issuing tickets for cockfights qualify as POS machine requiring registration thereof.

Since BIR maintains its position on the BIR registration of the MCI's totalizator system and betting terminals, MCI has signified its intention to comply with the registration considering the amount of registration fees involved is not significant.

31. Capital Management

The Group considers the total equity as its capital. The Group maintains a capital base to cover risks inherent in the business. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payments to shareholders, return capital to shareholders or issue capital securities.

The following table summarizes the total capital considered by the Group:

	MAR 2020	DEC 2019
Capital stock	**₱1,494,251,136**	₱1,494,251,136
Additional paid-in capital	**27,594,539**	27,594,539
Net cumulative changes in fair values of financial assets measured at FVOCI	**4,260,960**	4,260,960
Remeasurement on retirement benefits	**13,708,769**	13,708,769
Retained earnings	**2,213,727,714**	2,208,852,730
Treasury shares	**(7,096)**	(7,096)
Noncontrolling interest	**58,087,214**	58,945,905
	₱3,811,623,236	₱3,807,606,943

No changes were made in the objectives, policies and processes from the previous years.

32. Events after Reporting Date

COVID-19 Outbreak

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region (NCR) effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six months and imposed an enhanced community quarantine throughout the island of Luzon until April 12, 2020, which was subsequently extended to May 15, 2020. On May 12, 2020, the NCR and certain parts of the Philippines were placed under a modified form of ECQ (MECQ) until May 31, 2020. On May 28, 2020, the NCR was placed under GCQ starting June 1, 2020, while the rest of the country were placed under either MECQ, GCQ or modified GCQ, depending on the risk classification of the area. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve.

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

ANNEX "B"

MANAGEMENT DISCUSSION & ANALYSIS OF PLAN OF OPERATIONS

Discussion on Operating Results for the Periods Ended March 31, 2020 and 2019

Revenues

Income from club races decreased by ₱12.2 million from ₱33.6 million for the period ended March 31, 2019 to ₱21.4 million for the same period in 2020. There were twenty-six racing days from January to March 2019 compared to twenty racing days covering the same period in 2020.The Parent Company operated for only two racing days in March 2020 as operations has been disrupted by the COVID-19 outbreak.

Income from cockfighting operations for the period March 31, 2019 amounted to ₱324.7 million and ₱234.9 million for the same period in 2020 or a decrease of ₱89.8 million. Fights/derbies were down from 3,343 in first quarter of 2019 to 3,299 for the same period in 2020. There were sixty-eight cockfighting days in 2019 compared to fifty days in 2020.

The Group recognizes income from real estate sale which is the subject of Joint Venture Agreements with Ayala for Sta. Cruz property and Century Communities Corp. for Carmona property. Revenue from real estate is recognized under the percentage of completion (POC) method. The company recognized a loss in real estate revenue for the period ended March 31, 2019 amounting to ₱0.5 million which was due to the cancellation of a previously sold unit. There was also no sale during the period. In 2020, there were no sale nor cancellation of real estate units.

Rental revenue from the leasing of stables, buildings and other facilities amounted to ₱18.7 million and ₱118.5 million for the periods ended March 31, 2019 and 2020, respectively. Rental revenue increased as a result of the Parent Company's acquisition of ALI interest in Vertex One Building in September 2019.

Revenue from sale of food and beverages increased by ₱0.2 million from ₱6.1 million for the period ended March 31, 2019 to ₱ 6.3 million covering the same period in 2020. Sales from food and beverages slightly increased in 2020 by ₱0.2 million.

Other revenues increased by ₱1.1 million from ₱0.4 million for the period ended March 31, 2019 to ₱1.6 million for the same period in 2020.

Other Income

For the period ended March 31, 2019, equity in net losses of associates and joint venture amounted to ₱22.8 million and ₱21.1million for the same period in 2020. The losses recognized in the current period is due to the equity share in the net losses of MIC amounting to ₱21.1 million. For the period ended March 31, 2019, equity losses from MIC amounted to ₱30.7 million tapered by the equity share in net earnings of SLBPO amounting to ₱7.9 million.

Interest income relates to real estate receivables, cash and cash equivalents and advances and loans to officers and employees. Interest income for the period ended March 31, 2019 amounted to ₱2.9 million compared to ₱ 0.1million for the same period in 20120 or a decrease of ₱2.8 million. The decrease came primarily from the interest income from accretion of real estate receivables due to the cancellation of previously sold real estate units.

Other income – net increased by ₱1.1 million from ₱5.9 million for the period ended March 31, 2019 to ₱ 7.0 million for the same period in 2020. The increase came primarily from revenue recognized for the use of property and facilities.

Expenses

Cost of Sale and Services

Cost of racing services decreased by ₱4.1 million from ₱41.1 million for the period ended March 31, rental expenses, among others, decreased in 2020. The lesser number of operating days is directly related to the incurrence of these expenses.

Direct costs from cockfighting increased by ₱12.9 million from ₱179.5 million for the period ended March 31, 2019 compared to ₱ 192.3 million for the same period in 2020. Significant expenses in 2020 that caused the increase in the cost of services of cockfighting are taxes and licenses particularly the local business tax paid during the period and the percentage tax.

Cost of real estate pertains to the cost of real estate property recognized under the percentage of completion method, if the criteria of full accrual method are not satisfied. For the periods ended March 31, 2019, cost of real estate amounted to (₱0.2) million and nil for the same period in 2020. There were no units sold nor cancelled in 2020. The amount in 2019 was net result of the new unit sales and the reversal to inventory account of the cost of previously sold real estate units that were cancelled during that period.

Rental cost of services increased by ₱23.7 million from ₱12.2 million for the period ended March 31, 2019 to ₱35.9 million for the same period in 2020. Notable increases came from utilities and depreciation expense from the leasing operations of the Vertex One building. The Parent Company acquired ALI's interest in Vertex One Building in September 2019.

Cost of food and beverage amounted to ₱7.4 million for the period ended March 31, 2019 and ₱5.9 million for the same period in 2020. The decrease amounting to ₱1.6 million came primarily from purchased stocks.

The cost of sales for "Others" amounted to ₱3.0 million and ₱2.1 million for the periods ended March 31, 2020 and 2019, respectively or a decrease of ₱0.9 million in 2019.

General Operating Expenses

General and administrative expenses constitute costs of administering the business. For the period ended March 31, 2019, general and administrative expenses amounted to ₱85.1 million compared to ₱77.2 million for the same period in 2020. It decreased by ₱7.9 million. Significant decreases in general and administrative expenses include taxes and licenses, professional fees and contracted services.

Selling expenses pertain to marketing fees related to the sale of real estate properties. It amounted to ₱0.04 million for the period ended March 31, 2019 and nil for the same period in 2020.

Finance costs pertain to interest expenses on bank loans availed for working capital requirements. It amounted to ₱4.5 million for the period March 31, 2019 and ₱3.9 million for the same period in 2020. The increase of ₱0.6 million which is due to the increase in outstanding principal balances of bank loans as of the end of year 2019.

CHANGES IN FINANCIAL CONDITION

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

Total assets decreased due to the following:

1. For the period ended March 31, 2020, cash and cash equivalents amounted to ₱364.2 million from ₱603.0 million as of December 31, 2019. The decrease of ₱238.8 million can be attributed to the payment of matured payables to suppliers, principal and interest payments on loans, acquisition of property and equipment as well as investment property.

2. Receivables, including real estate receivables-net of current portion increased by ₱30.3 million from ₱184.8 million as of December 31, 2019 to ₱215.1 million as of March 31, 2020. Rent receivable and advances to officers and employees increased in the current period.

3. Inventories increased by ₱2.1 million in the current period from ₱9.1 million as of December 31

4. Other current assets increased by ₱46.1 million from ₱26.1 million as of December 31, 2019 to ₱72.3 million as of March 31, 2020. The increase came from primarily from the reclass of Input VAT from noncurrent to current.

5. Investments in and advances to associates and joint ventures amounted to ₱2,032.4 million and ₱2,011.3 million as of March 31, 2020 and December 31, 2019, respectively. This account was decreased by the equity share in the net losses of MIC for the current period amounting to ₱21.1million.

6. Property and equipment decreased from ₱840.3 million as of December 31, 2019 to ₱832.6 million as of March 31, 2020. The decrease in property and equipment amounting to ₱7.7 million in the current period is the net effect of the depreciation charges recognized and the acquisitions of property and equipment during the period.

7. Investment properties increased by ₱4.7 million from ₱1,622.6 million as of December 31, 2019 to ₱1,627.4 million as of March 31, 2020. The net increase is the result of the depreciation recognized during the period and the additional purchase of investment property.

8. Other noncurrent assets decreased by ₱43.0 million from ₱161.2 million as of December 31, 2019 to ₱118.2 million as of March 31, 2020. The decrease is due primarily to the reclass of Input VAT from noncurrent to current.

Total Current Liabilities decreased due to the following:

9. Accounts payable and other liabilities decreased by ₱225.4 million from ₱507.6 million as of December 31, 2019 to ₱282.2 million as of March 31, 2020.Accounts payable, percentage and documentary stamps taxes payable decreased.

10. Income tax payable increased by ₱9.5 million from ₱34.2 million as of December 31, 2019 to ₱43.7 million as of March 31, 2020. The increase refers mainly to the income tax expense recognized by the Group covering the first quarter of 2020.

Total Noncurrent Liabilities decreased due to the following:

11. Noncurrent portion of the long-term loans and borrowings decreased by ₱10.5 million as a result of the monthly payment of the principal balance.

12. Accrued retirement benefits as of December 31, 2019 amounted to ₱64.1 million and ₱59.9 million as of March 31, 2020. The decrease amounting to ₱4.2 million is the net effect of the contributions made to the retirement fund and the retirement expense recognized in the current period.

Total Equity increased due to the following:

13. Retained earnings increased by ₱4.9 million from ₱2,208.9 as of December 31, 2019 to ₱ 2,213.7 million as of March 31, 2020. The increase pertains to the net earnings of the Group covering the first quarter of 2020.

14. Non-controlling interest decreased by ₱0.9 million in the current period which represents primarily the 56.87% share of minority interest in the net losses of ARWRI for the period ended March 31, 2020.

OTHERS

No known trends, events, commitments or uncertainties that will have an effect on the company's liquidity. The company is not expecting anything that will have a material favorable or unfavorable impact on the company's current operation. All the figures reflected or presented during the reporting period arose from normal conditions of operation.

The Group looks closely at the following to determine its over-all performance:

	MAR 2020	DEC 2019
Current Ratio	**1.59**	1.32
Asset to Liability Ratio	**3.64**	3.27

	MAR 2020	MAR 2019
Sales to Revenue Ratio	**0.06**	0.09
Sales to Expenses Ratio	**0.06**	0.10
Earnings Per Share	**₱0.0033**	₱0.0189

Current ratio or working capital ratio is a measure of a company's liquidity or its ability to meet maturing obligations. It is computed by dividing current assets over current liabilities. Total current assets as of March 31, 2020 and December 31, 2019 amounted to ₱641.9 million and ₱815.1 million, respectively. As of March 31, 2020, and December 31, 2019, total current liabilities amounted to ₱402.7 million and ₱618.6 million, respectively. The Group's current ratio of 1.59 shows that it has ₱1.59 current assets to support ₱1.00 current liabilities.

The asset to liability ratio or solvency ratio exhibits the relationship of total assets with total liabilities. It is computed by dividing total assets over total liabilities. As of March 31, 2020, and December 31, 2019, total assets amounted to ₱5,253.9 million and ₱5,481.4 million, respectively while total liabilities as of March 31, 2020 amounted to ₱1,442.3 million and ₱1,673.8 million as of December 31, 2019. The Group's asset to liability ratio of 3.27 shows that for every ₱1.00 liability, it has a ₱3.27 asset to support it.

Sales to revenue ratio is computed by dividing the income from horse racing over total operating revenue. Income from club races for the periods ended March 31, 2020 and 2019 amounted to ₱21.4 million and ₱33.6 million, respectively. Total operating revenue for the period ended March 31, 2020 amounted to ₱382.7 million and ₱383.0 million for the same period in 2019.

Sales to expenses ratio is computed by dividing income from horse racing over total expenses which include cost of sales and services, general and administrative expenses, selling expenses and finance costs. Income from club races for the periods ended March 31, 2020 and 2019 amounted to ₱21.4 million and ₱33.6 million, respectively, while total expenses amounted to ₱ 355.2 million for the period ended March 31, 2020 and ₱331.7 million for the same period in 2019.

Earnings per share is computed by dividing net income (loss) attributable to equity holders of the parent company over the weighted average number of outstanding common shares. Net income attributable to equity holders of the parent company for the period ended March 31, 2020 amounted to ₱4.9 million ₱18.8 million for the same period in 2019. The weighted average number of outstanding common shares as of March 31, 2020 is 1,494.3 million and 996.2 million as of March 31, 2019.

Analysis of plan of operations

The year 2019 showed an unprecedented upswing in revenues for the Parent Company and for the two wholly-owned subsidiaries, MCI and Gametime. Special recognition to MCI for the company's year after year record breaking revenues which had tremendous revenue contribution to the Parent Company.

The Group remains positive on the economic viability of its companies and banks on its first-class facilities such as its race track and cockfighting arena. The Group's excellent customer service is also a key driver of its revenues and commits to its continuing improvement.

COVER SHEET

PW803
S.E.C. Registration Number

MANILA JOCKEY CLUB, INC.

(Company's Full Name)

14TH FLOOR STRATA 100 BLDG.
F. ORTIGAS JR. ROAD
ORTIGAS CENTER, PASIG CITY

(Business Address : No. Street City / Town / Province)

ATTY. CHINO PAOLO Z. ROXAS
Contact Person

8687-9889
Company's Telephone Number

12 31
Month *Day*
Fiscal Year

QUARTERLY REPORT
17-Q
FORM TYPE

06 30
Month *Day*
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

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 June 30, 2020

2. Commission identification number PW803 3. BIR Tax Identification No. 000-786-765

4. Exact name of issuer as specified in its charter **MANILA JOCKEY CLUB, INC.**

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

6. Industry Classification Code: (SEC Use Only)

7. Address of issuer's principal office Postal Code

   San Lazaro Leisure and Business Park, Brgy. Lantic, Carmona, Cavite 1014

8. Issuer's telephone number, including area code (632) 687-9889

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

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

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common	1,494,241,674

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

    Yes [x] No [ ]

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

    Philippine Stock Exchange, Inc. Common Shares

12. Indicate by check mark whether the registrant:

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

    Yes [x] No [ ]

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

    Yes [x] No [ ]

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

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

- Consolidated Statements of Financial Position as of June 30, 2020 and December 31, 2019
- Consolidated Statements of Comprehensive Income for the quarters ended June 30, 2020 and 2019
- Consolidated Statements of Comprehensive Income for the periods ended June 30, 2020 and 2019
- Consolidated Statements of Changes in Equity for the periods ended June 30, 2020 and 2019
- Consolidated Statements of Cash Flows for the quarters ended June 30, 2020 and 2019
- Consolidated Statements of Cash Flows for the periods ended June 30, 2020 and 2019
- Aging Schedule of Receivables as of June 30, 2020
- Notes to Consolidated Financial Statements

Item 2. Management's Discussion and Analysis of Plan of Operations

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

PART II – OTHER INFORMATION

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

SIGNATURES

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

MANILA JOCKEY CLUB, INC.

August 14, 2020
Date

By:

NESTOR N. UBALDE
Chief Finance Officer

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2020 AND DECEMBER 31, 2019

	UNAUDITED JUNE 2020	AUDITED DECEMBER 2019
ASSETS	(In Philippine Peso)	
Current Assets		
Cash and cash equivalents (Note 6)	**414,382,576**	602,987,261
Receivables (Note 7)	**81,673,948**	176,853,170
Inventories (Note 8)	**10,906,764**	9,104,522
Prepayments and other current assets (Note 9)	**65,660,316**	26,127,770
Total Current Assets	**572,623,604**	815,072,723
Noncurrent Assets		
Real estate receivables - net of current portion (Note 7)	**24,178,718**	7,944,094
Investments in and advances to associates and joint ventures (Note 10)	**1,969,986,494**	2,032,407,093
Property and equipment (Notes 11)	**807,214,607**	840,366,743
Investment properties (Notes 10 and 12)	**1,616,110,275**	1,622,622,254
Deferred tax assets - net	**1,799,260**	1,799,260
Other noncurrent assets (Note 13)	**117,863,368**	161,224,234
Total Noncurrent Assets	**4,537,152,722**	4,666,363,678
	5,109,776,326	5,481,436,401
LIABILITIES AND EQUITY		
Current Liabilities		
Current portion of long-term loans and borrowings (Note 14)	**63,000,000**	63,000,000
Accounts payable and other liabilities (Notes 15)	**297,184,607**	507,619,135
Income tax payable	**9,805,280**	34,249,717
Due to related parties	**13,734,482**	13,734,482
Total Current Liabilities	**383,724,369**	618,603,334
Noncurrent Liabilities		
Long-term loans and borrowings - net of current portion (Note 14)	**204,750,000**	236,250,000
Deferred tax liabilities - net	**170,419,412**	170,419,412
Advances from third parties	**505,076,000**	505,076,000
Other non-current liabilities (Note 16)	**145,131,301**	143,480,712
Total Noncurrent Liabilities	**1,025,376,713**	1,055,226,124
	1,409,101,082	1,673,829,458
Equity		
Capital stock (Note 27)	**1,494,251,136**	1,494,251,136
Additional paid-in capital	**27,594,539**	27,594,539
Actuarial gains on accrued retirement benefits	**13,708,769**	13,708,769
Net cumulative changes in fair values of financial assets measured at FVOCI	**4,260,960**	4,260,960
Retained earnings (Note 31)	**2,102,934,593**	2,208,852,730
Treasury shares (Note 31)	**(7,096)**	(7,096)
Equity attributable to equity holders of the parent company	**3,642,742,901**	3,748,661,038
Non-controlling interests (Note 1)	**57,932,343**	58,945,905
Total Equity	**3,700,675,244**	3,807,606,943
	5,109,776,326	5,481,436,401

See accompanying Notes to Consolidated Financial Statements.

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE PERIODS ENDED JUNE 30, 2020 AND 2019

	UNAUDITED **JUNE 2020**	UNAUDITED JUNE 2019
	(In Philippine Peso)	
REVENUES		
Club races	**21,440,149**	61,308,664
Cockfighting	**234,933,338**	645,793,011
Real estate	**-**	(793,475)
Rent (Notes 11 and 12)	**176,676,065**	37,588,873
Food and beverages	**6,829,430**	12,743,934
Others	**1,618,427**	985,302
	441,497,409	757,626,309
COST OF SALES AND SERVICES (Note 17)		
Club races	**55,709,291**	82,325,140
Cockfighting	**209,409,316**	365,796,762
Real estate	**-**	(176,989)
Rent	**49,799,075**	24,817,015
Food and beverages	**6,642,873**	14,376,223
Others	**4,631,263**	11,341,780
	326,191,818	498,479,931
GROSS INCOME	**115,305,591**	259,146,378
General and administrative expenses (Note 18)	**(140,634,547)**	(152,409,567)
Selling expense (Note 8)	**-**	-
Interest income (Notes 6, 7 and 22)	**836,626**	3,286,333
Finance costs (Notes 14 and 23)	**(9,144,098)**	(8,596,711)
Equity in net earnings (losses) of associates and joint ventures (Note 10)	**(62,420,599)**	(50,816,290)
Other income - net (Note 24)	**8,623,992**	16,430,884
INCOME (LOSS) BEFORE INCOME TAX	**(87,433,035)**	67,041,027
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 25)		
Current	**19,498,664**	38,608,561
Deferred	**-**	-
	19,498,664	38,608,561
NET INCOME (LOSS)	**(106,931,699)**	28,432,466
OTHER COMPREHENSIVE INCOME (LOSS)		
Items of other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods		
Net changes in fair values of AFS financial assets	-	-
Items of other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods		
Actuarial gains (losses) on remeasurement of retirement benefits, net of tax	-	-
TOTAL COMPREHENSIVE INCOME (LOSS)	**(106,931,699)**	28,432,466
Net income attributable to:		
Equity holders of the parent company	**(105,918,137)**	29,510,708
Noncontrolling interests	**(1,013,562)**	(1,078,242)
	(106,931,699)	28,432,466
Total comprehensive income (loss) attributable to:		
Equity holders of the parent company	**(105,918,137)**	29,510,708
Noncontrolling interests	**(1,013,562)**	(1,078,242)
	(106,931,699)	28,432,466
Basic/Diluted Earnings (Loss) Per Share (Note 28)	**(0.0709)**	0.0197

See accompanying Notes to Consolidated Financial Statements.

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE QUARTERS ENDED JUNE 30, 2020 AND 2019

	UNAUDITED **JUNE 2020**	UNAUDITED JUNE 2019
	(In Philippine Peso)	
REVENUES		
Club races	-	27,705,202
Cockfighting	-	321,048,457
Real estate	-	(272,507)
Rent (Notes 11 and 12)	**58,196,023**	18,930,594
Food and beverages	**528,983**	6,604,946
Others	**67,281**	573,492
	58,792,287	374,590,184
COST OF SALES AND SERVICES (Note 17)		
Club races	**18,741,794**	41,212,134
Cockfighting	**17,031,828**	186,294,041
Real estate	-	-
Rent	**13,888,128**	12,654,364
Food and beverages	**789,417**	6,955,395
Others	**1,644,774**	9,284,139
	52,095,941	256,400,073
GROSS INCOME	**6,696,346**	118,190,111
General and administrative expenses (Note 18)	**(63,418,479)**	(67,286,243)
Selling expense (Note 8)	-	36,600
Interest income (Notes 6, 7 and 22)	**696,411**	378,927
Finance costs (Notes 14 and 23)	**(5,239,632)**	(4,125,401)
Equity in net earnings (losses) of associates and joint ventures (Note 10)	**(41,313,100)**	(28,045,569)
Other income - net (Note 24)	**1,625,478**	10,497,433
INCOME (LOSS) BEFORE INCOME TAX	**(100,952,976)**	29,645,858
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 25)		
Current	**9,995,016**	19,500,970
Deferred	-	-
	9,995,016	19,500,970
NET INCOME (LOSS)	**(110,947,992)**	10,144,888
OTHER COMPREHENSIVE INCOME (LOSS)		
Items of other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods		
Net changes in fair values of AFS financial assets	-	-
Items of other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods		
Actuarial gains (losses) on remeasurement of retirement benefits, net of tax	-	-
TOTAL COMPREHENSIVE INCOME (LOSS)	**(110,947,992)**	10,144,888
Net income attributable to:		
Equity holders of the parent company	**(110,793,121)**	10,702,839
Noncontrolling interests	**(154,871)**	(557,951)
	(110,947,992)	10,144,888
Total comprehensive income (loss) attributable to:		
Equity holders of the parent company	**(110,793,121)**	10,702,839
Noncontrolling interests	**(154,871)**	(557,951)
	(110,947,992)	10,144,888
Basic/Diluted Earnings (Loss) Per Share (Note 28)	**(0.0741)**	0.0072

See accompanying Notes to Consolidated Financial Statements.

JUNE 2020 (UNAUDITED)
(In Philippine Peso)

	Capital Stock (Note 27)	Additional Paid-In Capital	Actuarial Gains on Accrued Retirement Benefits	Net Cumulative Changes in Fair Values of AFS Financial Assets	Retained Earnings - Unappropriated	Treasury Shares	Subtotal	Noncontrolling Interests	Total
BALANCES AT DECEMBER 31, 2019	**1,494,251,136**	**27,594,539**	**13,708,769**	**4,260,960**	**2,208,852,730**	**(7,096)**	**3,748,661,038**	**58,945,905**	**3,807,606,943**
Total comprehensive income (loss) for the period					(105,918,137)		(105,918,137)	(1,013,562)	(106,931,699)
BALANCES AT JUNE 30, 2020	**1,494,251,136**	**27,594,539**	**13,708,769**	**4,260,960**	**2,102,934,593**	**(7,096)**	**3,642,742,901**	**57,932,343**	**3,700,675,244**

See accompanying Notes to Consolidated Financial Statements.

JUNE 2019 (UNAUDITED)
(In Philippine Peso)

	Capital Stock (Note 26)	Additional Paid-In Capital	Actuarial Gains on Accrued Retirement Benefits (Note 20	Net Cumulative Changes in Fair Values of AFS Financial Assets (Note 13)	Retained Earnings - Unappropriated (Note 26)	Treasury Shares (Note 26)	Subtotal	Noncontrolling Interests	Total
BALANCES AT DECEMBER 31, 2018	996,170,748	27,594,539	17,413,770	4,620,965	2,670,524,084	(7,096)	3,716,317,010	61,375,411	3,777,692,421
Total comprehensive income (loss) for the period					29,510,708		29,510,708	(1,078,242)	28,432,466
Stock dividends declared	498,080,643				(498,080,643)				
BALANCES AT JUNE 30, 2019	1,494,251,391	27,594,539	17,413,770	4,620,965	2,201,954,149	(7,096)	3,745,827,718	60,297,169	3,806,124,887

See accompanying Notes to Consolidated Financial Statements.

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED JUNE 30, 2020 AND 2019

	UNAUDITED JUNE 2020	UNAUDITED JUNE 2019
	(In Philippine Peso)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (Loss) before income tax	**(100,952,976)**	67,041,027
Adjustments for:		
Depreciation (Notes 11, 12 and 19)	**72,140,140**	43,060,437
Equity in net losses (earnings) of associates and joint ventures (Note 10)	**62,420,599**	50,816,290
Interest income (Note 22)	**(836,626)**	(3,286,333)
Finance costs (Note 23)	**9,144,098**	8,596,711
Amortization of franchise fee (Note 13)	**897,000**	897,000
Dividend income	**-**	(54,000)
Operating income before working capital changes	**42,812,235**	167,071,132
Decrease (increase) in:		
Receivables	**78,944,598**	61,650,317
Inventories	**(1,802,242)**	1,192,669
Prepayments and other current assets	**(39,532,546)**	(9,270,196)
Increase (decrease) in:		
Accounts payable and other liabilities	**(196,465,769)**	(10,368,304)
Other noncurrent laibilities	**(2,549,411)**	-
Accrued retirement benefits (Note 21)	**4,200,000**	(3,133,578)
Cash generated from operations	**(114,393,135)**	207,142,040
Income taxes paid, including creditable withholding and final taxes	**(43,943,101)**	(33,783,479)
Net cash provided (used) by operating activities	**(158,336,236)**	173,358,561
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**836,626**	3,286,333
Dividends received	**-**	10,117,901
Decrease (increase) in other noncurrent assets	**42,463,866**	168,074
Acquisitions of property and equipment (Note 11)	**(17,584,452)**	(22,867,715)
Acquisitions of investment property (Note 12)	**(15,340,391)**	-
Advances to an associate (Note 10)	**-**	(54,000,000)
Net cash provided (used) by investing activities	**10,375,649**	(63,295,407)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of loans and borrowings (Note 14)	**(31,500,000)**	(35,636,040)
Interest paid	**(9,144,098)**	(8,596,711)
Net cash provided (used) in financing activities	**(40,644,098)**	(44,232,751)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(188,604,685)**	65,830,403
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**602,987,261**	332,347,036
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 6)	**414,382,576**	398,177,439

See accompanying Notes to Consolidated Financial Statements.

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE QUARTERS ENDED JUNE 30, 2020 AND 2019

	UNAUDITED JUNE 2020	UNAUDITED JUNE 2019
	(In Philippine Peso)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (Loss) before income tax	**(114,472,917)**	29,645,858
Adjustments for:		
Depreciation (Notes 11, 12 and 19)	**36,878,450**	21,685,559
Equity in net losses (earnings) of associates and joint ventures (Note 10)	**41,313,100**	28,045,569
Interest income (Note 22)	**(696,411)**	(378,927)
Finance costs (Note 23)	**5,239,632**	4,125,400
Amortization of franchise fee (Note 13)	**448,500**	448,500
Dividend income	**-**	(54,000)
Operating income before working capital changes	**(31,289,646)**	83,517,959
Decrease (increase) in:		
Receivables	**109,214,209**	78,243,962
Inventories	**272,260**	75,111
Other current assets	**6,605,520**	(3,888,937)
Increase (decrease) in:		
Accounts payable and other liabilities	**28,955,692**	(77,404,318)
Other noncurrent laibilities	**(2,241,311)**	-
Accrued retirement benefits (Note 21)	**9,000,000**	3,300,000
Cash generated from operations	**120,516,724**	83,843,777
Income taxes paid, including creditable withholding and final taxes	**(43,923,133)**	(33,759,751)
Net cash provided (used) by operating activities	**76,593,591**	50,084,026
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**696,411**	378,927
Dividends received	**-**	10,117,901
Decrease (increase) in other noncurrent assets	**(542,980)**	408,213
Acquisitions of property and equipment (Note 11)	**(279,234)**	(11,090,524)
Advances to an associate (Note 10)	**-**	(14,000,000)
Net cash provided (used) by investing activities	**(125,803)**	(14,185,484)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of loans and borrowings (Note 14)	**(21,000,000)**	(18,000,000)
Interest paid	**(5,239,632)**	(4,125,400)
Net cash provided (used) in financing activities	**(26,239,632)**	(22,125,400)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**50,228,156**	13,773,142
CASH AND CASH EQUIVALENTS AT BEGINNING OF QUARTER	**364,154,420**	384,404,297
CASH AND CASH EQUIVALENTS AT END OF QUARTER (Note 6)	**414,382,576**	398,177,439

See accompanying Notes to Consolidated Financial Statements.

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES
AGING SCHEDULE OF RECEIVABLES
AS OF JUNE 30, 2020

UNAUDITED
(In Philippine Peso)

A. AGING OF ACCOUNTS RECEIVABLE-NET

	TYPE OF RECEIVABLES	TOTAL	1-30 DAYS	31-60 DAYS	61-90 DAYS	91-120 DAYS	OVER 120 DAYS
1	Real estate receivables - current portion	**41,161,448**	-	-	-	-	41,161,448
2	Rent receivables	**34,150,110**	7,472,262	3,619,247	3,637,202	731,076	18,690,323
3	Receivables from off-track/off-cockpit betting (OTB/OCB) operators	**6,091,751**	-	-	-	100,581	5,991,170
4	Receivables from food and beverage operations	**4,471,672**	45,672	-	-	234,376	4,191,624
5	Advances to suppliers and contractors	**25,830,039**	2,729,152	-	-	212,031	22,888,856
6	Advances and loans to officers and employees	**22,723,421**	64,412	151,518	8,625	86,863	22,412,003
7	Due from related parties	**5,036,049**	-	-	-	-	5,036,049
8	Others	**7,321,890**	333,512	626,754	-	1,213,091	5,148,533
	TOTAL	**146,786,379**	**10,645,011**	**4,397,519**	**3,645,827**	**2,578,017**	**125,520,006**
	Less ECL/allowance for doubtful accounts	**65,112,430**					
	RECEIVABLES - NET	**81,673,948**	**10,645,011**	**4,397,519**	**3,645,827**	**2,578,017**	**125,520,006**

B. ACCOUNTS DESCRIPTION

	TYPE OF RECEIVABLES	DESCRIPTION	COLLECTION PERIOD
1	Real estate receivables - current portion	Sales on real estate operations	Monthly
2	Rent receivables	Receivables on leasing transactions from stables, building and other facilities	Semi-monthly/Monthly
3	Receivables from off-track/off-cockpit betting (OTB/OCB) operators	Receivables from racing and cockfighting operations	Monthly
4	Receivables from food and beverage operations	Receivable from sale of food and beverages	Daily/Monthly
5	Advances to suppliers and contractors	Advances granted to and loans availed by officers and employees	Daily/Monthly
6	Advances and loans to officers and employees	Advance payments to suppliers for goods and services yet to be received	Daily/Monthly
7	Due from related parties	Due from third parties	Monthly
8	Others	Various deposits and advances	Daily/Semi-monthly/Monthly

C. OPERATING CYCLE

Calendar Year

1. Corporate Information

1.1 General Corporate Information

Manila Jockey Club, Inc. (the "Parent Company") and Subsidiaries (collectively referred to as the "Group") was incorporated in the Philippines on March 22, 1937 and was listed in the Philippine Stock Exchange (PSE) on October 11, 1963. In 1987, the Philippine Securities and Exchange Commission (SEC) approved the extension of the Parent Company's corporate life for another 50 years starting March 22, 1987.

The Parent Company is presently engaged in the construction, operations and maintenance of a racetrack located in Cavite, Philippines and in the holding or conducting of horse races therein with bettings both directly or indirectly by means of mechanical, electric and/or computerized totalizator. It has a congressional franchise granted on November 23, 1997 under Republic Act (R.A.) No. 8407 to hold such races and to maintain the race track, which will expire on November 23, 2022 (see Note 13). The Parent Company is also engaged in the development and sale of condominium units and residential properties, and lease of an office building through joint venture (JV) arrangements with certain developers.

Under R.A. No. 8407, the Parent Company shall pay annually to the National Treasury a franchise tax equivalent to 25% of its gross earnings from horse races in lieu of all taxes, except income tax, that are imposed by the national or local government on the activities covered by the franchise. Starting 2001, the Parent Company pays value-added tax (VAT) in lieu of the franchise tax by virtue of the provision of R.A. No. 7716 or the Expanded VAT Law.

The registered office address of the Parent Company is San Lazaro Leisure and Business Park, Brgy. Lantic, Carmona, Cavite.

1.2 Subsidiaries, Joint Ventures and Associates

	Place of incorporation	Nature of business	Functional currency	Percentage of ownership **JUN 2020** Direct	**JUN 2020** Indirect	DEC 2019 Direct	DEC 2019 Indirect
Subsidiaries							
Gametime Sports and Technologies, Inc. (GSTI)	Philippines	Gaming	Philippine Peso	**100.00**	**–**	100.00	–
Manilacockers Club, Inc. (MCI)	Philippines	Gaming	Philippine Peso	**100.00**	**–**	100.00	–
MJC Forex Corporation (MFC)	Philippines	Money changer	Philippine Peso	**100.00**	**–**	100.00	–
New Victor Technology, Ltd. (NVTL)	Hong Kong	Gaming	Philippine Peso	**100.00**	**–**	100.00	–
San Lazaro Resources and Development Corporation (SLRDC) [(a)]	Philippines	Real estate	Philippine Peso	**100.00**	**–**	100.00	–
SLLP Holdings, Inc. (SLLPHI) [(a)]	Philippines	Holdings	Philippine Peso	**100.00**	**–**	100.00	–
Hi-Tech Harvest Limited [(a)]	Hong Kong	Marketing	Philippine Peso	**100.00**	**–**	100.00	–
Apo Reef World Resorts, Inc. (ARWRI) [(a)]	Philippines	Beach Resorts Complex	Philippine Peso	**56.87**	–	56.87	–
Biohitech Philippines, Inc. (Biohitech) [(a)]	Philippines	Waste management	Philippine Peso	**50.00**	–	50.00	–
San Lazaro BPO Complex (SLBPO) [(b, c)]	Philippines	Real estate	Philippine Peso	**90.00**	**10.00**	**90.00**	10.00

	Place of incorporation	Nature of business	Functional currency	Percentage of ownership JUN 2020 Direct	Indirect	DEC 2019 Direct	Indirect
Joint Ventures							
Gamespan, Inc. (Gamespan) [(a)]	Philippines	Gaming	Philippine Peso	**50.00**	−	50.00	−
Associates							
MJC Investments Corporation Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino (MIC)	Philippines	Gaming	Philippine Peso	**22.31**	−	22.31	−
Techsystems, Inc. (Techsystems) [(a)]	Philippines	Information Technology	Philippine Peso	**33.33**	−	33.33	−

[(a)] *Not yet started commercial operation as of June 30, 2020*
[(b)] *Acquired in 2019 (see Note 1.5)*
[(c)] *Accounted for as investment in subsidiaries, associates and joint ventures in 2019.*

2. Basis of Preparation

Basis of Preparation
The consolidated financial statements have been prepared using the historical cost basis, except for financial assets at fair value through other comprehensive income (FVOCI), which are carried at fair value. The consolidated financial statements are presented in Philippine Peso (₱ or Peso), the Group's functional and presentation currency. All values are rounded to the nearest Peso, unless otherwise indicated.

3. Summary of Significant Changes in Accounting Policies and Disclosures

Changes in Accounting Policies
The accounting policies adopted are consistent with those of the previous financial year except that the Group has adopted the following amended standards as at January 1, 2019:

- PFRS 16, *Leases*

  PFRS 16 supersedes PAS 17, *Leases*, Philippine Interpretation IFRIC 4, *Determining whether an Arrangement contains a Lease*, Philippine Interpretation SIC-15, *Operating Leases-Incentives* and Philippine Interpretation SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases in the consolidated statements of financial position.

  The Group adopted PFRS 16 using the modified retrospective method of adoption, with the date of initial application as January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized only at the date of initial application. The comparative information was not restated and continues to be reported under PAS 17 and related interpretations. The Group elected to apply the recognition exemptions for leases for which the lease term ends within 12 months of the date of initial application and leases for which the underlying asset is of low value. The Group disclosed the amount of adjustment, on a line-by-line basis, in the balance sheet on the date of initial application.

The Group have lease contracts for office spaces and parking lots. Before the adoption of PFRS 16, the Group classified this lease (as lessee) at the inception date as an operating lease.

The effect of adoption of PFRS 16 at January 1, 2019 is, as follows:

	Increase (decrease)
Consolidated Statements of Financial Position	
ASSETS	
Property and equipment (Note 31)	₱36,417,492
Net impact in total assets	₱36,417,492
LIABILITIES	
Lease liabilities - current portion (Note 31)	₱9,645,170
Lease liabilities - noncurrent portion (Note 31)	26,772,322
Net impact in total liabilities	₱36,417,492

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

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

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

  The Group determined, based on its tax compliance review/assessment, in consultation with its tax counsel, that it is probable that its income tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. Accordingly, the adoption of this Interpretation has no significant impact on the consolidated financial statements.

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

  Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income (FVOCI), provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

  These amendments had no impact on the consolidated financial statements of the Group.

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

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

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

The amendments had no impact on the consolidated financial statements of the Group as it did not have any plan amendments, curtailments, or settlements during the period.

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

  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests. The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

  These amendments had no impact on the consolidated financial statements as the Group does not have long-term interests in its associate and joint venture to which the equity method is not applied.

- *Annual Improvements to PFRSs* 2015-2017 Cycle

  - Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*

    The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

    A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

    These amendments did not have any impact to the consolidated financial statements of the Group.

  - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted.

These amendments had no impact on the consolidated financial statements of the Group because no financial instruments classified as equity.

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

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

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

Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

Standards Issued but not yet Effective

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

Effective beginning on or after January 1, 2020

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

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

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

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

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

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

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

Effective beginning on or after January 1, 2023

- PFRS 17, *Insurance Contracts*

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

  The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or insurance contracts.

Deferred effectivity

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

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

  These amendments may apply to future transactions of the Group.

- *PIC updates on PFRS 15 implementation issues – PIC Q&A no. 2018-14*
  PIC Q&A no. 2018-14 prescribed the accounting treatment for cancellation of real estate sales using two approaches. Both approaches are acceptable but each approach should be applied consistently.

  The first approach prescribed that the repossessed property is recognized at its fair value less cost to repossess, while the second approach prescribed that the repossessed property is recognized at its fair value plus repossession cost.

  On February 7, 2019, upon request by the real estate industry to defer the implementation of the above PIC Q&A, the Securities and Exchange Commission (SEC) en banc decided to provide relief to the real estate industry by deferring the application of the above PIC Q&A for a period of three years.

  Effective January 1, 2021, real estate companies are required to adopt PIC Q&A no. 2018-14 retrospectively or as the SEC will later prescribed.

Real estate companies which opted for the deferral shall be required to disclose in the notes to the consolidated financial statements the accounting policy applied, a discussion of the deferral and a qualitative discussion of the impact in the consolidated financial statements had the concerned application guidance been adopted.

As of December 31, 2019, the Group opted to avail of the relief provided by the SEC.

4. Summary of Significant Accounting and Financial Reporting Policies

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at March 31, 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

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

- The contractual arrangements with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

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

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

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

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

Subsidiaries. Subsidiaries are entities controlled by the Parent Company. Subsidiaries are consolidated from the date of acquisition or incorporation, being the date on which the Group obtains control, and continue to be consolidated until the date such control ceases.

Non-controlling Interests. Non-controlling interests represent the portion of profit or loss and net assets in Biohitech and ARWRI in 2019 and 2018 that are not held by the Group and are presented separately in the consolidated statements of comprehensive income and consolidated statements of financial position separate from equity attributable to equity holders of the parent.

An acquisition, transfer or sale of a non-controlling interest is accounted for as an equity transaction. No gain or loss is recognized in an acquisition of a non-controlling interest. If the Group loses control over a subsidiary, it: (i) derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interest and the cumulative translation differences recorded in equity; (ii) recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in the consolidated profit or loss; and (iii) reclassifies the Parent Company's share of components previously recognized in OCI to the consolidated profit or loss or retained earnings, as appropriate.

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

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

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

<u>Business Combinations and Goodwill</u>
Business combinations are accounted for using the acquisition method.

Initial Measurement
The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date, fair value, and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects to measure the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included as part of "General and administrative expenses" account in the consolidated statements of comprehensive income.

Subsequent Measurement
Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or group of units. Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and

- is not larger than a segment based on the Group's format determined in accordance with PFRS 8, *Operating Segments*.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

When subsidiaries are sold, the difference between the selling price and the net assets and goodwill is recognized as gain or loss in the consolidated statements of comprehensive income.

Acquisition of Assets
When assets are acquired, through corporate acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents an acquisition of a business.

When such an acquisition is not adjudged to be an acquisition of a business, it is not treated as a business combination. Rather, the cost to acquire the entity is allocated between the identified assets and liabilities of the entity based on their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred tax arises.

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

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within 12 months after the reporting period or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within 12 months after the reporting period or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period

The Group classifies all other liabilities as noncurrent.

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

Fair Value Measurement

The Group measures financial instruments and non-financial assets at fair value at each reporting date. Additional fair value related disclosures including fair values of financial instruments measured at amortized cost are disclosed in Note 32.

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

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

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

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

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

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

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

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

For assets and liabilities that are recognized in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

<u>Cash and Cash Equivalents</u>
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and are subject to an insignificant risk of change in value.

<u>Financial Instruments – Classification and Measurement</u>

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

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

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

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

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

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

Financial assets at amortized cost
A financial asset is measured at amortized cost if (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the EIR method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in 'Interest income' in the statement of income and is calculated by applying the EIR to the gross carrying amount of the financial asset, except for (i) purchased or originated credit-impaired

financial assets and (ii) financial assets that have subsequently become credit-impaired, where, in both cases, the EIR is applied to the amortized cost of the financial asset.

The Group's financial assets at AC includes cash in banks, receivables, and deposits.

Financial assets at fair value through other comprehensive income (FVOCI)

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

As of March 31, 2020, and December 31, 2019, the Group elected to classify irrevocably all debt instruments as financial assets at FVOCI.

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

As of March 31, 2020, and December 31, 2019, the Group elected to classify irrevocably all equity instruments as financial asset at FVOCI.

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

The Group does not have financial assets at FVTPL.

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

Impairment of Financial Assets (Effective January 1, 2018)

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

The Group recognizes ECL for the following financial assets that are not measured at FVTPL:

- debt instruments that are measured at AC and FVOCI;
- contract assets;
- trade receivables;
- loan commitments; and
- financial guarantee contracts.

No ECL is recognized on equity investments.

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

For all debt financial assets other than trade receivables, ECLs are recognized using the general approach wherein the Group tracks changes in credit risk and recognizes a loss allowance based on either a 12-month or lifetime ECLs at each reporting date.

The Group considers certain debt investment securities to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Determining the stage for impairment. At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

Exposures that have not deteriorated significantly since origination, or where the deterioration remains within the Group's investment grade criteria are considered to have a low credit risk. The provision for credit losses for these financial assets is based on a 12-month ECL. The low credit risk exemption has been applied on debt investments that meet the investment grade criteria of the Group from the time of origination.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

Derecognition of Financial Assets and Liabilities
Financial Assets. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through agreement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of income. Otherwise, where the net present value of the cash flows under the new terms discounted using the effective interest rate of the original debt is less than 10 percent different from the discounted present value of the remaining cash flows of the original debt instrument, the financial liability is not derecognized.

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

Financial Assets and Financial Liabilities *(applicable prior to January 1, 2018)*

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

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

The Group classifies its financial assets in the following categories: financial assets at FVTPL, loans and receivables, held-to-maturity investments and available-for-sale financial assets. Financial liabilities are classified as financial liabilities at FVTPL or other financial liabilities. The classification depends on the purpose for which the instruments were acquired or liabilities incurred and whether they are quoted in an active market. Management determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this classification at every reporting date.

The Group has no financial assets or liabilities at FVTPL and held-to-maturity investments as of December 31, 2019.

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

The Group determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this classification at every reporting date.

a. Loans and receivables

This category is the most relevant to the Group. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at AC using the EIR method, less impairment. AC is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the consolidated statements of comprehensive income. The losses arising from impairment are recognized in the consolidated statements of comprehensive income in finance costs for loans and under cost of sales or other operating expenses for receivables.

b. AFS financial assets

AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held-for-trading nor designated at FVTPL. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses recognized in OCI and credited in the AFS reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the consolidated statements of comprehensive income in finance costs. Interest earned whilst holding AFS financial assets is reported as interest income using the EIR method.
The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial

assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on the asset that has been recognized in equity is amortized to consolidated profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated statements of comprehensive income.

Unquoted AFS financial assets that do not have ready market prices are measured at cost, less allowance for impairment, if any, since their fair market value cannot be reliably measured.

The Group's AFS financial assets consist of investments in quoted and unquoted equity securities, quoted debt securities, preferred shares and club membership shares as of December 31, 2017.

c. *Other financial liabilities*
This category pertains to financial liabilities that are not held for trading or not designated at FVTPL upon the inception of the liability. These include liabilities arising from operations (e.g., payables and accruals) or borrowings (e.g., loans and obligations arising from finance lease). The liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the EIR method of amortization (or accretion) for any related premium (or discount) and any directly attributable transaction costs. Gains and losses on amortization and accretion are recognized in the consolidated statements of comprehensive income.

Included in this category are the Group's short-term loans and borrowings, accounts payable and other liabilities, and due to related parties as of March 31, 2020.

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

Inventories
Inventories include real estate inventories, food and beverages inventory, and gamefowls, which are valued at the lower of cost and net realizable value (NRV).

Real Estate Inventories
Real estate inventories include completed projects of the Group, and are stated at the lower of cost and net realizable value. Cost of real estate inventories pertains to the cost of land. Real estate inventories include memorial lots for sale in the ordinary course of business. In few cases of buyer defaults, the Group can repossess the properties and hold it for sale in the ordinary course of business at the prevailing market price. The repossessed properties are included in the "Real Estate Inventories" account in the consolidated statements of financial position at its original cost. Costs incurred in bringing the repossessed assets to its marketable state are included in their carrying amounts unless these exceed the recoverable values.

Accounting for cancelled sales and repossessed inventories
PIC Q&A no. 2018-14 prescribed the accounting treatment for cancellation of real estate sales using two approaches. Both approaches are acceptable but each approach should be applied consistently. The first approach prescribed that the repossessed property is recognized at its fair value less cost to repossess, while the second approach prescribed that the repossessed property is recognized at its fair value plus repossession cost.

On February 7, 2019, upon request by the real estate industry to defer the implementation of the above PIC Q&A, the Securities and Exchange Commission (SEC) en banc decided to provide relief to the real estate industry by deferring the application of the above PIC Q&A for a period of three years. Effective January 1, 2021, real estate companies are required to adopt PIC Q&A no. 2018-14 retrospectively or as the SEC will later prescribed.

The Group availed the relief for the year ended December 31, 2019. As a result, the Group recognized the repossessed inventory from cancelled sales at original cost.

Investments in Associates and Joint Ventures
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Group’s investment in its associate and joint venture are accounted using the equity method.

Under the equity method, the cost of investment in associates and a joint venture is carried in the consolidated balance sheet at cost plus post acquisition changes in the Group’s share of net assets of the associates and the joint venture. Goodwill, if any, relating to associates or a joint venture is included in the carrying amount of the investment and is not amortized or separately tested for impairment. The consolidated statements of comprehensive income reflects the share of the results of operations of the associates and joint venture. Where there has been a change recognized directly in the equity of the associates and the joint venture, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statements of changes in equity. Unrealized profits or losses resulting from transactions between the Group and the associates and joint venture are eliminated to the extent of the interest in the associates and joint venture.

The reporting dates of the associates, the joint venture and the Parent Company are identical and the accounting policies of the associates and joint venture conform to those used by the Group for like transactions and events in similar circumstances.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associates or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associates or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates or joint venture and its carrying value, and then recognizes the loss as “Equity in net earnings (losses) of associates and joint ventures” in the consolidated statements of comprehensive income.

Property and Equipment

Property and equipment, except land, is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Land is stated at cost less any impairment in value.

The initial cost of property and equipment comprise of its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Such cost also includes the cost of replacing part of the property and equipment and borrowing cost for long-term construction projects if the recognition criteria are met, and any obligation related to the retirement of the asset. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance and overhaul costs, are generally recognized in the consolidated statements of comprehensive income in accordance with the accounting policy. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment. When significant parts of property and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. When assets are sold or retired, their costs and accumulated depreciation, amortization and impairment losses, if any, are eliminated from the accounts and any gain or loss resulting from their disposal is included in the consolidated statements of comprehensive income of such period.

Depreciation commences when an asset is in its location and in a condition capable of being operated in the manner intended by the management. Depreciation ceases at the earlier of the date that the asset is classified as held for sale in accordance with PFRS 5, *Noncurrent Asset held for Sale and Discontinued Operations*, and the date the asset is derecognized.

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

	No. of Years
Land improvements	5 to 25
Building and improvements	5 to 25
Machinery and equipment	3 to 10
Transportation equipment	5 to 10
Furniture and fixtures	5

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

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation and amortization is charged to current operations.

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

Construction in progress is stated at cost, net of accumulated impairment losses, if any. This includes cost of construction and other direct costs. Construction in progress is not depreciated until such time as the relevant assets are completed and are available for use.

Borrowing Costs

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

Investment Properties

The Group's investment properties consist of land that is not used in operations and land and building held for lease. Investment properties are measured initially at cost, including transaction costs. The revalued amount of the land is taken as its deemed cost in accordance with PFRS 1 as of the date of adoption.

Investment properties, except land, are subsequently measured at cost less accumulated depreciation and any accumulated impairment in value. Land is subsequently carried at cost less any impairment in value.

Depreciation of investment properties commences once they become available for use and is calculated on a straight-line method over the estimated useful life of 25 years.

Depreciation ceases at the earlier of the date that the asset is classified as held for sale in accordance with PFRS 5 and the date the asset is derecognized. The estimated useful life and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from the items of investment property.

Investment properties are derecognized either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in consolidated profit or loss in the period of derecognition.

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

Franchise Fee

The franchise fee, presented as part of "Other noncurrent assets" in the consolidated statements of financial position, is accounted for at cost less accumulated amortization and any accumulated impairment in value. Costs incurred for the renewal of the Parent Company's franchise for another 25 years starting November 23, 1997 have been capitalized and are amortized over the period covered by the new franchise. The carrying value of the franchise is reviewed for impairment when there are indicators of impairment and any impairment loss is recognized in the consolidated profit or loss.

Impairment of Nonfinancial Assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth is calculated and applied to project future cash flows after the fifth year.

Capital Stock and Additional Paid-in Capital

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

When the shares are sold at a premium, the difference between the proceeds and the par value is credited to "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Parent Company, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Retained Earnings

Retained earnings are the result of Group's accumulated profits or losses, declaration of dividends and the effects of retrospective application or retrospective restatement recognized in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

Unappropriated retained earnings represent the portion which is free and can be declared as dividends to stockholders, after adjustments for any unrealized items, which are considered not available for dividend declaration.

Dividend Distribution

Dividends are recognized as a liability and deducted from equity when declared by the BOD of the Parent Company. Dividends for the year that are declared after the reporting date are dealt with as a non-adjusting event after the reporting date.

Earnings per Share (EPS)

Basic EPS is computed by dividing the net income for the year attributable to equity holders of the Parent Company by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year, if any.

Diluted EPS is calculated by dividing the net income attributable to equity holders of the Parent Company (after adjusting for interest on the convertible preference shares) by the weighted average number of common shares outstanding during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares into common shares.

The Parent Company currently does not have potential dilutive common shares.

Revenue Recognition (applicable starting January 1, 2018 upon the adoption of PFRS 15)

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment, excluding incentives, output tax, and other sales taxes or duties.

The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as an agent in its club racing and cockfighting operations and as principal in all other arrangements (i.e., real estate sales and rental services).

Commission income from club races
Revenue is recognized at a point in time based on a percentage of total wager funds from horse racing operations in accordance with the Parent Company's franchise agreement.

Commission income from cockfighting
Revenue is recognized at a point in time based on a percentage of net ticket sales from cockfighting operations.

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

Real estate sales
The Parent Company derives its real estate revenue from sale of condominium units and memorial lots. Revenue from sales of real estate projects from the joint venture are recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, the Parent Company's performance does not create an asset with an alternative use and the Parent Company has an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the Parent Company uses the output method. The Parent Company recognizes revenue on the basis of direct measurements of the value to customers of the goods or services transferred to date, relative to the remaining goods or services promised under the contract. Progress is measured using survey of performance completed to date. This is based on the monthly project accomplishment report prepared by the third-party surveyor as approved by the construction manager which integrates the surveys of performance to date of the construction activities for both sub-contracted and those that are fulfilled by the developer itself.

Any excess of progress of work over the right to an amount of consideration that is unconditional, recognized as residential and office development receivables, under trade receivables, is included in the "contract asset" account in the asset section of the consolidated statements of financial position.

Any excess of collections over the total of recognized trade receivables and contract assets is included in the "contract liabilities" account in the liabilities section of the consolidated statements of financial position.

The real estate projects were already completed as of December 31, 2019.

In case of sales cancellation due to the default of the buyers, the Group derecognizes the outstanding balance of contract asset or real estate receivables and recognize the repossessed property at its original cost, applying the relief provided by SEC.

Cost recognition
The Group recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets such as land. These costs are allocated to the saleable area, with the portion allocable to the sold area being recognized as costs of sales while the portion allocable to the unsold area being recognized as part of real estate inventories.

Commission income from club races
Revenue is recognized as earned based on a percentage of gross receipts from ticket sales from horse racing operations in accordance with the Parent Company's franchise agreement.

Commission income from cockfighting
Revenue is recognized as earned based on a percentage of gross receipts from ticket sales of cockfighting operations.

Revenue from food and beverages
Revenue from food and beverages are recognized when services are rendered or the goods are sold.

Real estate sales
The Parent Company assesses whether it is probable that the contract price (which embodies economic benefits) will flow to the Parent Company. Collectability of the contract price is demonstrated by the buyer's commitment to pay, which is supported by the buyer's initial and continuous investments that motivates the buyer to honor its obligation. Collectability is also assessed by considering factors such as collections and credit standing of the buyer.

Revenue from sales of completed real estate projects from the joint venture is accounted for using the full accrual method. In accordance with Philippine Interpretations Committee Q&A No. 2006-01, the percentage-of-completion method is used to recognize income from sales of projects where the Parent Company has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished), and the costs incurred or to be incurred can be measured reliably. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

Any excess of collections over the recognized revenue are included in the "Trade payable and buyers' deposits" under the "Accounts payable and other liabilities" account in the consolidated statements of financial position. If any of the criteria under the full accrual or percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers are presented under the "Trade payable and buyers' deposits" under the "Accounts payable and other liabilities" account in the consolidated statements of financial position.

Cost of real estate sales pertains to the cost of the land and is recognized under the percentage-of-completion method, if the criteria of the full accrual method are not satisfied.
The cost of inventory recognized in the consolidated statements of comprehensive income upon sale is determined with reference to the costs of the land contributed for the property, allocated to saleable area based on relative size and takes into account the percentage of completion used for revenue recognition purposes.

For income tax purposes, full recognition is applied when more than 25% of the selling price has been collected in the year of sale. Otherwise, the installment method is applied.

The real estate projects were already completed as of December 31, 2019.

<u>Rental income from stables, building and other facilities</u>
Revenue from the lease of stables, building and other facilities is recognized in the consolidated statements of comprehensive income on a straight-line basis over the lease term.

Interest income
Revenue is recognized as the interest accrues taking into account the effective yield on the asset.

Dividend income
Revenue is recognized when the Parent Company's right to receive the payment is established, which is generally when the shareholders approves the dividend.

Cost of Sales and Services and Expenses
Cost of club races, cost of cockfighting, cost of rental services and expenses are recognized in the consolidated statements of comprehensive income at the date they are incurred.

General and administrative expenses constitute cost of administering the business. Selling expense pertains to the marketing fees related to the real estate sales.

Other Comprehensive Income (OCI)
Items of income and expense (including items previously presented under the consolidated statements of changes in equity) that are not recognized in the profit or loss for the year are recognized as OCI and are presented as OCI in the consolidated statements of comprehensive income.

The OCI of the Group pertains to gains and losses on remeasuring AFS financial assets/financial assets at FVOCI and actuarial gains (losses) on remeasurement of retirement plan.

Retirement Benefits Cost
The Parent Company has noncontributory funded defined benefit plans, administered by trustees, covering substantially all of its regular employees.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

The Group as a lessee (effective January 1, 2019 *upon adoption of PFRS 16*)
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and ROU assets representing the right to use the underlying assets.

Right-of-use assets
Effective January 1, 2019, it is the Group's policy to classify right-of-use assets with "Property and Equipment" in the consolidated statements of financial position. Prior to that date, all of the Group's leases are accounted for as operating leases in accordance with PAS 17, hence, not recorded on the

consolidated statements of financial position. The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Lease liabilities
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

The Group as a lessor
Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating lease. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Taxes
Current tax
Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

For income tax purposes, full revenue recognition on real estate sales is applied when more than 25% of the contract price has been collected in the year of sale; otherwise, the installment method is applied, where real estate sales are recognized based on collection multiplied by the gross profit rates of the individual sales contracts.

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

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

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and is probable that the temporary differences will not reverse in the foreseeable future

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

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Value Added Tax (VAT)
Revenue, expenses and assets are recognized net of the amount of VAT, if applicable. When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statements of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/ or services (output VAT), the excess is recognized as an asset in the consolidated statements of financial position to the extent of the recoverable amount.

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

<u>Foreign Currency Denominated Transactions and Translations</u>
Transactions denominated in foreign currency are recorded using the exchange rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rate at reporting date. All foreign exchange gains and losses are recognized in the consolidated statements of comprehensive income.

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

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

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. These are in the notes to consolidated financial statements disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

Events after the Reporting Date
Events after the reporting date that provide additional information about the Group's financial position at the reporting date (adjusting events), if any, are reflected in the consolidated financial statements. Events after the reporting date that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. Significant Accounting Judgments, Estimates and Assumptions

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

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

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

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

Determination of Acquisition of Group of Assets as a Business in Accordance with PFRS 3
Management uses judgment in assessing if the group of assets and liabilities acquired would constitute a business. In accordance with PFRS 3, business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants.

The acquisition of Vertex One from ALI in 2019 qualified as an acquisition of a business in accordance with PFRS 3 and was accounted for under the purchase method (see Note 1).

Determination if control exists in an investee company

Control is presumed to exist when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. On the other hand, joint control is presumed to exist when the investors contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Management has determined that it has control by virtue of its power to cast the majority votes at meetings of the BOD in all of its subsidiaries (see Note 1).

Determination if joint control exists in a joint venture
Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Management has determined that it has joint control in San Lazaro BPO Complex Joint Venture and Gamespan Inc. since the strategic financial and operating decisions of the entity are made jointly for all relevant activities by the venturers through its BOD (see Note 1).
Determination of joint venture or joint operation
A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e., joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e., joint venturers) have rights to the net assets of the arrangement.

Management has determined that arrangement for ventures with Avida Land Corporation (Avida), Alveo Land Corporation (Alveo) and Century Communities Corporation (CCC) are classified as joint operations since the Group have rights to the assets and obligations for the liabilities relating to the arrangement and not to the net assets of the arrangement.

Determination if significant influence exists in an associate
Significant influence exists when an investor has the power to participate in the financial and operating policy decisions of the investee but is not control or joint control. Management has determined that the Group has significant influence in MIC and Techsystems since the Group has the power to appoint representatives to the BOD of MIC and Techsystems to participate in the financial and operating policy decision (see Note 1).

Distinction between real estate inventories and investment properties
The Group determines whether a property is classified as investment property or real estate inventories as follows:

Investment properties comprises land and buildings (principally offices, commercial and retail property) which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. Transfers are made to investment properties when there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development.

Real estate inventories comprise property that is held for sale in the ordinary course of business. Principally, this is residential and industrial property that the Group develops and intends to sell before or on completion of construction.

In 2019 and 2018, the Group reclassified real estate inventories to investment property amounting to ₱52.2 million and ₱5.5 million, respectively (see Notes 8 and 12).

Determination of lease term of contracts with renewal and termination options – the Group as a lessee – Effective starting January 1, 2019
The Parent Company has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Group included the renewal period as part of the lease term for leases of office spaces and parking lots with shorter non-cancellable period (i.e., three to five years). The Group typically exercises its option to renew for these leases because there will be a significant negative effect on production if a replacement asset is not readily available. The renewal periods for leases of office spaces and parking lots with longer non-cancellable periods (i.e., 10 to 15 years) are not included as part of the lease term as these are not reasonably certain to be exercised. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Refer to Note 31 for information on potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term.

Leases - Estimating the IBR – Effective starting January 1, 2019
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use assets in a similar economic environment. The IBR therefore reflects what the Group ‘would have to pay’, which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the Parent Company’s stand-alone credit rating).

The Group’s lease liabilities amounted to ₱27.2 million as at December 31, 2019.

Classification of leases - Effective prior to January 1, 2019
Management exercises judgment in determining whether substantially all the significant risks and rewards of ownership of the leased assets are transferred to the Group. Lease agreements which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased items are accounted for as finance leases. Otherwise, these are considered as operating leases.

a. *Operating lease commitments - the Group as a lessor*
   The Group has entered into lease agreements on certain items of its property and equipment and investment properties. The Group has determined that it retains all the significant risks and rewards of ownership of these properties. i.e. ownership of the assets remains with the Group at the end of the lease terms. Accordingly, the lease agreements are accounted for as operating leases .

b. *Operating lease commitments - the Group as lessee*
   The Group has entered into a lease agreement for the lease of office space and parking lots where it has determined that the risks and rewards related to the leased assets are retained by the lessor. i.e. ownership of the assets remains with the lessor at the end of the lease term. As such, the lease agreement was accounted for as an operating lease.

Impairment of noncurrent nonfinancial assets

The Group assesses at each reporting date whether there is any indication that its interest in associates and joint ventures, advances to an associate, property and equipment, investment properties and franchise fee may be impaired. Indication of impairment includes: (a) decline in the asset's market value that is significantly higher than would be expected from normal use; (b) evidence of obsolescence or physical damage; (c) internal reports indicate that the economic performance of the asset will be worse than expected; etc. If such indication exists, the entity shall estimate the recoverable amount of the asset, which is the higher of an asset's or CGU's fair value less costs to sell and its value in use. Based on management's assessment, there was an indicator of impairment of investment in and advances to an associate and property and equipment as of December 31, 2019.

In 2019, due to continuous decline in revenues from club races, the Parent Company assessed that its property and equipment used in its racing activities may be impaired. These property and equipment related to the Parent Company's racing activities have a carrying amount of ₱433.9 million as of December 31, 2019 prior to impairment assessment. The recoverable amount of the CGU has been determined based on fair value less cost to sell. Fair value less cost to sell is based on appraisal of the property performed by an independent appraiser.

Management has determined that certain land improvements, that was supposed to generate new cash inflow for the Group did not materialize, therefore, the Group will not be able to recover the costs of construction. As a result, the Group recognized an allowance for impairment amounting to ₱14.6 million in 2019.

In addition, due to the continuous losses incurred by MIC, the Group performed impairment testing on its investment in and advances to MIC with a carrying value of ₱2.0 billion as of December 31, 2019. The recoverable amount of investment in and advance to an associate is the greater of the investment's fair value less costs to sell and value-in-use. Determination of impairment of investment in and advances to an associate requires an estimation of the value-in-use of the CGU to which the investments relate. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the CGU and applying an appropriate discount rate in order to calculate the present value of those cash flows. In discounting, the Group uses a discount rate based on the weighted average cost of capital adjusted to reflect the way that the market would assess the specific risks associated with the cash flow and exclude risks that are not relevant to the cash flow. The recoverable amount resulting from the impairment testing done by the Group was based on value in use method.

In 2019, no impairment provisions were recognized for nonfinancial assets of the Group, except for the land improvement amounting to ₱14.6 million in 2019.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation and uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Estimation of allowance for doubtful accounts (applicable until December 31, 2017 prior to the adoption of PFRS 9)

The allowance for doubtful accounts relating to receivables is estimated based on two methods. The amounts calculated using each of these methods are combined to determine the total allowance to be provided. First, specific accounts are evaluated based on information that certain customers may be unable to meet their financial obligations. In these cases, judgment is used based on the best available facts and circumstances, including but not limited to, the length of relationship with the customer and the customer's current credit status based on third party credit reports and known market factors, to record specific reserves against amounts due to reduce receivable amounts expected to be collected. These specific reserves are re-evaluated and adjusted as additional information received impacts the amounts estimated. Second, a collective assessment of historical collection, write-off, experience and customer payment terms is made.

The amount and timing of recorded expenses for any period could therefore differ based on the judgments or estimates made. An increase in the Group's allowance for doubtful accounts will increase its recorded operating expenses and decrease its current assets.

In 2017, provision for doubtful accounts are disclosed in Note 7 to the consolidated financial statements, and written off receivable accounts without previous impairment allowance are disclosed in Note 26 to the consolidated financial statements.

Provision for ECL of financial assets (applicable starting January 1, 2018 upon the adoption of PFRS 9)
The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for its receivables from real estate.

The provision matrix is initially based on the Group's historical observed default rates. The Group shall calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of actual default in the future.

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

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

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group's debt instruments at fair value through OCI comprise solely of quoted bonds that are graded in the top investment category, a reputable credit rating agency and, therefore, are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from a reputable credit rating agency both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

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

Determination of NRV of real estate inventories
The Group's estimates of the NRVs of real estate inventories are based on the most reliable evidence available at the time the estimates are made of the amount that the inventories are expected to be realized. These estimates consider the fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. A new assessment is made of the NRV in each subsequent period. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is a clear evidence of an increase in NRV because of change in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised NRV.

As of December 31, 2019 and 2018, the cost of the real estate inventories, the amount written down to NRV and the carrying value of the real estate inventories are disclosed in Note 8 to the consolidated financial statements.

Estimation of impairment of financial assets at FVOCI
The Group treats FVOCI financial assets as impaired when there has been a significant decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is 'significant' requires judgment.

The Group defines 'significant' generally as a reduction of 20% or more of the original cost. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equity securities and the future cash flows and the discount factors for unquoted equity securities.

As of March 31, 2020, and December 31, 2019, the carrying value of the Group's FVOCI financial assets is disclosed in Note 13 to the consolidated financial statements. No impairment loss was recognized in 2019.

Estimation of the useful lives of property and equipment and investment properties (excluding Land)
The Group estimates the useful lives of property and equipment and investment properties based on the internal technical evaluation and experience with similar assets. Estimated useful lives of property and equipment and investment properties (the period over which the assets are expected to be available for its intended use) are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical and commercial obsolescence and other limits on the use of the assets.

There were no changes in the useful lives of property and equipment and investment properties in 2019. As of June 30 , 2020 and December 31, 2019, the carrying amount of depreciable property and equipment are disclosed in Note 11 to the consolidated financial statements. The carrying amount of depreciable investment property as of June 30, 2020 and December 31, 2019 are disclosed in Note 12 to the consolidated financial statements.

Provisions and Contingencies
The Group provides for present obligations (legal or constructive) where it is probable that there will be an outflow of resources embodying economic benefits that will be required to settle said obligations. An estimate of the provision is based on known information at the reporting date, net of any estimated amount that may be reimbursed to the Group. The Group's management and legal counsels believe that the eventual liabilities under these lawsuits or claims, if any, will not have material effect on the consolidated financial statements. Further, the Group's management, together with its tax counsel, has assessed that the findings on MCI have no legal or factual basis (see Notes 31 and 35).

No provisions were recognized as of December 31, 2019.

Recognition of deferred tax assets
The Group reviews the carrying amount of the deferred tax assets at each reporting date and adjusts to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

Estimation of retirement benefits cost and obligations
The determination of the obligation and cost for retirement benefits cost is dependent on management's selection of certain assumptions used by the actuary in calculating such amounts. Those assumptions are described in Note 22 and include among others, discount rates, expected rate of return on plan assets and expected rate of salary increase. Actual results that differ from the Group's assumptions are accumulated and amortized over the future periods and therefore generally affect the recognized expense and recorded obligation in such future period. While the Group believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's retirement and other retirement obligations.

As of June 30, 2020, and December 31, 2019, the carrying value of accrued retirement benefits are disclosed in Note 22 to the consolidated financial statements.

6. Cash and Cash Equivalents

This account consists of:

	JUN 2020	DEC 2019
Cash on hand	**₱28,224,476**	₱28,509,541
Cash in banks	**231,052,453**	549,372,073
Cash equivalents	**155,105,647**	25,105,647
	₱414,382,576	₱602,987,261

Cash in banks generally earns interest at the respective bank deposit rates. Cash equivalents are short-term deposits made for varying periods of up to three months and earn interest at the respective short-term deposit rates. Interest income earned amounted to ₱0.8 million and ₱0.3 million for the periods ended June 30, 2020 and 2019 (see Note 22).

7. Receivables

This account consists of:

	JUN 2020	DEC 2019
Trade		
Real estate receivables - current portion	**₱41,161,448**	₱57,520,558
Rent receivables (Notes 11 and 12)	**34,150,110**	75,348,327
Receivables from off-track/off-cockpit betting (OTB/OCB) operators	**6,091,751**	19,415,437
Receivables from food and beverage operations	**4,471,672**	3,766,582
Non-trade		
Advances to suppliers and contractor	**25,830,039**	45,125,815
Advances and loans to officers and employees	**22,723,421**	23,920,604
Due from related parties (Note 26)	**5,036,049**	5,027,071
Receivable from third parties	**-**	3,553,975
Others	**7,321,889**	8,287,231
	146,786,379	241,965,600
Less Allowance for ECL	**65,112,430**	65,112,430
	₱81,673,948	₱176,853,170

Real Estate Receivables

The real estate receivables of the Parent Company are as follows:

	JUN 2020	DEC 2019
Current	**₱41,161,448**	₱57,520,558
Noncurrent	**24,178,718**	7,944,094
	₱65,340,166	₱65,464,652

Real estate receivables, which are collectible in monthly installments, represent noninterest-bearing receivables with average term ranging from two to three years. Titles to condominium properties are not transferred to the buyers until full payment is made.

Interest income from accretion of real estate receivables amounted to nil and ₱2.6 million for the periods ended June 30, 2020 and 2019, respectively (see Note 22).

Advances and Loans to Officers and Employees

The Parent Company grants salary loans and advances to its officers. The loans bear an average interest rate of 9% per annum. Interest income earned on advances and loans to officers and employees amounted to ₱0.03 million for the period ended June 30, 2020 and ₱0.0.4 million for the same period in 2019 (see Note 22).

Advances to Suppliers and Contractors

Advances to suppliers are noninterest-bearing payments, which is normally collectible within 12 months or within the normal operating cycle.

Other Receivables

Other receivables include accrued interest and other various individually insignificant items.

Allowance for ECL

Movements in the allowance for doubtful accounts are summarized below:

	JUN 2020		
	Trade	**Nontrade**	**Total**
Balance at beginning of year	**₱21,122,304**	**₱14,228,604**	**₱35,350,908**
Provision during the year	**25,430,692**	**5,387,173**	**30,817,865**
Amounts written off during the year	**–**	**(894,212)**	**(894,212)**
Recovery of doubtful accounts	**–**	**(162,131)**	**(162,131)**
Balance at end of period	**₱46,552,996**	**₱18,559,434**	**₱65,112,430**

	DEC 2019		
	Trade	Nontrade	Total
Balance at beginning of year	₱21,122,304	₱14,228,604	₱35,350,908
Provision during the year	25,430,692	5,387,173	30,817,865
Amounts written off during the year	–	(894,212)	(894,212)
Recovery of doubtful accounts	–	(162,131)	(162,131)
Balance at end of year	₱46,552,996	₱18,559,434	₱65,112,430

8. **Inventories**

This account consists of:

	JUN 2020	DEC 2019
Real estate:		
Memorial lots for sale - at net realizable value	**₱6,489,904**	₱6,489,904
Gamefowls - at cost	**3,505,500**	2,024,000
Food and beverages - at cost	**911,360**	590,618
	₱10,906,764	₱9,104,522

Condominium units for sale and residential units for sale pertain to the completed condominium and residential projects of the Parent Company.

The movements in the real estate inventories account are as follows:

	JUN 2020	DEC 2019
Balance at beginning of year	**₱6,489,904**	₱51,343,992
Repossessed real estate inventories	–	9,668,688
Transfers to investment property (Note 12)	–	(52,215,354)
Cost of real estate sold (Note 17)	–	(2,307,422)
Balance at end of period	**₱6,489,904**	₱6,489,904

Repossessed real estate inventories pertain to sales cancellations due to buyers' default in payment. These are recorded at fair value less cost to sell and cost to complete at the time of transfer and are held for sale in the ordinary course of business.

No sale from memorial lots during the first half of 2020. The cost of memorial lots for sale as at June 30, 2020 and December 31, 2019 amounted to ₱6.5 million.

The Parent Company entered into agreements with certain real estate developers to develop their properties located in Sta. Cruz, Manila and Carmona, Cavite into condominium units and residential complexes.

Significant provisions of the agreements are discussed below.

Condominium units for sale
On February 26, 2005, the Parent Company entered into Joint Development Agreements (JDAs) with Avida and Alveo for the development of 5.2 hectares and 1.3 hectares (the "Project Areas"), respectively, of the Parent Company's 11.6-hectare property located in Sta. Cruz, Manila, into a primary residential complex consisting of condominium buildings and townhouses (the "Project"). Under the JDAs, the Parent Company agreed and contributed its rights, title and interest in the Project and the Project Areas, while Avida and Alveo agreed and provided the necessary capital to finance the Project and expertise to develop the Project Areas. In return for their respective contributions to the Project, the Parent Company, Avida and Alveo received their respective allocation as described in the JDAs.

Towers 1 to 5 of Avida and Towers 1 to 3 of Alveo are fully completed as of December 31, 2019.

Residential units for sale
On February 24, 2004, the Parent Company entered into an agreement with CCC for the development of 17.09 hectares of the Parent Company's 33-hectare property in Carmona, Cavite into an exclusive residential subdivision with some commercial areas. As of December 31, 2018, the project is 100% complete.

Marketing expense, presented as "Selling expense" in the consolidated statements of comprehensive income, is the share of the Parent Company in the marketing cost pertaining to real estate operations. The amount of marketing cost for the periods ended June 30, 2020 and 2019 amounted to nil.

Gamefowls
The movements in the gamefowls inventory account are as follows:

	JUN 2020	DEC 2019
Balance at beginning of year	**₱2,024,000**	₱2,448,000
Purchases	**17,549,830**	107,430,972
Cost of gamefowls used (Note 17)	**(16,068,330)**	(107,854,972)
Balance at end of period	**₱3,505,500**	₱2,024,000

9. Prepayments and Other Current Assets

This account consists of:

	JUN 2020	DEC 2019
Input VAT	**₱50,344,008**	₱12,773,224
Prepaid expenses	**15,002,788**	12,512,859

	JUN 2020	DEC 2019
Deposit	**224,206**	130,000
Others	**89,314**	711,687
	₱65,660,316	₱26,127,770

Prepaid expenses include prepayments made for insurance, licenses, employee health benefits and professional fees.

Others include fuel and oil.

10. Investments in and Advances to Associates and Joint Ventures

This account consists of:

	JUN 2020	DEC 2019
Cost	**₱2,312,510,445**	₱2,312,510,445
Equity in net losses of associates and joint ventures		
Beginning balance	**(601,336,998)**	(417,690,108)
Equity in net losses during the period	**(62,420,599)**	(114,568,044)
Share on dividends declared	**-**	(48,770,708)
Derecognition of equity in joint venture	**-**	(20,308,138)
	(663,757,597)	(601,336,998)
	1,648,752,848	1,711,173,447
Advances to an associate	**321,233,646**	321,233,646
	₱1,969,986,494	₱2,032,407,093

Investment in associates		
MIC	**₱1,638,960,687**	₱1,701,381,286
	1,638,960,687	1,701,381,286
Investment in joint ventures		
Gamespan	**9,792,161**	9,792,161
	9,792,161	9,792,161
	1,648,752,848	1,711,173,447
Advances to an associate	**321,233,646**	321,233,646
	₱1,969,986,494	₱2,032,407,093

Investment in and Advances to Associates

MIC. Investment in MIC pertains to the Group's 22.31% interest in MIC as of June 30, 2020 and December 31, 2019. MIC started its commercial operations on January 6, 2016. The movements and details of the accounts are as follows:

	JUN 2020	DEC 2019
Investment in associate	**₱1,701,381,286**	₱1,844,622,146
Equity in net losses of the associate	**(62,420,599)**	(143,240,860)
	1,638,960,687	1,701,381,286
Advances to an associate	**321,233,646**	321,233,646
	₱1,960,194,333	₱2,022,614,932

Advances to MIC pertains to deposit for future stock subscriptions.

The summarized financial information of MIC is as follows:

	JUN 2020	DEC 2019
Current assets	**₱455,326,007**	₱497,491,866
Noncurrent assets	**5,452,158,505**	5,599,362,854
Current liabilities	**659,491,515**	726,519,308
Noncurrent liabilities	**5,128,961,058**	4,971,957,402
Equity	**119,031,939**	398,378,010
Income	**171,355,822**	758,808,720
Expenses	**451,163,034**	1,400,901,652
Net loss	**(279,807,212)**	642,092,932

The difference between the carrying values of investment in MIC against the share in net asset of MIC as of December 31, 2019 represents goodwill amounting to ₱1.6 billion. Fair value of the investment in MIC as of December 31, 2019 amounted to ₱2.3 billion.

On April 12, 2018, the BOD of MIC approved the conduct of a stock rights offering in order to raise additional capital. The total number of shares to be issued is 1,587,202,910 common shares and the stock offer price shall be ₱1.00 per share. The entitlement ratio shall be one (1) rights share for every two (2) common shares held as of record date.

On September 17, 2018, the BOD approved the offer price for the rights shall be ₱1.00 per rights share, if paid in full upon submission of the application to subscribe and ₱2.00 per right share, if paid on installment basis. As of July 15, 2020, the stock rights offering is still pending for approval of SEC.

Status of Operations
On March 15, 2020, in response to the directive of the Philippine government to impose stringent social distancing measures in the National Capital Region to contain the spread of COVID-19, PAGCOR issued a memorandum to suspend the all gaming operations in Metro Manila until the end of the community quarantine. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed community quarantine, which resulted to the temporary suspension of the hotel and casino operations. On June 7, 2020, the hotel resumed its operations after receiving the approval from the Department of Tourism.

Techsystems. The investment in associate, Techsystems, pertains to the acquisition cost of ₱1.0 million representing 33.33% ownership of the Parent Company. Techsystems undertakes to facilitate the short message service betting or online betting for the races conducted by the Parent Company. The investment in Techsystems is fully provided with allowance. As of August 14, 2020, Techsystems has not yet started commercial operations.

The summarized financial information of Techsystems is as follows:

	JUN 2020	DEC 2019
Total liabilities	**₱5,184,317**	₱5,184,317
Capital deficiency	**(5,184,317)**	(5,184,317)

Investment in Joint Ventures

Gamespan. Gamespan was incorporated on June 20, 2012 to operate and manage the totalizator hardware and software owned by the Parent Company, set-up new media infrastructure for offering and taking bets in horse racing and other sports. It shall also have the exclusive broadcast rights to all the races and other games operated by the Parent Company which it may distribute to different broadcasters to maximize viewership and participation. As of August 14, 2020, Gamespan has not yet started its commercial operations.

Reconciliation of the summarized financial information to the carrying amount of the interest in the joint venture recognized in the consolidated financial statements is as follow:

	JUN 2020	DEC 2019
Current assets	**₱20,184,979**	₱20,184,979
Noncurrent assets	**29,167**	29,167
Current liabilities	**(629,824)**	(629,824)
Equity	**19,584,322**	19,584,322
Percentage of ownership	**50%**	50%
	₱9,792,161	₱9,792,161

Equity investment in joint venture in Gamespan amounted to ₱9.8 million as of June 30, 2020 and December 31, 2019. Equity in net earnings amounted to nil for periods ending June 30, 2020 and 2019.

SLBPO. On December 12, 2008, the Parent Company entered into a Joint Venture Agreement (JVA) with ALI to create SLBPO, an unincorporated entity, for the purpose of leasing, managing and administering the developed office units and retail development area in the building complex at the Sta. Cruz property (the Building Complex). The Building Complex was also constructed and developed under a JDA with ALI. The Building Complex was thereafter named “Vertex One”.

In September 2019, the Parent Company acquired from ALI, developed office units and parking lots and ALI’s equity interest in SLBPO for a total consideration of ₱511.7 million, excluding applicable taxes. This resulted in the Parent Company owning 100% of Vertex One. In connection with acquisition, ALI assigned, transferred and conveyed all its rights, interest and obligations in certain lease and service contracts which it has entered into with certain office tenants and service providers in connection with its obligation under the JVA with respect to the management and leasing operation of the building.

On the same date, ALI, with the conformity of the Parent Company, assigned its rights under the JVA in favor of SLLPHI, including, the right (i) to manage, market and lease the developed office units, retail units, and parking slots, of Vertex One, and (ii) to manage the funds of SLBPO.

The Parent Company and SLLPHI, as assignee-in-interest ALI to SLBPO, agreed to continue the unincorporated joint venture. SLLPHI shall act as property manager of Vertex One. On the same date, the Parent Company and SLLPHI amended the division of net rental income from leasing the developed office units in Vertex One by SLBPO for a more equitable distribution of net income of the JV, proportionate to and taking into account SLLPHI’s contribution. The net rental income from leasing out the developed office units by SLBPO shall be divided between the Parent Company and SLLPHI as dividends, on the basis of the following percentages: Parent Company – 90%, SLLPHI – 10%.

Effective October 1, 2019, SLBPO is a wholly owned subsidiary of the Group.

Equity in net earnings (losses) of associates and joint ventures

	JUN 2020	JUN 2019
MIC	(₱62,420,599)	(₱66,219,411)
SLBPO	–	15,403,121
	(₱62,420,599)	(₱50,816,289)

11. Property and Equipment

Movements in this account are as follows:

JUN 2020

	January 1	Effect of PFRS 16	Additions/ Effect of PFRS 3	Disposals	Reclassifications and adjustments	Jun 2020
Cost						
Land	₱304,869,383	₱–	₱–	₱–	₱–	₱304,869,383
Land improvements	363,389,437	–	–	–	–	363,389,437
Building and improvements	683,012,552	–	–	–	–	682,994,810
Machinery and equipment	612,236,260	5,790,937	–	–	(1,097,321)	615,487,520
Transportation equipment	74,815,266	7,810,053	–	–	–	82,625,322
Furniture and fixtures	33,743,390	398,298	–	–	–	34,166,967
Right-of-use assets	36,417,492	-	–	–	–	36,417,492
	2,108,483,780	13,999,288	–	–	(1,097,321)	2,119,950,931
Accumulated depreciation						
Land improvements	228,133,126	8,855,368	–	–	–	236,988,494
Building and improvements	427,118,713	14,822,402	–	–	–	441,923,374
Machinery and equipment	537,085,331	13,881,482	–	–	–	549,538,034
Transportation equipment	39,911,118	2,749,777	–	–	–	42,660,893
Furniture and fixtures	29,314,764	3,919,167	–	–	–	33,245,638
Right-of-use assets	11,343,354	5,411,070	–	–	–	16,754,424
	1,272,906,406	49,639,266	–	–	–	1,321,110,857
Net book value	835,577,374	(35,639,978)	–	–	(1,097,321)	798,840,074
Construction in progress	19,426,750	3,585,164	–	–	–	23,011,914
	855,004,124	(32,054,814)	–	–	(1,097,321)	821,851,988
Allowance for impairment	(14,637,381)		–	–	–	14,637,381
	₱840,366,743	(₱32,054,814)	(₱–)	(₱–)	(₱1,097,321)	₱807,214,607

DEC 2019

	January 1	Effect of PFRS 16 (see Note 3)	Additions/ Effect of PFRS 3 (see Note 1.5)	Disposals	Reclassifications and adjustments	December 31
Cost						
Land	₱304,869,383	₱–	₱–	₱–	₱–	₱304,869,383
Land improvements	349,904,869	–	–	–	13,484,568	363,389,437
Building and improvements	672,282,229	–	10,730,323	–	–	683,012,552
Machinery and equipment	581,148,687	–	31,161,127	(73,554)	–	612,236,260
Transportation equipment	45,034,816	–	30,480,450	(700,000)	–	74,815,266
Furniture and fixtures	33,198,923	–	544,467	–	–	33,743,390
Right-of-use assets	–	36,417,492	–	–	–	36,417,492
	1,986,438,907	36,417,492	72,916,367	(773,554)	13,484,568	2,108,483,780
Accumulated depreciation						
Land improvements	212,920,601	–	15,212,525	–	–	228,133,126
Building and improvements	399,801,330	–	27,317,383	–	–	427,118,713
Machinery and equipment	511,291,037	–	25,847,416	(53,122)	–	537,085,331
Transportation equipment	33,336,500	–	6,901,285	(326,667)	–	39,911,118
Furniture and fixtures	27,352,759	–	1,962,005	–	–	29,314,764
Right-of-use assets	–	–	11,343,354	–	–	11,343,354
	1,184,702,227	–	88,583,968	(379,789)	–	1,272,906,406
Net book value	801,736,680	36,417,492	(4,324,247)	(393,765)	13,484,568	835,577,374
Construction in progress	30,045,780	–	2,865,538	–	(13,484,568)	19,426,750

	January 1	Effect of PFRS 16 (see Note 3)	Additions/ Effect of PFRS 3 (see Note 1.5)	Disposals	Reclassifications and adjustments	December 31
	831,782,460	36,417,492	(1,458,709)	(393,765)	–	855,004,124
Allowance for impairment	–	–	(14,637,381)	–	–	(14,637,381)
	₱831,782,460	₱36,417,492	(₱16,096,090)	(₱393,765)	₱–	₱840,366,743

Depreciation Charges

The amount of depreciation is allocated as follows:

	JUN 2020	JUN 2019
Cost of sales and services (Notes 17)	**₱36,287,735**	₱32,505,808
General and administrative expenses (Notes 19)	**15,189,027**	4,230,511
	₱51,476,762	₱36,736,319

Capitalized Borrowing Costs

No interest on loans was capitalized in 2020 and 2019. Undepreciated capitalized interest relating to land improvements, building and improvements and machinery and equipment as of June 30, 2020 and December 31, 2019 amounted to ₱26.9 million.

Land

In 2001, the Parent Company acquired a parcel of land located in Carmona, Cavite from Royal Asia Land, Inc. (RALI), formerly known as KPPI Land Corporation, valued at ₱523.6 million payable in 12 equal quarterly installments from 2001 to 2004. The remaining installment payments due in 2004 were rescheduled as part of the requirements of the term loan obtained from a local bank. Total payments made by the Parent Company amounted to ₱433.7 million. No payments were made in 2020 and 2019. The outstanding balance of ₱89.9 million as of June 30, 2020 and December 31, 2019 is included under "Accounts payable and other liabilities" in the consolidated statements of financial position (see Note 15).

Assets Under Operating Lease – the Parent Company as Lessor

The Parent Company has various operating lease agreements for its building improvements, specifically, cluster stables, with horse owners. The lease agreements provide for fixed monthly payments which are subject to rental escalations and renewal options. The carrying value of the cluster stables that are leased out on these operating leases amounted to ₱20.5 million and ₱21.3 million as of June 30, 2020 and December 31, 2019, respectively. Rent income from stable rentals for the periods ended June 30, 2020 and 2019 amounted to ₱18.7 million and ₱21.3 million, respectively.

The Parent Company has various operating lease agreements with concessionaires to lease certain areas within the Turf Club. The lease shall be for a period of two to five years. Rent income from concessionaires amounted to ₱0.2 million and ₱0.3 for the periods ended June 30, 2020 and 2019, respectively.

Impairment

Management has determined that certain land improvements, that was supposed to generate new cash inflow for the Group did not materialize, therefore, the Group will not be able to recover the costs of construction. As a result, the Group recognized an allowance for impairment amounting to ₱14.6 million in 2019.

12. **Investment Properties**

This account consists of:

	JUN 2020	DEC 2019
Land:		
Sta. Cruz property held for capital appreciation	**₱397,821,478**	₱397,821,478
Sta. Cruz property held for lease	**238,168,692**	238,168,692
Mamburao property	**151,776,158**	136,435,767
Carmona property held for capital appreciation	**111,783,131**	111,783,131
Undivided interest in a parcel of land in Batangas	**56,723,976**	56,723,976
	956,273,435	940,933,044
Building:		
Developed office units	**621,425,144**	641,737,853
Retail development area	**26,997,453**	27,998,224
Condominium units	**11,414,243**	11,953,133
	659,836,840	681,689,210
	₱1,616,110,275	₱1,622,622,254

The movements in the carrying amount of investment properties are shown below:

	JUN 2020		
	Land	**Building**	**Total**
Cost			
Balance at beginning of year	**₱940,363,044**	**₱816,703,839**	**₱1,757,636,883**
Additions	**15,340,391**	**–**	**15,340,391**
Transfers from inventory	**–**	**–**	
Balance at end of year	**956,273,435**	**816,703,839**	**1,772,977,274**
Accumulated Depreciation			
Balance at beginning of year	**–**	**135,014,629**	**135,014,629**
Depreciation	**–**	**(21,852,370)**	**(21,852,370)**
Balance at end of period	**–**	**(156,866,999)**	**(156,866,999)**
Net Book Value	**₱940,363,044**	**₱659,836,840**	**₱1,616,110,275**

	DEC 2019		
	Land	Building	Total
Cost			
Balance at beginning of year	₱892,705,490	₱316,205,945	₱1,208,911,435
Additions	8,005,310	488,504,784	496,510,094
Transfers from inventory (Note 8)	40,222,244	11,993,110	52,215,354
Balance at end of year	940,933,044	816,703,839	1,757,636,883
Accumulated Depreciation			
Balance at beginning of year	–	114,155,522	114,155,522
Depreciation (Notes 16 and 18)	–	20,859,107	20,859,107
Balance at end of year	–	135,014,629	135,014,629
Net Book Value	₱940,363,044	₱681,689,210	₱1,622,622,254

In 2019, the Parent Company acquired long-term loan amounting to ₱315.0 million. The loan is secured by land and building of Vertex One located in Sta. Cruz, Manila with a fair value of ₱1.8 billion as of December 31, 2019.

Fair Market Values
As of December 31, 2019, the aggregate fair value of the Parent Company's investment properties amounted to ₱12.7 billion. Fair values of the Carmona property and Sta. Cruz properties as of February 21 and 14, 2020 and the building as of September 30, 2019 have been determined based on valuation performed by Philippine SEC-accredited and independent professional appraisers using replacement cost approach method and market data approach method. Management has assessed that there are no material changes in fair value on these investment properties as of December 31, 2019 from the most recent revaluations performed by independent appraisers.

As of December 31, 2019, the fair value of the Mamburao property amounted to ₱175.6 million. Fair values of the land as of July 25, 2019 have been determined based on valuation performed by Philippine SEC-accredited and independent professional appraisers using replacement cost approach method and market data approach method. Management has assessed that there are no material changes in fair value on these investment properties as of December 31, 2019 from the most recent revaluations performed by independent appraisers.

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13. **Other Noncurrent Assets**

This account consists of:

	JUN 2020	DEC 2019
Financial assets at FVOCI:		
Debt securities	**₱65,573,299**	₱65,573,299
Quoted equity securities	**16,415,865**	16,415,865
Deferred input VAT	**15,481,406**	58,079,891
Deposits	**13,488,531**	13,353,912
Franchise fee (Note 1)	**4,517,839**	5,414,839
Software	**2,150,000**	2,150,000
Others	**236,428**	236,428
	₱117,863,368	₱161,224,234

Financial Assets at FVOCI
The reconciliation of the carrying amounts of financial assets at FVOCI is as follows:

	JUN 2020	DEC 2019
Balance at beginning of year	**₱81,989,164**	₱34,284,796
Additions during the period	–	48,000,000
DTL – net	–	64,373
Disposal during the period	–	–
Unrealized mark-to-market gains (losses) during the period	–	(360,005)
Balance at end of period	**₱81,989,164**	₱81,989,164

The movements in net cumulative changes in fair values of financial assets at FVOCI are as follows:

	JUN 2020	DEC 2019
Balance at beginning of year	**₱4,260,960**	₱4,620,965
Disposal during the period	–	–

Unrealized market-to-market gains (losses) during the period	–	(360,005)
Balance at end of period	**₱4,260,960**	₱4,260,960

Franchise Fee
Movements in the carrying amounts of franchise fee are shown below:

	JUN 2020	DEC 2019
Acquisition cost	**₱44,850,000**	₱44,850,000
Accumulated amortization:		
Balance at beginning of year	**39,435,161**	35,641,161
Amortization for the year (Note 17)	**897,000**	1,794,000
Balance at end of period	**40,332,161**	39,435,161
	₱4,517,839	₱5,414,839

Franchise fee is to be amortized until November 2022.

Software
Movements in the carrying amount of the software are shown below:

	JUN 2020	DEC 2019
Acquisition cost:	**₱3,225,000**	₱3,225,000
Accumulated amortization		
Balance at beginning of the year	**1,075,000**	–
Amortization for the period	**-**	1,075,000
Balance as at end of period	**1,075,00**	1,075,000
	₱2,150,000	₱2,150,000

14. **Short-term and Long-term Loans and Borrowings**

Short-term Loans
The outstanding balance of short-term loans and borrowings was fully paid in 2019.

Long-term Loan
In 2019, the Parent Company acquired five (5) year long-term loan amounting to ₱315.0 million maturing on September 2024. This loan is payable in equal monthly installments. The Parent Company has an option to shift from a floating rate every quarter to a fixed interest rate within two years from the availment date of the loan. The loan is secured by land and building of Vertex One located in Sta. Cruz, Manila with carrying value ₱1.0 million and fair value of ₱1.8 billion as of December 31, 2019.

The movements in long-term loans and borrowing is as follows:

	JUN 2020	DEC 2019
Balance at beginning of year	**₱299,250,000**	₱315,000,000
Payment during the period	**(31,500,000)**	(15,750,000)
	267,750,000	299,250,000
Less current portion	**63,000,000**	63,000,000
Noncurrent portion	**₱204,750,000**	₱236,250,000

On March 19, 2020, the Parent Company exercised the option to fix the interest rate at 6.02%.

Interest expense on bank loans amounted to ₱8.2 million for the period ended June 30, 2020 and ₱8.6 million for the same period in 2019.

15. Accounts Payable and Other Liabilities

This account consists of:

	JUN 2020	DEC 2019
Due to RALI (Note 11)	**₱89,900,000**	₱89,900,000
Accounts payable	**63,756,940**	145,444,634
Accrued expenses	**34,111,426**	24,361,293
Cash bond on OTB/OCB operators	**33,569,122**	36,290,998
Unclaimed winnings	**17,924,058**	23,875,777
VAT Payable	**15,415,167**	-
Rental deposits	**15,220,481**	15,041,923
Dividends payable (Note 27)	**5,972,792**	5,974,351
Trade payables and buyers' deposits	**5,300,287**	5,344,843
Lease liabilities - current portion	**4,541,603**	10,383,879
Retention payable	**1,978,343**	1,978,343
Due to contractors	**1,683,538**	1,683,538
Telebet accounts payable	**1,236,538**	1,581,718
Due to OTB/OCB operators	**810,459**	1,554,546
Withholding taxes payable	**344,462**	7,943,421
Documentary stamps payable	**186,227**	37,700,364
Due to winning horse owners	**91,823**	2,962,508
Percentage tax payable	**-**	72,920,022
Unearned income	**-**	4,050,481
Taxes on winnings	**-**	4,077,659
Others	**5,141,341**	14,548,837
	₱297,184,607	₱507,619,135

Accounts payable and other liabilities are noninterest-bearing and are normally settled within the next financial year.

Cash bond on OTB/OCB operators serves as security deposits received by the Group from OTB/OCB operators at the inception of the operation. These are refunded to OTB/OCB operators upon termination of the OTB/OCB operations. Due to OTB/OCB operators are unpaid commissions to the operators that are settled within the next operating cycle.

16. Other Noncurrent Liabilities

This account consists of:

	JUN 2020	DEC 2019
Accrued retirement benefits (Note 21)	**₱66,078,767**	₱64,128,767
Security deposit	**41,653,390**	46,914,903
Lease liabilities - net of current portion	**16,846,389**	16,846,389

	JUN 2020	DEC 2019
Others	**20,552,755**	15,590,653
	₱145,131,301	₱143,480,712

Security deposit pertains to the security deposit from tenants of the Group's leased properties.

17. Cost of Sales and Services

Cost of club races consists of:

	JUN 2020	JUN 2019
Depreciation	**₱20,274,292**	₱20,354,893
Personnel costs	**18,903,952**	29,042,139
Utilities	**4,074,687**	10,007,636
Commission	**1,446,503**	4,517,780
Transportation and travel	**1,347,198**	1,040,421
Supplies	**1,340,168**	2,477,112
Contracted services	**1,324,643**	2,556,549
Amortization of franchise fee	**897,000**	897,000
Security services	**894,782**	1,331,204
Rent	**716,364**	2,106,484
Taxes and licenses	**661,038**	460,551
Repairs and maintenance	**516,548**	2,235,249
Software license	**380,100**	389,325
Prizes and winnings	**300,000**	1,400,000
Gas, fuel and oil	**261,311**	321,988
Meetings and conferences	**197,210**	957,453
Others	**2,173,495**	2,229,356
	₱55,709,291	₱82,325,140

Cost of real estate sold amounted to nil and (₱0.2) million for the period ended June 30, 2020 and 2019, respectively.

Cost of cockfighting consists of:

	JUN 2020	JUN 2019
Percentage tax	**₱42,288,003**	₱116,242,742
Taxes and licenses	**39,051,379**	1,656,892
Breeder's subsidy	**38,018,748**	63,916,849
Commission	**29,489,575**	60,864,997
Gamefowls	**16,068,330**	50,923,661
Service fee	**7,597,654**	12,714,596
Contracted services	**6,619,716**	1,547,324
Tellers allowances	**5,906,296**	13,610,220
Rent	**4,736,020**	11,390,802
Depreciation	**4,025,068**	2,070,705
Meetings and conferences	**3,415,195**	1,529,217
Communication	**2,787,212**	4,989,481
Supplies	**2,385,902**	5,346,327
Security services	**1,409,080**	2,542,289
Transportation and travel	**968,109**	3,328,002

	JUN 2020	JUN 2019
Professional fees	**853,492**	5,003,074
Repairs and maintenance	**569,103**	1,634,797
Personnel costs	**390,028**	781,369
Utilities	**373,808**	1,512,325
Gas, fuel and oil	**225,631**	1,086,709
Others	**2,230,967**	3,104,384
	₱209,409,316	₱365,796,762

Cost of rental services consists of:

	JUN 2020	JUN 2019
Utilities	**₱21,408,894**	₱6,133,724
Depreciation	**11,860,781**	10,947,718
Security services	**4,854,249**	1,059,812
Repairs and maintenance	**3,519,505**	869,233
Contracted services	**2,272,426**	1,580,786
Personnel costs	**1,483,131**	1,997,085
Taxes and licenses	**1,149,542**	-
Advertising	**304,718**	-
Rent	**210,635**	301,523
Franchise tax – gaming	**193,988**	278,776
Software license	**46,800**	875,523
Meetings and conferences	**39,558**	119,164
Others	**2,454,848**	653,670
	₱49,799,075	₱24,817,014

Cost of food and beverages consists of:

	JUN 2020	JUN 2019
Purchased stocks	**₱3,366,676**	₱7,735,492
Personnel costs	**1,485,783**	1,463,779
Utilities	**908,637**	2,935,689
Meetings and conferences	**190,514**	416,376
Depreciation	**127,594**	133,262
Supplies	**92,825**	102,124
Repairs and maintenance	**65,260**	73,534
Communication	**48,826**	-
Rent	**27,654**	5,287
Contracted services	**1,080**	1,242,799
Others	**328,024**	267,882
	₱6,642,873	₱14,376,224

18. General and Administrative Expenses

This account consists of:

	JUN 2020	JUN 2019
Personnel costs	**₱53,563,780**	₱49,618,837
Depreciation	**35,852,405**	9,553,859

	JUN 2020	JUN 2019
Taxes and licenses	**8,336,002**	27,471,743
Professional fees	**7,500,275**	12,094,032
Utilities	**6,133,566**	5,759,191
Repairs and maintenance	**4,904,616**	3,453,690
Security services	**4,671,132**	5,149,437
Service fee	**3,484,553**	5,500,417
Director's fee	**2,676,447**	4,525,286
Rent	**2,274,922**	6,247,411
Meetings and conferences	**1,923,858**	3,155,179
Contracted services	**1,671,034**	9,780,423
Gas, fuel and oil	**1,313,574**	1,639,740
Transportation and travel	**1,243,622**	1,118,747
Supplies	**814,093**	1,282,629
Membership dues	**519,800**	445,803
Advertising	**397,400**	937,588
Insurance	**287,345**	427,953
Semi-expendable equipment	**51,059**	339,221
Seminars and trainings	**40,103**	135,643
Others	**2,974,961**	3,772,738
	₱140,634,547	₱152,409,567

19. **Depreciation and amortization**

This account consists of:

	JUN 2020	JUN 2019
Cost of sales and services (Notes 11, 12, and 17)	**₱36,287,735**	₱33,506,578
General and administrative expenses (Notes 18)	**35,852,405**	35,852,405
	₱72,140,140	₱43,060,437

20. **Personnel Costs**

This account consists of:

	JUN 2020	JUN 2019
Salaries and wages	**₱54,279,237**	₱66,389,384
Retirement benefits costs (Note 21)	**14,287,133**	6,835,480
Other employee benefits	**7,260,304**	8,918,356
	₱75,826,674	₱82,143,220

21. **Retirement Benefits Costs**

The Group has five tax-qualified, funded, noncontributory retirement plans covering both regular permanent and race day operation employees. The retirement plans provide for benefits on retirement, death and disability equivalent to a certain percentage of salary for every year of service based on the final monthly salary of the employee at the time of retirement, death or disability. An independent actuary, using the projected unit credit method, conducted the actuarial valuation of the fund. The latest actuarial valuation report as of December 31, 2019.

Movements in the accrued retirement benefits are as follows:

	JUN 2020	DEC 2019
Balance at beginning of year	**₱64,128,767**	₱55,944,377
Net retirement benefits costs for the period	**13,687,133**	12,347,094
Contributions during the period	**(11,550,000)**	(9,446,992)
Defined benefit income recognized in OCI	−	5,292,859
Benefits paid from book reserves	**(187,133)**	(8,571)
Balance at end of period	**₱66,078,767**	₱64,128,767

22. Interest Income

Interest income related to:

	JUN 2020	JUN 2019
Cash and cash equivalents (Note 6)	**₱803,323**	₱285,376
Real estate receivables (Note 7)	−	2,574,638
Advances and loans to officers and employees (Note 7)	**33,304**	426,319
	₱836,626	₱3,286,333

23. Finance Costs

This account consists of:

	JUN 2020	JUN 2019
Interest expense on long-term loans (Note 14)	**₱8,193,171**	₱–
Interest expense on short-term loans (Note 14)	–	8,578,533
Interest expense on lease liabilities	**933,445**	–
Bank charges and others	**17,482**	18,178
	₱9,144,098	₱8,596,711

24. Other Income (Charges) - net

	JUN 2020	JUN 2019
Income from use of property and facilities	**₱3,200,863**	₱3,274,286

Tenant recoveries	**2,506,373**	2,376,868
Income from sale of agricultural property	**716,000**	-
Income from dividend breakages	**700,784**	350,500
Income from advertising	**662,314**	6,136,446
Income from subscriptions	**159,090**	1,033,031
Entrance/rehearsal fees	**119,103**	190,161
Dividend from financial assets	**86,096**	54,000
Foreign exchange gain (loss)	**27,349**	(6,675)
Income from third parties	**-**	539,777
Others	**446,021**	2,482,491
	₱8,623,992	₱16,430,885

Income from advertising campaign pertains to advertising placement rights granted by the Group to third parties. Others include various individually insignificant items of income and expenses.

25. Income Taxes

a. The provision for current tax consists of the following:

	JUN 2020	JUN 2019
RCIT	**₱18,614,540**	₱36,198,591
MCIT	**725,045**	2,353,564
Final tax on interest income	**159,079**	56,405
	₱19,498,664	₱38,608,561

26. Related Party Transactions

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprises and their key management personnel, directors or its stockholders. Outstanding balances are settled through cash.

The Group adopted the materiality threshold of ten percent (10%) or higher of its total consolidated assets based on its latest audited financial statements. A threshold lower than ten percent (10%) may be set by the Board of Directors upon its determination of the risk of the material related party transactions to cause damage to the Parent Company and its shareholders. The threshold shall apply to material related party transactions entered between the Parent Company, its subsidiary or affiliate or any related party.
The following are the transactions with related parties:

		Amount		**Receivable/(Payable)**			
	Nature	**JUN 2020**	DEC 2019	**JUN 2020**	DEC 2019	**Terms**	**Conditions**
Affiliates:							
Arco Management Development Corporation (AMDC)	Lease of office spaces and parking lots[(a)]	**₱3,367,725**	₱13,194,933	**(₱3,199,338)**	(₱26,772,322)	Noninterest-bearing	Unsecured
Advances from shareholders	Advances	**–**	–	**(13,734,482)**	(13,734,482)	Noninterest-bearing	Unsecured
Associates:							

	Nature	Amount JUN 2020	Amount DEC 2019	Receivable/(Payable) JUN 2020	Receivable/(Payable) DEC 2019	Terms	Conditions
MIC	Advances[b]	**–**	–	**4,982,104**	4,982,104	Noninterest-bearing	Unsecured, no impairment
Techsystems	Advances[b]	**8,978**	8,934	**53,945**	44,967	Noninterest-bearing	Unsecured, no impairment

[a]The Parent Company has a lease agreement with AMDC, an affiliate under common control, in the lease of office space and four parking lots.
[b]Included in the "Receivables" account.

Outstanding balances at year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. The Group recorded impairment of receivables relating to amounts owed by related parties amounting to ₱11,285 as of December 31, 2018, and nil as of March 31, 2020. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

27. Equity

Capital Stock

The details of the Parent Company's capital stock as of June 30, 2020 and December 31, 2019 are as follows:

	JUN 2020 Number of Shares	JUN 2020 Amount	DEC 2019 Number of Shares	DEC 2019 Amount
Common shares - ₱1 par value				
Authorized - 2,000,000,000 shares in 2020 and 2019				
Issued and outstanding (held by 959 equity holders in 2019, with 9,462 shares in treasury)	**1,494,251,136**	**₱1,494,251,136**	1,494,251,136	₱1,494,251,136
	1,494,251,136	**₱1,494,251,136**	1,494,251,136	₱1,494,251,136

	JUN 2020	DEC 2019
Common shares issued and outstanding:		
Balance at beginning of year	**1,494,251,136**	996,170,748
Issuance	**-**	498,080,388
Balance at end of period	**1,494,251,136**	1,494,251,136

On September 11, 2018, the BOD approved the increase of the Parent Company's authorized capital stock from ₱1.0 billion divided into one billion share with a par value of ₱1.00 per share to ₱2.0 billion divided into two billion shares with a par value of ₱1.00 per share.

During the special stockholders' meeting held on December 7, 2018, the stockholders approved the declaration of 50% stock dividends from the Parent Company's unrestricted retained earnings for the period ended December 31, 2017, to be taken from an increase in the Parent Company's authorized capital stock.

On May 3, 2019, the SEC approved the increase in the authorized capital stock and the declaration of the 50% stock dividends amounting to ₱498.1 million.

Retained Earnings

In accordance with SEC Memorandum Circular No. 11 issued in December 2008, the Parent Company's retained earnings available for dividend declaration as of December 31, 2019 amounted to ₱632.9 million, respectively.

Retained earnings account is restricted for the payment of dividends to the extent of the cost of shares held in treasury and deemed cost adjustment totaling ₱428.1 million as of December 31, 2019.

Declaration of Dividends
The following are the details of the dividends declared in 2019 and 2018:

Type of Dividend	Date of Declaration	Date of Record	Dividends per Share
Cash	April 12, 2018	May 28, 2018	₱0.05
Stock	December 7, 2018	May 17, 2019	50.00%

As of March 31, 2020, and December 31, 2019, outstanding dividends payable amounted to ₱6.0 million.

During the special stockholders' meeting held on December 7, 2018, the stockholders approved the declaration of 50% stock dividends from the Parent Company's unrestricted retained earnings for the period ended December 31, 2017, to be taken from an increase in the Parent Company's authorized capital stock. On May 3, 2019, the SEC approved the declaration of the 50% stock dividends amounting to ₱498.1 million.

28. Basic/Diluted EPS

Basic/diluted loss per share were computed as follows:

	JUN 2020	DEC 2019
Net income (loss) attributable to equity holders of the Parent Company	**(₱105,918,137)**	₱36,409,034
Divided by weighted average number of outstanding common shares	**1,494,241,674**	1,494,241,674
Basic/diluted income (loss) per share	**(₱0.0709)**	₱0.0244
Common shares outstanding at beginning of the year	**996,161,286**	996,161,286
Effect of stock dividends in 2019	**498,080,388**	498,080,388
Number of outstanding common shares	**1,494,241,674**	1,494,241,674

The Parent Company does not have potential dilutive common shares as of June 30, 2020 and December 31, 2019. Therefore, the basic and diluted loss per share are the same as of those dates.

29. Operating Segment Information

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided. The Group's five reportable operating segments are the operation and maintenance of race tracks and holding of horse races, cockfighting operations, the development and sale of real estate properties, rental of stables, building and other facilities, and the food and beverage services provided in its casino and restaurant. No operating segments were aggregated to form these reportable operating segments. There have been no inter-segment sales and transfers. All sales and rendering of services are made to external customers and the Group does not have any major customers.

Management monitors the operating results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net income or loss and is measured consistently with the total comprehensive income in the consolidated financial statements.

The Group's asset-producing revenues are located in the Philippines (i.e., one geographical location). Therefore, geographical segment information is no longer presented.

Segment Revenue and Expenses

The segment results for periods ended June 30, 2020 and 2019 are as follows:

	JUN 2020						
	Club Races	**Cockfighting**	**Real Estate**	**Rent**	**Food and Beverage**	**Unallocated**	**Total**
Segment revenue	**₱21,440,149**	**₱234,933,338**	**₱-**	**₱172,796,299**	**₱6,829,430**	**(₱47,461,788)**	**₱388,537,428**
Cost and expenses	**(55,709,291)**	**(209,409,316)**	**-**	**(49,799,075)**	**(6,642,873)**	**(154,409,908)**	**(475,970,463)**
Income (loss) before income tax	**(34,269,142)**	**25,524,022**	**-**	**122,997,224**	**186,557**	**(201,871,696)**	**(87,433,035)**
Provision for income tax	**-**	**-**	**-**	**-**	**-**	**(19,498,664)**	**(19,498,664)**
Net income (loss)	**(₱34,269,142)**	**₱25,524,022**	**₱-**	**₱122,997,224**	**₱186,557**	**(₱221,370,360)**	**₱106,931,699)**

	JUN 2019						
	Club Races	Cockfighting	Real Estate	Rent	Food and Beverage	Unallocated	Total
Segment revenue	61,308,664	₱ 645,793,011	₱ 1,781,163	₱ 37,588,873	₱12,743,934	(₱32,688,409)	₱726,527,236
Cost and expenses	(82,325,140)	(365,796,762)	176,989	(24,817,015)	(14,376,223)	(172,348,058)	(659,486,209)
Income (loss) before income tax	(21,016,476)	279,996,249	1,958,152	12,771,858	(1,632,289)	(205,036,467)	67,041,027
Provision for income tax		(36,164,334)	–	–	–	(2,444,227)	(38,608,561)
Net income (loss)	(₱ 21,016,476)	₱ 243,831,915	₱ 1,958,152	₱12,771,858	(₱ 1,632,289)	(₱207,480,694)	₱ 28,432,466

Finance costs, other income - net and provision for income taxes are not allocated to individual segments as the underlying instruments are managed on a group basis and are not provided to the chief operating decision maker at the operating segment level in 2020 and 2019. Equity in net losses of associates and joint ventures amounting to ₱21.1 million and ₱22.8 million for the period ended March 31, 2020 and 2019, respectively, are included in the segment revenue of operating segment "Unallocated." Pre-operating cost of certain subsidiaries are also included in cost and expense of operating segment "Unallocated".

30. **Commitments and Contingencies**

Commitments

The following are the significant commitments of the Group:

a. Right-of-Use Assets and Lease Liabilities/Operating Lease

The Group as Lessee

The Group has lease contracts for the office space and parking lots. Leases of property generally have lease terms of 5 years. The Parent Company's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Parent Company is restricted from assigning and subleasing the leased assets and some contracts require the Parent Company to maintain certain financial ratios.

The Group as Lessee - Operating Lease

On December 31, 2017, the Parent Company renewed its lease agreement with AMDC, an affiliate under common control, for the lease of office space and four parking lots. The lease is for a period of five years starting January 1, 2018 to December 31, 2022. The monthly rate of the lease amounted to ₱545,671 subject to an annual escalation rate of 5.0%.

On January 1, 2011, the Parent Company entered into another lease agreement with AMDC for another office space. The lease is for the period of five years starting 2011 and has ended on December 31, 2015. The contract was renewed for another five years from January 1, 2016 to December 31, 2020. The monthly rate of the lease for 2019 is ₱332,297 subject to an annual escalation rate of 5.0%.

b. Operating Lease Commitment with PAGCOR - the Parent Company as Lessor

   In 2013, the Parent Company entered into a lease contract for three years commencing July 10, 2013 with PAGCOR to lease an area of 189.231 sqm. for a monthly fixed rental of ₱510.51 per sqm. for its casino and related activities. The agreement expired on June 30, 2016. In January 2019, the Parent Company renewed the lease agreement for a period of three (3) years.

   Rent income from PAGCOR amounted to ₱0.2 million and ₱0.7 million for the periods ended June 30, 2020 and 2019, respectively.

c. In October 2013, the Parent Company entered into a lease agreement with PAGCOR to lease 1,427 sqm. property, with modern slot machines, including the rights to a proprietary system of linking and networking the said slot machines in Turf Club Bldg., San Lazaro Leisure Park, Carmona, Cavite. The Parent Company shall receive monthly variable rent equivalent to thirty-five percent (35%) of revenues less winnings/prizes and five (5%) franchise tax. The agreement expired on June 30, 2016. In May 2018, the Parent Company renewed the lease agreement with PAGCOR for five (5) years until May 2023.

   Income from lease agreement with PAGCOR amounted to ₱3.9 million and ₱5.6 million for the periods ended June 30, 2020 and 2019, respectively.

d. In April 2018, the Parent Company entered into an agreement with Jade Entertainment and Gaming Technologies, Inc., where the latter shall supply, install, commission, conduct and provide marketing for Casino, including but not limited to, food and beverages, entertainment, promotions, consumables for membership station.. In addition, the latter shall provide and maintain the floor management system to the machines. The Parent Company shall pay USD$1.00 per day per machine for all machined connected to the system.

e. On May 1, 2018, the Parent Company entered into a lease agreement with Datem Inc. to lease an area of 16,719 sqm. in Sta. Cruz, Manila for a monthly fixed rental of ₱150,000, exclusive of VAT. On January 1, 2019, the lease agreement is renewed for another nine (9) months. The agreement was not renewed after it expired. Income recognized for the period ended June 30, 2020 and 2019 amounted to nil and ₱0.9 million, respectively.

f. In 2018, the Parent Company entered into various lease agreements for one year to lease condominium units in Alveo and Avida for a monthly fixed rental of ₱24,000 - ₱25,000 inclusive of VAT. The lease agreements are renewable for another one (1) year upon mutual agreements of both parties. For the periods ended June 30, 2020 and 2019, rent income from these lease agreements amounted to ₱0.5 million.

g. Memorandum of Agreement with AKL Properties, Inc. (AKL)

On July 16, 2019, a memorandum of agreement has been executed between the Parent Company and AKL Properties, Inc. (AKL) to purchase the Parent Company's land properties located in Carmona, Cavite with 608,712 sqm., for the purpose of developing it into a mixed-used township project with complementary uses. This excludes the MJC Turf Club Building with 36,000 sqm. where the Parent Company shall retain its ownership. The Parent Company agrees to vacate the land properties no later than three (3) years from the signing of the agreement or the expiration of the congressional franchise on November 23, 2022 whichever is later, subject to a phase-out plan acceptable to AKL. If the agreement is terminated, the advances shall be paid within 90 days from the termination date.

On September 13, 2019, the Parent Company received advances from AKL amounting to ₱500.0 million and is presented as part of "Advances from third parties" account in the consolidated statements of financial position. These advances are subject to liquidation in 2022.

h. Memorandum of Agreement with Wisem Global Inc. (WGI) and SymVerse Inc. (SVI)

On October 29, 2019, a memorandum of agreement has been executed between the WGI, SVI, the Parent Company and MCI to deliver to WGI and SVI the content in accordance with their specifications and in such format as agreed between the parties, to enable WGI and SVI to create, develop and deliver a betting platform on or before the delivery date. In accordance with the contract, the Parent Company and MCI will share in the revenue derived from the use of the betting platform.

The Parent Company received advances from WGI and SVI amounting to US$100.0 thousand (₱5.1 million) and are presented as part of "Advances from third parties" account in the consolidated statements of financial position. The deposits shall thereafter be deducted from the revenue share of the Parent Company upon commencement of operations, which is expected to be in 2021.

<u>Contingencies</u>

Unclaimed Dividends on Winnings
Under PR58D of the *Rules and Regulations on Horse Racing* promulgated by the Philippine Racing Commission (PHILRACOM), the latter claims control over the disposition of unclaimed dividends.

The Parent Company disputed the legality of PR58D in its letters to PHILRACOM dated June 14, 2012 and July 13, 2012. The Parent Company maintained that there is no law authorizing PHILRACOM to determine the proper use or disposition of the unclaimed dividends and PHILRACOM exceed its rule-making authority in issuing PR58D. The Parent Company likewise contended that unclaimed dividends are private funds as these funds are not included in the amounts that are supposed to be remitted to or held by the Parent Company for the government under its charter.

Furthermore, a *Notice* appears in the dorsal portion of the Parent Company's betting tickets which state that winning tickets must be claimed within thirty days from date of purchase, otherwise, the prize shall be forfeited in favor of the Parent Company. This provision is a valid agreement between the Parent Company and the bettor under the principle of autonomy of contracts.

As part of its audit of the PHILRACOM, the Commission on Audit (COA) issued an *Independent Auditor's Report* dated March 27, 2013 wherein COA opined that unclaimed dividends of winning bettors should be forfeited in favor of the government and should form part of the National Treasury. However, in the same report, COA acknowledged the absence of any legislative mandate as regards the disposition of unclaimed dividends. Thus, COA required the PHILRACOM to request for a Declaratory Relief from the Department of Justice to resolve the issue on the nature of unclaimed dividends.

To resolve the foregoing issue, the Parent Company filed a *Petition for Declaratory Relief* on November 6, 2013.

On July 27, 2016, the Regional Trial Court of Bacoor, Cavite granted the petition in favor of the Parent Company. On January 17, 2017, PHILRACOM and Games and Amusement Board (GAB) filed a Petition for Review on Certiorari before the Supreme Court. As of August 14, 2020, the case is still pending before the Supreme Court.

Claims and Legal Actions
As of December 31, 2019, and 2018, there are pending claims and legal actions against or in favor of the Parent Company arising from the normal course of business, in addition to the matters already mentioned elsewhere in these consolidated financial statements. In the opinion of the Parent Company's management and its legal counsel, liabilities arising from these claims, if any, would not have any material effect on the Parent Company and any liability or loss arising therefrom would be taken up when the final resolution of the claims and actions are determined.

BIR Audit of MCI
Pursuant to Letter of Authority No. eLOA/LOA SN: eLA201600068464 (LOA) dated January 23, 2019, the books of accounts and accounting records of MCI was audited by the Bureau of Internal Revenue (BIR). After the BIR's audit, the BIR National Investigation Division (BIR-NID) issued a Notice for Informal Conference dated October 3, 2019 with attached Details of Discrepancy.

The BIR has not yet issued any Preliminary Assessment Notice (PAN), Final Assessment Notice (FAN), or Formal Letter of Demand (FLD). It is only at that point in time that it can be said that MCI has been assessed deficiency taxes. Thus, MCI maintains that it has no deficiency taxes.
In a letter to the BIR dated November 21, 2019, MCI, through its tax counsel, requested that the findings of deficiency taxes be cancelled and withdrawn as it has no legal or factual basis. After finding merit in MCI's reply, the BIR issued a revised assessment reducing the deficiency tax from ₱3.0 billion to ₱1.3 billion.

The revised tax assessment essentially hinges on the following three (3) legal issues to which MCI had already presented its position and counterarguments in its reply letter to the BIR's NIC:

1. Whether or not the tickets issued for the cockfights are subject to documentary stamp tax (DST) under Section 190 of the National Internal Revenue Code, as amended, (the "Tax Code"), which imposes DST on jai alai, horse race tickets, lotto or other authorized numbers games;
2. Whether or not winnings from cockfights, as in the case of winnings from casinos, are subject to final withholding tax of 20% under Section 24(B) and Section 25(A)(2) of the Tax Code; and
3. Whether or not the machines issuing tickets for cockfights qualify as POS machine requiring registration thereof.

Since BIR maintains its position on the BIR registration of the MCI's totalizator system and betting terminals, MCI has signified its intention to comply with the registration considering the amount of registration fees involved is not significant.

31. Capital Management

The Group considers the total equity as its capital. The Group maintains a capital base to cover risks inherent in the business. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payments to shareholders, return capital to shareholders or issue capital securities.

The following table summarizes the total capital considered by the Group:

	JUN 2020	DEC 2019
Capital stock	**₱1,494,251,136**	₱1,494,251,136
Additional paid-in capital	**27,594,539**	27,594,539
Net cumulative changes in fair values of financial assets measured at FVOCI	**4,260,960**	4,260,960
Remeasurement on retirement benefits	**13,708,769**	13,708,769
Retained earnings	**2,102,934,593**	2,208,852,730
Treasury shares	**(7,096)**	(7,096)
Noncontrolling interest	**57,932,343**	58,945,905
	₱3,700,675,244	₱3,807,606,943

No changes were made in the objectives, policies and processes from the previous years.

32. Events after Reporting Date

COVID-19 Outbreak

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region (NCR) effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six months and imposed an enhanced community quarantine throughout the island of Luzon until April 12, 2020, which was subsequently extended to May 15, 2020. On May 12, 2020, the NCR and certain parts of the Philippines were placed under a modified form of ECQ (MECQ) until May 31, 2020. On May 28, 2020, the NCR was placed under GCQ starting June 1, 2020, while the rest of the country were placed under either MECQ, GCQ or modified GCQ, depending on the risk classification of the area. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve. NCR was yet again placed under MECQ from August 4 to August 18, 2020.

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

MANAGEMENT DISCUSSION & ANALYSIS OF PLAN OF OPERATIONS

Discussion on Operating Results for the Periods Ended June 30, 2020 and 2019

Revenues

Income from club races decreased by ₱39.9 million from ₱61.3 million for the period ended June 30, 2019 to ₱21.4 million for the same period in 2020. There were fifty racing days in the half of 2019 compared to only twenty racing days covering the same period in 2020.The Parent Company operated for only two racing days in March 2020 as operations has been disrupted by the COVID-19 outbreak. Racing operations has not yet resumed.

Income from cockfighting operations for the period June 30, 2019 amounted to ₱645.8 million and ₱234.9 million for the same period in 2020 or a decrease of ₱410.9 million. Fights/derbies were down from 7401 in first half of 2019 to 3,299 for the same period in 2020. There were 125 cockfighting days in 2019 compared to only 50 days in 2020 as operations were disrupted by the pandemic. Operations have not resumed as of August 14, 2020.

The Group recognizes income from real estate sale which is the subject of Joint Venture Agreements with Ayala for Sta. Cruz property and Century Communities Corp. for Carmona property. Revenue from real estate is recognized under the percentage of completion (POC) method. The company recognized a loss in real estate revenue for the period ended June 30, 2019 amounting to ₱0.8 million which was due to the cancellation of a previously sold unit. There was also no sale during the period. In 2020, there were no sale nor cancellation of real estate units.

Rental revenue from the leasing of stables, buildings and other facilities amounted to ₱37.6 million and ₱176.7 million for the periods ended June 30, 2019 and 2020, respectively. Rental revenue increased as a result of the Parent Company's acquisition of ALI interest in Vertex One Building in September 2019.

Revenue from sale of food and beverages decreased by ₱5.9 million from ₱12.7 million for the period ended June 30, 2019 to ₱ 6.8 million covering the same period in 2020.

Other revenues increased by ₱0.6 million from ₱1.0 million for the period ended June 30, 2019 to ₱1.6 million for the same period in 2020.

Other Income

For the period ended June 30, 2019, equity in net losses of associates and joint venture amounted to ₱50.8 million and ₱62.4 million for the same period in 2020. The ₱62.4 million losses recognized in the current period is due to the equity share in the net losses of MIC. For the period ended June 30, 2019, equity losses from MIC amounted to ₱66.2 million tapered by the equity share in net earnings of SLBPO amounting to ₱15.4 million.

Interest income relates to real estate receivables, cash and cash equivalents and advances and loans to officers and employees. Interest income for the period ended June 30, 2019 amounted to ₱3.3 million compared to ₱ 0.8 million for the same period in 2020 or a decrease of ₱2.4 million. The decrease came primarily from the interest income from accretion of real estate receivables.

Other income – net decreased by ₱7.8 million from ₱16.4 million for the period ended June 30, 2019 to ₱ 8.6 million for the same period in 2020. The decrease came primarily from advertising revenue.

Expenses

Cost of Sale and Services

Cost of racing services decreased by ₱26.6 million from ₱82.3 million for the period ended June 30, 2019 to ₱55.7 million for the same period in 2020. Direct costs such as personnel costs, utilities, commission, contracted services, repairs and maintenance, among others, decreased in 2020. Since the start of the lockdown in March 2020 due to the COVID-19 pandemic, the racing operations has not yet resumed.

Direct costs from cockfighting decreased by ₱156.4 million from ₱365.8 million for the period ended June 30, 2019 compared to ₱209.4 million for the same period in 2020. Significant expenses in 2020 that decreased are percentage taxes, breeder's subsidies, commission and cost of gamefowls. These expenses are directly related to the conduct of cockfighting operations that has not yet resumed until now due to the pandemic.

Cost of real estate pertains to the cost of real estate property recognized under the percentage of completion method, if the criteria of full accrual method are not satisfied. For the periods ended June 30, 2019, cost of real estate amounted to (₱0.2) million and nil for the same period in 2020. There were no units sold nor cancelled in 2020. The amount in 2019 was net result of the new unit sales and the reversal to inventory account of the cost of previously sold real estate units that were cancelled during that period.

Rental cost of services increased by ₱25.0 million from ₱24.8 million for the period ended June 30, 2019 to ₱49.8 million for the same period in 2020. Notable increases came from utilities, security services, repairs and maintenance as well as contracted service from the leasing operations of the Vertex One building. The Parent Company acquired ALI's interest in Vertex One Building in September 2019.

Cost of food and beverage amounted to ₱14.4 million for the period ended June 30, 2019 and ₱6.6 million for the same period in 2020. The decrease amounting to ₱7.7 million came primarily from utilities and cost of purchased stocks. The food and beverage business segment of the Company was affected by the lockdown brought about by the pandemic.

The cost of sales for "Others" amounted to ₱4.6 million and ₱11.3 million for the periods ended June 30, 2020 and 2019, respectively or a decrease of ₱6.7 million in 2019.

General Operating Expenses

General and administrative expenses constitute costs of administering the business. For the period ended June 30, 2019, general and administrative expenses amounted to ₱152.4 million compared to ₱140.6 million for the same period in 2020. It decreased by ₱11.8 million. Significant decreases in general and administrative expenses include taxes and licenses, professional fees, contracted services and rental expenses, among others.

Selling expenses pertain to marketing fees related to the sale of real estate properties. It amounted to nil for periods ended June 30, 2020 and 2019.

Finance costs pertain to interest expenses on bank loans availed for working capital requirements. It amounted to ₱8.6 million for the period June 30, 2019 and ₱9.1 million for the same period in 2020. The increase of ₱0.5 million is due to the increase in outstanding principal balances of bank loans as of the end of year 2019.

CHANGES IN FINANCIAL CONDITION

Discussion on some Significant Changes in Financial Condition as of June 30, 2020 and December 31, 2019

Total assets decreased due to the following:

1. For the period ended June 30, 2020, cash and cash equivalents amounted to ₱414.4 million from ₱603.0 million as of December 31, 2019. The decrease of ₱188.6 million can be attributed to the payment of matured payables to suppliers, principal and interest payments on bank loans, acquisition of property and equipment as well as investment property and the payment of taxes.

2. Receivables, including real estate receivables-net of current portion decreased by ₱78.9 million from ₱184.8 million as of December 31, 2019 to ₱105.9 million as of June 30, 2020. Receivables that decreased during the current period include rent receivables, receivable from off-track/off-cockpit operators and advances to suppliers and contractor.

3. Inventories increased by ₱1.8 million in the current period from ₱9.1 million as of December 31, 2019 to ₱10.9 million as of June 30, 2020.

4. Prepayments and other current assets increased by ₱39.5 million from ₱26.1 million as of December 31, 2019 to ₱65.7 million as of June 30, 2020. The increase came from primarily from the reclass of Input VAT from noncurrent to current.

5. Investments in and advances to associates and joint ventures amounted to ₱1,970.0 million and ₱2,032.4 million as of June 30, 2020 and December 31, 2019, respectively. This account was decreased by the equity share in the net losses of MIC for the current period amounting to ₱62.4 million.

6. Property and equipment decreased from ₱840.4 million as of December 31, 2019 to ₱807.2 million as of June 30, 2020. The decrease in property and equipment amounting to ₱33.2 million in the current period is the net effect of the depreciation charges recognized and the acquisitions of property and equipment during the period.

7. Investment properties decreased by ₱6.5 million from ₱1,622.6 million as of December 31, 2019 to ₱1,616.1million as of June 30, 2020. The net decrease is the result of the depreciation recognized during the period and the additional purchase of investment property.

8. Other noncurrent assets decreased by ₱43.4 million from ₱161.2 million as of December 31, 2019 to ₱117.9 million as of June 30, 2020. The decrease is due primarily to the reclass of Input VAT from noncurrent to current.

Total Current Liabilities decreased due to the following:

9. Accounts payable and other liabilities decreased by ₱225.4 million from ₱507.6 million as of December 31, 2019 to ₱282.2 million as of March 31, 2020.Accounts payable, percentage and documentary stamps taxes payable decreased.

10. Income tax payable increased by ₱9.5 million from ₱34.2 million as of December 31, 2019 to ₱43.7 million as of March 31, 2020. The increase refers mainly to the income tax expense recognized by the Group covering the first quarter of 2020.

Total Noncurrent Liabilities decreased due to the following:

11. Noncurrent portion of the long-term loans and borrowings decreased by ₱31.5 million as a result of the monthly payment of the principal balance.

12. Accrued retirement benefits as of December 31, 2019 amounted to ₱64.1 million and ₱66.1 million as of June 30, 2020. The decrease amounting to ₱2.0 million is the net effect of the contributions made to the retirement fund and the retirement expense recognized in the current period.

Total Equity increased due to the following:

13. Retained earnings decreased by ₱105.9 million from ₱2,208.9 as of December 31, 2019 to ₱2,102.9 million as of June 30, 2020. The increase pertains to the net earnings of the Group covering the first half of 2020.

14. Non-controlling interest decreased by ₱1.0 million in the current period which represents primarily the 56.87% share of minority interest in the net losses of ARWRI for the period ended June 30, 2020.

OTHERS

No known trends, events, commitments or uncertainties that will have an effect on the company's liquidity. The company is not expecting anything that will have a material favorable or unfavorable impact on the company's current operation. All the figures reflected or presented during the reporting period arose from normal conditions of operation.

TOP FIVE (5) KEY PERFORMANCE INDICATORS:

The Group looks closely at the following to determine its over-all performance:

	JUN 2020	DEC 2019
Current Ratio	**1.49**	1.32
Asset to Liability Ratio	**3.63**	3.27

	JUN 2020	JUN 2019
Sales to Revenue Ratio	**0.05**	0.08
Sales to Expenses Ratio	**0.05**	0.09
Earnings Per Share	**₱0.0709**	₱0.0197

Current ratio or working capital ratio is a measure of a company's liquidity or its ability to meet maturing obligations. It is computed by dividing current assets over current liabilities. Total current assets as of June 30, 2020 and December 31, 2019 amounted to ₱572.6 million and ₱815.1 million, respectively. As of June 30, 2020, and December 31, 2019, total current liabilities amounted to ₱383.7 million and ₱618.6 million, respectively. The Group's current ratio of 1.49 shows that it has ₱1.49 current assets to support ₱1.00 current liabilities.

The asset to liability ratio or solvency ratio exhibits the relationship of total assets with total liabilities. It is computed by dividing total assets over total liabilities. As of June 30, 2020, and December 31, 2019, total assets amounted to ₱5,109.8 million and ₱5,481.4 million, respectively while total liabilities as of June 30, 2020 amounted to ₱1,409.1 million and ₱1,673.8 million as of December 31, 2019. The Group's asset to liability ratio of 3.63 shows that for every ₱1.00 liability, it has a ₱3.63 asset to support it.

Sales to revenue ratio is computed by dividing the income from horse racing over total operating revenue. Income from club races for the periods ended June 30, 2020 and 2019 amounted to ₱21.4 million and ₱61.3 million, respectively. Total operating revenue for the period ended June 30, 2020 amounted to ₱441.5 million and ₱757.6 million for the same period in 2019.

Sales to expenses ratio is computed by dividing income from horse racing over total expenses which include cost of sales and services, general and administrative expenses, selling expenses and finance costs. Income from club races for the periods ended June 30, 2020 and 2019 amounted to ₱21.4 million and ₱61.3 million, respectively, while total expenses amounted to ₱476.0 million for the period ended June 30, 2020 and ₱659.5 million for the same period in 2019.

Earnings per share is computed by dividing net income (loss) attributable to equity holders of the parent company over the weighted average number of outstanding common shares. Net loss attributable to equity holders of the parent company for the period ended June 30, 2020 amounted to ₱105.9 million and net income attributable to equity holders of the parent company amounted to ₱29.5 million for the same period in 2019. The weighted average number of outstanding common shares as of June 30, 2020 is 1,494.3 million and 996.2 million as of June 30, 2019.

Analysis of plan of operations

The year 2019 showed an unprecedented upswing in revenues for the Parent Company and for the two wholly-owned subsidiaries, MCI and Gametime. Special recognition to MCI for the company's year after year record breaking revenues which had tremendous revenue contribution to the Parent Company.

The Group remains positive on the economic viability of its companies and banks on its first-class facilities such as its race track and cockfighting arena. The Group's excellent customer service is also a key driver of its revenues and commits to its continuing improvement.

ANNEX "C"

MINUTES OF THE ANNUAL MEETING OF THE STOCKHOLDERS

MANILA JOCKEY CLUB, INC.

Held at the Turf Club, San Lazaro Leisure and Business Park
Carmona, Cavite

on June 28, 2019 at 9:00 A.M.

Total No. of Outstanding Shares	996,161,286
Total No. of Shares of Stockholders Present (In person and by proxy)	745,122,656
Percentage of Shares of Total No. of Shares of Stockholders Present	74.8%

I. <u>CALL TO ORDER</u>

The Chairman, Atty. Alfonso R. Reyno, Jr., called the meeting to order and presided over the same.

II. <u>PROOF OF NOTICE AND DETERMINATION OF QUORUM</u>

The Corporate Secretary certified that notices for the Annual Stockholders' Meeting, together with the Definitive Information Statement, were sent by registered mail to all stockholders of record as of May 2, 2019, the date fixed by the Board of Directors for the determination of stockholders entitled to notice of, and to vote at the meeting.

The Corporate Secretary certified that there was a quorum to transact the business specified in the agenda, there being represented, in person or by proxy, stockholders owning 745,122,656 shares, representing 74.8% of the total issued and outstanding capital stock of the Company.

III. <u>APPROVAL OF THE MINUTES OF THE 2018 ANNUAL STOCKHOLDERS' MEETING AND THE 2018 SPECIAL STOCKHOLDERS MEETING</u>

The next item in the agenda was the approval of the Minutes of the Annual Stockholders' Meeting held on June 29, 2018, and the Special Stockholders' Meeting held on December 7, 2018.

Upon motion duly made and seconded, the minutes of the Annual Stockholders' Meeting held on June 29, 2018 the Special Stockholders' Meeting held on December 7, 2018 were unanimously approved.

IV. <u>PRESIDENT'S REPORT</u>

The President, Atty. Alfonso Victorio G. Reyno, III, presented the report on the operations of the Company and its subsidiaries and associate companies for the year 2018 (the "**President's Report**").

Upon motion made and duly seconded, the stockholders noted and approved the President's Report.

V. <u>APPROVAL OF THE ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018</u>

The next item in the agenda was the approval of the Company's Annual Report and Audited Financial Statements as of December 31, 2018.

Upon motion made and duly seconded, the stockholders unanimously approved the Annual Report and Audited Financial Statements as of December 31, 2018.

VI. APPROVAL AND RATIFICATION OF ALL ACTS OF THE BOARD OF DIRECTORS, BOARD COMMITTEES AND MANAGEMENT

Upon motion duly made and seconded, all acts, contracts, investments and resolutions of the Board of Directors, Board Committees and Management from the last Annual Stockholders' Meeting were unanimously approved, confirmed, and ratified.

VII. ELECTION OF THE MEMBERS OF THE BOARD OF DIRECTORS

The Corporate Secretary stated the Company's procedures for election of members of the Board of Directors. Under said procedures, there will be two rounds of voting. The first round shall be the election of nine (9) regular directors and the second round shall be the election of the two (2) independent directors.

The Chairman requested the Corporate Secretary to read the names of the persons who have been duly nominated and qualified as regular directors of the Company for year 2019-2020.

The Corporate Secretary then proceeded to read the names of the following individuals who were nominated in accordance with the provisions of the By-Laws:

ALFONSO R. REYNO, JR.
MARIZA SANTOS-TAN
ALFONSO VICTORIO G. REYNO III
PEDRO O. TAN
CHRISTOPHER G. REYNO
JOHN ANTHONY B. ESPIRITU
LUCAS C. CARPIO, JR.
MA. LUISA T. MORALES
FERDINAND A. DOMINGO

Upon motion to declare all the nine (9) nominees elected as regular directors for the ensuing year duly made and seconded, the stockholders unanimously approved the motion, and the Chairman declared that all the nine (9) nominees were duly elected as regular directors of the Company for year 2019-2020.

After the election of the nine (9) regular directors, the Chairman proceeded to the election of the two (2) independent directors.

The Chairman requested the Corporate Secretary to read the names of the persons who have been duly nominated and qualified as independent directors of the Company for year 2019-2020.

The Corporate Secretary then proceeded to read the names of the following individuals who were nominated in accordance with the provisions of the By-Laws:

VICTOR C. FERNANDEZ
VICTOR B. VALDEPEÑAS

Upon motion to declare the two (2) nominees elected as independent directors for the ensuing year duly made and seconded, the stockholders unanimously approved the motion, and the Chairman declared that the two (2) nominees were duly elected as independent directors of the Company for year 2019-2020, who shall act as such until their successors shall have been duly elected and qualified.

VIII. <u>APPOINTMENT OF EXTERNAL AUDITOR</u>

The Corporate Secretary stated that the SyCip, Gorres, Velayo & Co. ("SGV") has been recommended for re-appointment as the external auditor of the Company for year 2019.

Upon motion duly made and seconded, the stockholders unanimously approved the appointment of SGV as the Company's external auditor for year 2019.

IX. <u>AMENDMENT OF THE COMPANY'S ARTICLES OF INCORPORATION</u>

The Corporate Secretary submitted for approval the amendment of Article Sixth of the Articles of Incorporation, to increase the number of directors from eleven (11) to fifteen (15).

Upon motion duly made and seconded, the stockholders unanimously approved the proposed amendment of Article Sixth of the Articles of Incorporation to increase the number of directors from eleven (11) to fifteen (15).

X. <u>AMENDMENT OF THE COMPANY'S BY-LAWS</u>

The Corporate Secretary submitted for approval the following Amendments to the Company's By-Laws:

(1) Article II, Section 1, to increase the number of directors from eleven (11) to fifteen (15);

(2) Article II, Section 2, to increase the number of independent directors from two (2) to three (3);

(2) Article II, Section 8 and 8-A, to separate the positions of the Chairman of the Board of Directors and the Chief Executive Officer and delineate the duties and responsibilities of each; and

(3) Article VI, Section 1, to delegate to the Board of Directors the authority to amend or repeal the By-Laws, or adopt new By-Laws.

Upon motion duly made and seconded, the stockholders unanimously approved the foregoing proposed amendments to the Company's By-Laws.

XI. <u>ADJOURNMENT</u>

There being no further business to transact, on motion duly made and seconded, the meeting was thereupon adjourned.

FERDINAND A. DOMINGO
Corporate Secretary

ATTESTED:

ALFONSO R. REYNO, JR.
Chairman of the Board

PROCEDURES FOR PARTICIPATING VIA REMOTE COMMUNICATION, AND FOR VOTING IN ABSENTIA OR BY PROXY

The 2020 Annual Stockholders' Meeting ("**2020 ASM**") of MANILA JOCKEY CLUB, INC. (the "**Company**") will be conducted virtually through **http://manilajockeyclubinc.com.ph/ASM2020.php** on **September 18, 2020** at **9:00 a.m**.

Given the COVID-19 situation, stockholders of record as of **10 August 2020** may only participate via remote communication, and vote *in absentia* or by proxy.

A. Registration Procedure

A stockholder who intends to participate via remote communication, or to vote *in absentia* or by proxy, must submit the following documentary requirements to the Company via email at ASM2020@mjc150.com no later than **04 September 2020**.

- *Certificated Stockholders (Individual*)

1. Stockholder's valid government-issued ID (e.g., Passport, Driver's License) showing photo, signature and personal details, preferably with residential address;
2. A valid and active e-mail address and contact number of the Individual Stockholder;
3. Stock Certificate Number/s; and
4. If appointing a proxy, duly accomplished and signed Proxy Form (Annex C).

- *Certificated Stockholders (Corporate)*

1. Notarized Secretary's Certificate on the resolution attesting to the authority of the representative to vote for, and on behalf of the corporate stockholder;
2. Authorized Representative's valid government-issued ID (e.g., Passport, Driver's License), showing photo, signature and personal details, preferably with residential address;
3. A valid and active e-mail address and contact number of the Authorized Representative;
4. Stock Certificate Number/s; and
5. If appointing a proxy, duly accomplished and signed Proxy Form (Annex C).

- *Stockholders with Shares PCD Participant/Broker Account*

1. Broker's Certification on the number of shares owned by the Stockholder;
2. Stockholder's valid government-issued ID (e.g., Passport, Driver's License), showing photo, signature and personal details, preferably with residential address;
3. A valid and active e-mail address and contact number of the Stockholder;
4. If appointing a proxy, duly accomplished and signed Proxy Form (Annex B).

All documents submitted shall be subject to the verification and validation of the Company. Stockholders who have successfully registered shall receive an email providing the link and log-in credentials to access the meeting room for the 2020 ASM.

Only stockholders who have notified the Company of their intention to participate, and vote in the 2020 ASM by remote communication, and have been validated to be stockholders of record of the Company will be considered in computing stockholder attendance in the ASM.

B. Voting Procedure

Stockholders who have successfully registered may cast their votes on each Agenda item through Ballots or Proxies. The Ballot/Proxy can be downloaded at http://manilajockeyclubinc.com.ph/ASM2020.php A brief description of the Agenda items for stockholders' approval is attached as **Annex A** of this Notice.

All Ballots or Proxies shall be submitted via email at **corporate_secretary@mjc150.com** no later than **15 September 2020.**

Below are the voting instructions.

1. ***For each Agenda item other than the Election of Directors***, the stockholder or proxy has the option to vote: "For", "Against", or "Abstain".

2. **For the Election of Directors**, the stockholder or proxy has the option to: (i) vote for all nominees, (ii) withhold vote for any of the nominees, or (iii) vote for certain nominees only. A stockholder may (a) vote such number of shares for as many persons as there are directors to be elected; (b) cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of shares owned, or (c) distribute them on the same principle among as many candidates as may be seen fit; provided, that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Company multiplied by the number of directors to be elected.

The Corporate Secretary will count and tabulate the votes cast by Ballot or Proxy.

C. ASM Participation via Remote Communication

Stockholders who have successfully registered can participate in the 2020 ASM via remote communication. Stockholders who have successfully registered shall receive an email providing the and log-in credentials to access the meeting room for the 2020 ASM.

Stockholders may send their questions related to the agenda by email to **corporate_secretary@mjc150.com** no later than the schedule of the 2020 ASM. The Company will endeavor to answer the questions during the Annual Meeting. For questions received but not entertained during the Annual Meeting due to time constraints, the Company will endeavor to answer said questions via email at a later time.

The proceedings of the 2020 ASM shall be recorded in audio and video format.

ANNEX "E"

LEGAL PROCEEDINGS

MANILA JOCKEY CLUB, INC. PENDING MATTERS / CASES

CONSOLIDATED CASES:

a. PEOPLE OF THE PHILIPPINES vs. DAVID SO, et. al.
Crim. Case No. R-QZN-16-14866-CR
RTC QC, Branch 92
For: Qualified Theft
Amount of claim by MJCI: P46,717,642.00

b. PEOPLE OF THE PHILIPPINES vs. DAVID SO, et. al.
Crim. Case No. R-QZN-16-14867-CR
Pending re-raffle on account of the voluntary inhibition of Judge Eleuterio Bathan.
RTC QC, Branch 92 (previous)
For: Qualified Theft
Amount of claim by MJCI: Php 75,027,801.58.

Description:

This refers to the Qualified Theft cases filed against David and Devota So (operators of Agudo OTB) and former MJCI officers and employees for non-remittance of sales in the amount of P46,717,642.00 in 2008 in Criminal Case No. R-QZN-16-14866-CR and Php 75,027,801.58 in 2007 in Criminal Case No. R-QZN-16-14867-CR.

The cases were raffled to the Regional Trial Court of Quezon City, Branch 92, presided by Judge Eleuterio Bathan, who issued warrants of arrest against the Accused.

Status:

Manuel Paredes was arrested and he filed a *Petition for Bail*, which was denied in a *Resolution* dated 11 September 2018. Paredes filed a *Motion for Reconsideration* of the denial of his *Petition for Bail* and moved for the inhibition of Judge Bathan.

At the 23 October 2018 hearing, Judge Bathan maintained that the grounds for his inhibition raised by Paredes is without merit, but nevertheless recused himself from the case.

The case was re-raffled to Judge Janet Abergos – Samar, Branch 219, Regional Trial Court of Quezon City. In a *Resolution* dated 18 March 2019, Judge Samar denied Paredes' *Motion for Reconsideration* and affirmed the denial of his bail application.

On 20 August 2019, the Prosecution presented Atty. Elba S. Cruz to testify on the findings of the Special Disciplinary Committee who investigated the Accused. Atty. Elba explained the conspiracy committed by the Accused to steal company funds. Her cross-examination is scheduled on 06 March 2020, but was deferred indefinitely on account of the COVID 19 situation.

On 05 June 2020, we received an e-mail notice from Branch 219 advising us that we will conduct trial through online video conference. They are securing a schedule from the Muntinlupa Detention facility for Manuel Paredes and they will advise us of the video conference hearing date.

PEOPLE OF THE PHILIPPINES vs. ELBERT PARUNGAO, et. al.
Crim. Case No. R-QZN-16-14869-CR
RTC QC, Branch 217
For: Qualified Theft
Amount of claim by MJCI: Php 12,217,000.00

Description: This refers to the Qualified Theft cases filed against the operators of E. Rodriguez OTB in Quezon City (Edgardo Parungao and Elbert Parungao) and former MJCI officers and employees for non-remittance of sales in the amount of P12,217,000.00 in 2008.

The case is pending before Branch 217, of the Regional Trial Court of Quezon City presided by Judge Santiago Arenas. Warrants of arrest have been issued against all Accused.

Status: Accused Manuel Paredes filed a motion to consolidate this case with the Agudo OTB cases pending in Branch 219, QC RTC presided by Judge Samar.

We opposed the consolidation on the following grounds:

a. These cases involve separate criminal acts of qualified theft, different subject matters of the crime, *i.e.* sums of money stolen, and different parties.

b. There was a previous ruling by Judge Arenas denying an earlier motion for consolidation, which has become final.

The consolidation of this case was granted by Judge Arenas, but the same is subject to approval and acceptance by Judge Samar. As of date, we have not received any order from Judge Samar on the consolidation.

KLUB DON JUAN DE MANILA, INC. and CESAR G. AVILA, JR., vs. GAMES AND AMUSEMENTS BOARD, MANILA JOCKEY CLUB, INC., PHILIPPINE RACING CLUB INC., METRO MANILA TURF CLUB, INC., and BUREAU OF INTERNAL REVENUE,

Civil Case No. R-MND-18-01152-CV
Regional Trial Court Br. 213 Mandaluyong City
For: Injunction with Prayer for Issuance of Temporary Restraining Order and/or Writ of Preliminary Injunction.

Description:

Petitioners Klub Don Juan de Manila, Inc. (KDJM) and Cesar G. Avila, Jr. seek to enjoin the racing clubs and government agencies from imposing the increased DST rate on horse betting tickets prescribed by the TRAIN Law (R.A. 10963).

Petitioners argue that between the DST rate in the racing club's franchise of P0.10 per P1.00 of horse betting ticket sold and the increased DST rate of P0.20 per ticket sold under the TRAIN Law, the former should prevail. Petitioners further argue that the increased DST rate adversely affected the viability of the horse racing industry.

Status:

In an *Order* dated 25 July 2018, the Mandaluyong RTC DISMISSED the *Petition* for lack of jurisdiction. On 30 August 2018, Petitioners filed a Motion for Reconsideration which was **DENIED** by the Honorable Court in its Order dated 18 September 2018.

Petitioners filed a Notice of Appeal which was accorded due course by the Mandaluyong RTC.

Upon directive of the Court of Appeals, the parties filed their respective memoranda, in lieu of appellate briefs.

On 28 February 2019, the Court of Appeals promulgated a *Decision* remanding the case to the Regional Trial Court for trial. According to the Court of Appeals, while the case *a quo* was a petition for injunction, the "true cause of action of Klub Don Juan and Avila was for declaratory relief", thus the same falls under the exclusive jurisdiction of the Regional Trial Court.

The GAB and the BIR filed a motion for reconsideration which remains pending before the Court of Appeals.

MANILA COCKERS CLUB, INC. PENDING MATTERS / CASES

Complaints for illegal gambling were lodged against MCCI's OCBS which were dismissed by the National Prosecution Service on the ground that MCCI's OCBS operations are legal. The following complaints were DISMISSED for lack of merit:

a. Anti-Organized and Transnational Crime Division National Bureau of Investigation, & Abraham Kahlil Mitra v. Ricardo Dator y Gomez, et. al. docketed as XV-07-INV-18A-00454 was dismissed by the OCP Manila in its 13 April 2018 *Resolution*.
b. Games and Amusement Board v. Ardel John Salazar Gumale et. al. docketed as XV-03-INQ-18B-01153 was dismissed by the OCP of Quezon City in its *Resolution* dated 19 April 2018. The motion for reconsideration filed by GAB was likewise denied in the *Resolution* dated 20 August 2018 of the Quezon City OCP;
c. P03 Harold O. Birosel et al. v Richton Natividad y Lopez et al. docketed as XV-03-INQ-17I-04221 was dismissed by the Quezon City OCP in its *Resolution* dated 18 January 2018.
d. SPO1 Disocoro C. Bertos et al. v. William Patrick Ponce et al. docketed as XV-18J-INQ-18FI-03659 was dismissed by the Provincial Prosecutor of Rizal in its *Resolution* dated 04 October 2018.
e. People of the Philippines v. Albert Ramayrat y Colis et al. docketed as XV-03-INQ-18H-05185 was dismissed by the Quezon City OCP in its *Resolution* dated 11 October 2018.
f. People of the Philippines v. Jonel Montero y Manggahan docketed as XV-03-INQ-18H-05185 was dismissed by the OCP of Quezon City in its *Resolution* dated 19 October 2018.
g. P03 Edwin Garcia et al. v. PO1 Erwin Delima y Orona et. al., docketed as XV-03-INQ-18H-05151 was dismissed by the Quezon City OCP in its *Resolution* dated 08 January 2019.
h. PSMS Joey Santos, et al. v. Susana A. Timbol, et al., NPS Docket No. XV-03-INQ-19F-03537 was dismissed by the Quezon City OCP in its *Resolution* dated 24 July 2019.
i. PMSg Mark Pasngadan and PSSg Danilo Desder, Jr. v. Jerrylen S. Cabañas, et al., NPS Docket No. XV-10-INQ-19F-00467 was dismissed by the Malabon OCP in its *Resolution* dated 08 July 2019.
j. PNP Integrity Monitoring and Enforcement ("IMEG") v. PCMS Demetrio P. Laroya, Jr. et al., NPS Docket No. XV-03-INQ-19F-03782 was dismissed in a *Resolution* dated 02 September 2019 issued by the Quezon City OCP.
k. PSSg Dexter Pagales, et a. v. Ricky J. Silverio, et al, NPS Docket No. III-04-INV-19C-01465 was dismissed by the Office of the Provincial Prosecutor of Bulacan in its *Resolution* dated 17 June 2019.
l. PSSG Jose Bedan Yabut et. al vs. Albert Jerome Simbahan, et. al., XV-07-INV-191-06243 was dismissed in a *Resolution* dated 13 November 2019.

Accordingly, the National Prosecution Service of the DOJ has repeatedly upheld the legality of MCCI's OCBS operations by issuing resolutions based on adjudicatory facts and application of relevant laws.

MANILA COCKERS CLUB, INC. VS. **ABRAHAM KAHLIL MITRA AND THE GAMES AND AMUSEMENTS BOARD**

Special Civil Action No. R-MKT18-03510-SC
On appeal – C.A. Sp. No. 160344
RTC Branch 149, Makati City
For: Certiorari and Prohibition with Urgent Application for the Issuance of a Temporary Restraining Order and/or Writ of Preliminary Injunction

<u>Description:</u>

Manila Cockers Club, Inc. filed an *Amended Petition for Injunction, Certiorari, and/or Prohibition (with urgent application for the issuance of a temporary restraining order and/or writ of preliminary injunction)* before the Regional Trial Court Branch 149, Makati City.

This Petition seeks to enjoin Respondent Games and Amusement Board ("**GAB**") and Respondent Abraham Kahlil B. Mitra ("**Mitra**") from implementing their ruling to close down all the OCBS of MCCI.

The Petition further seeks an injunction to restrain Respondents GAB, Mitra, and all other agencies that may be deputized by the GAB, from causing the raids of MCCI's OCBS while this case is pending.

<u>Status:</u>

On 04 September 2018, the Makati RTC issued an *Order* stating that Respondents Mitra and the GAB will comply with the suggestion of the Honorable Court that they shall defer from further implementing their desire to pursue the closure of the operation of MCCI while the petition is pending resolution. This status quo *Order* was reiterated by the Makati RTC in its *Order* dated 14 September 2018.

Instead of filing an answer, Respondents sought the dismissal of the *Petition* for lack of jurisdiction. The Makati RTC denied Respondents motion to dismiss and maintained that it has original jurisdiction over this *Petition for Injunction.*

On 10 October 2018, the hearing on preliminary injunction was conducted. MCCI presented as witnesses Atty. Chino Paolo Z. Roxas and Christopher Barbosa (one of the tellers who were arrested during the raids caused by GAB) in support of the preliminary injunction sought by MCCI. The documentary evidence of MCCI was likewise formally offered.

Respondents waived their right to present evidence during the preliminary injunction hearings and submitted the same for resolution.

The Makati RTC issued a *Resolution* and *Amended Resolution* dated 28 December 2018 and 09 January 2019, respectively. In these resolutions, the Makati RTC issued *Writ of Permanent Injunction* against GAB, Mitra, and all other government agencies and instrumentalities that form part of, may be deputized by, or otherwise act under the authority of the GAB including, particularly its Anti-illegal Gambling Unit "to permanently enjoin them from directing, and/or otherwise causing, the closure (whether temporary or otherwise) or disruption of the operations of all the Off-Cockpit Betting Stations operated by MCCI."

The GAB filed a *Notice of Appeal* under Rule 41 of the Rules of Court, which was granted by the Makati Regional Trial Court. The case was raffled to the 9th Division of the Court of Appeals.

Note that subsequent to their appeal, the GAB issued two letter resolutions dated 08 October 2019 and 20 December 2019 addressed to United Association of Cockpit Owners and Operators of the Philippines, Inc ("UACOOP") where it conceded that the operation of Off-Cockpit Betting Stations are under the licensing and regulatory authority of the Local Government Units, not the GAB. Stated otherwise, it appears that the GAB has adopted our position in the injunction case. Thus, on 11 February 2020, MCCI filed a *Manifestation with Urgent Motion to Dismiss* which remains pending to date.

Games and Amusements Board v. Hon. Untalan, and MCCI / CA-G.R. SP No. 158134

On 22 October 2018, Abraham Kahlil B. Mitra ("Mitra") and Games and Amusement Board ("GAB"), though the Office of the Solicitor General ("OSG"), filed with the Court of Appeals a *Petition for Certiorari* which seeks to nullify and set aside the *Order* dated 14 September 2018 (Status Quo Order) of Honorable Cesar O. Untalan ("Judge Untalan"), which reiterated and adopted the earlier *Order* dated 4 September 2018 (4 Sept Order).

This *Petition* was raffled to the 1st Division of the Court of Appeals.

In a *Resolution* dated 29 November 2018, the Court of Appeals denied the GAB's prayer for temporary restraining order and preliminary injunction. According to the CA, GAB failed to satisfy all the requisites for the issuance of injunctive relief.

MANILA COCKERS CLUB, INC. V. ZOLETA, ET AL.

Description:

On 15 April 2019, Manila Cockers Club, Inc. monitored an unusual spike in the sales of Lawin OCBS located in Obando, Bulacan. This prompted the TSD to close the operations of the OCBS.

Upon spot investigation, Jennifer Zoleta and Dianne Sablad (MCCI's tellers assigned in Lawin OCBS) incurred shortages in sales amounting to at least 3 Million Pesos. Zoleta and Sablad admitted to the shortages and claimed that they were placing bets in their terminals without the corresponding cash. Further investigation likewise revealed that the tellers acted in conspiracy with other individuals in their scheme to steal company funds.

Status:

A comprehensive investigation was conducted by MCCI and employees who were involved in the incident were relieved. A criminal complaint for qualified theft was filed in the Office of the Provincial Prosecutor of Bulacan. We are awaiting notice for the conduct of preliminary investigation.

APO REEF WORLD RESORTS, INC. PENDING CASE

OREÑA V. NIMER, ET AL. / Civil Case Nos. 343 and 345 / Municipal Trial Court, Mamburao.

Description:

These are consolidated ejectment cases we filed against illegal settlers in the Company's property located in Barangay Talabaan, Occidental Mindoro. Out of the 10.4 hectares of the Oreña property, around 5.5 hectares were occupied by Respondents, who claim to be agricultural tenants.

We were able to recover more than two hectares from several Respondents through amicable settlement, but at least three hectares were illegally occupied. Furthermore, the foreshore area in front of the Oreña property were likewise occupied by several Respondents.

Thus, we pursued the referenced ejectment cases against those occupying the Oreña property and its foreshore area.

Status:

On 14 May 2019, the Mamburao RTC issued a *Decision* GRANTING our ejectment case directing Respondents occupying the Oreña property and its foreshore to VACATE these areas and restore its possession to the Company.

All occupants of the Orena property have vacated the same. Meanwhile, those in the foreshore areas refused to leave. Thus, we filed a motion for execution against these illegal occupants. Our motion was granted and a writ of execution was issued against these foreshore area occupants.