108222018003965

SECURITIES AND EXCHANGE COMMISSION

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Company Information

SEC Registration No.	PW00000803
Company Name	MANILA JOCKEY CLUB INC.
Industry Classification	
Company Type	Stock Corporation

Document Information

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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

687-9889

Company's Telephone Number

AMENDED QUARTERLY REPORT
FOR THE PERIOD ENDED 30 JUNE 2018

1 2	3 1	17-Q	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

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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, 2018

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: [redacted] (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	996,161,286

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 **Amended Annex "A"**.

- Consolidated Statements of Financial Position as of June 30, 2018 and December 31, 2017
- Consolidated Statements of Comprehensive Income for the periods ended June 30, 2018 and 2017
- Consolidated Statements of Comprehensive Income for the quarters ended June 30. 2018 and 2017
- Consolidated Statements of Changes in Equity for the periods ended June 30, 2018 and 2017
- Consolidated Statements of Cash Flows for the periods ended June 30, 2018 and 2017
- Consolidated Statements of Cash Flows for the quarters ended June 30. 2018 and 2017
- Aging Schedule of Receivables as of June 30, 2018
- Notes to Consolidated Financial Statements

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

Please see attached Annex "B".

PART II – OTHER INFORMATION

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

SIGNATURES

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

MANILA JOCKEY CLUB, INC.

August 22, 2018
Date

By:

NESTOR N. UBALDE
Chief Finance Officer

ANNEX "A"

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2018 AND DECEMBER 31, 2017

	UNAUDITED JUNE 2018	AUDITED DECEMBER 2017
	(In Philippine Peso)	
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	206,410,733	225,600,519
Receivables (Note 7)	183,650,678	217,376,219
Inventories (Note 8)	63,593,654	71,249,177
Other current assets (Note 9)	15,786,700	11,492,232
Total Current Assets	469,441,765	525,718,147
Noncurrent Assets		
Real estate receivables - net of current portion (N(	66,455,970	51,153,362
Investments in associates and joint ventures (Note	2,140,609,334	2,204,296,039
Available-for-sale (AFS) financial assets (Note 11	35,199,339	35,199,339
Property and equipment (Notes 12)	856,451,154	880,606,916
Investment properties (Notes 10 13 and 15)	1,093,414,182	1,097,375,496
Deferred Income Tax Assets		1,560,435
Other noncurrent assets (Notes 1 and 14)	31,246,888	30,051,708
Total Noncurrent Assets	4,223,376,867	4,300,243,295
	4,692,818,632	4,825,961,442
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term loans and borrowings (Note 15)	213,076,018	234,000,000
Accounts payable and other liabilities (Notes 16)	355,224,373	342,041,930
Income tax payable	6,850,527	711,292
Due to related parties (Note 26)	14,734,481	14,734,481
Total Current Liabilities	589,885,399	591,487,703
Noncurrent Liabilities		
Accrued retirement benefits (Note 21)	36,939,933	39,858,117
Deferred tax liabilities(Note 25)	216,913,383	218,473,818
Total Noncurrent Liabilities	253,853,316	258,331,935
	843,738,715	849,819,638
Equity		
Capital stock (Note 27)	996,170,748	996,170,748
Additional paid-in capital	27,594,539	27,594,539
Actuarial gains on accrued retirement benefits (N(	27,637,707	27,637,707
Net cumulative changes in fair values of AFS fina	4,950,148	4,950,148
Retained earnings	2,727,498,732	2,854,097,244
Treasury shares	(7,096)	(7,096)
Equity attributable to equity holders of the parent	3,783,844,778	3,910,443,290
Noncontrolling interests (Note 1)	65,235,139	65,698,514
Total Equity	3,849,079,917	3,976,141,804
	4,692,818,632	4,825,961,442
	-	-

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, 2018 AND 2017

	UNAUDITED JUNE 2018	UNAUDITED JUNE 2017
	(In Philippine Peso)	
REVENUES		
Club races	78,814,327	85,782,305
Cockfighting	205,722,754	114,363,860
Real estate (Note 8)	52,708,549	41,848,042
Rent (Notes 12 and 13)	40,888,586	42,528,636
Food and beverages	11,166,443	8,632,119
Others	1,011,046	9,974,906
	390,311,705	303,129,868
COST OF SALES AND SERVICES (Note 17)		
Club races	93,502,012	89,036,913
Cockfighting	122,961,080	93,654,813
Real estate (Note 8)	6,581,762	5,704,600
Rent	24,404,925	26,442,957
Food and beverages	15,332,300	10,489,901
Others	5,113,148	11,596,993
	267,895,227	236,926,177
GROSS INCOME	122,416,478	66,203,691
General and administrative expenses (Note 18)	(132,610,420)	(96,596,252)
Selling expense (Note 8)	(5,795,482)	(3,330,545)
Interest income (Notes 6, 7, 11 and 22)	9,259,191	8,437,383
Finance costs (Notes 15 and 23)	(4,224,793)	(2,692,637)
Equity in net earnings (losses) of associates and joint ventures (Note 10)	(65,824,193)	(67,418,674)
Other income - net (Note 24)	8,991,170	9,856,790
INCOME (LOSS) BEFORE INCOME TAX	(67,788,049)	(85,540,244)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 25)		
Current	9,465,773	5,162,644
Deferred	-	-
	9,465,773	5,162,644
NET INCOME (LOSS)	(77,253,822)	(90,702,888)
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)	(77,253,822)	(90,702,888)
Net income attributable to:		
Equity holders of the parent company	(76,790,447)	(90,650,234)
Noncontrolling interests	(463,375)	(52,654)
	(77,253,822)	(90,702,888)
Total comprehensive income (loss) attributable to:		
Equity holders of the parent company	(76,790,447)	(90,650,234)
Noncontrolling interests	(463,375)	(52,654)
	(77,253,822)	(90,702,888)
Basic/Diluted Earnings (Loss) Per Share (Note 28)	(0.0771)	(0.0910)

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, 2018 AND 2017

	UNAUDITED JUNE 2018	UNAUDITED JUNE 2017
	(In Philippine Peso)	
REVENUES		
Club races	37,179,461	36,833,539
Cockfighting	119,145,245	66,285,738
Real estate (Note 8)	33,480,370	29,539,474
Rent (Notes 12 and 13)	21,323,087	21,815,307
Food and beverages	6,168,146	4,727,796
Others	282,603	1,349,871
	217,578,912	160,551,725
COST OF SALES AND SERVICES (Note 17)		
Club races	43,599,422	46,155,090
Cockfighting	70,757,801	61,522,198
Real estate (Note 8)	3,413,829	3,904,130
Rent	12,696,184	13,577,592
Food and beverages	8,777,534	4,946,307
Others	438,335	2,187,787
	139,683,105	132,293,104
GROSS INCOME	77,895,807	28,258,621
General and administrative expenses (Note 18)	(64,453,998)	(44,440,272)
Selling expense (Note 8)	(4,293,125)	(2,492,782)
Interest income (Notes 6, 7, 11 and 22)	2,356,225	(329,063)
Finance costs (Notes 15 and 23)	(2,131,819)	(1,481,137)
Equity in net earnings (losses) of associates and joint ventures (Note 10)	(32,531,433)	(32,619,335)
Other income - net (Note 24)	4,987,100	5,701,201
INCOME (LOSS) BEFORE INCOME TAX	(18,171,243)	(47,402,767)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 25)		
Current	6,680,014	4,684,398
Deferred	-	-
	6,680,014	4,684,398
NET INCOME (LOSS)	(24,851,257)	(52,087,165)
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)	(24,851,257)	(52,087,165)
Net income attributable to:		
Equity holders of the parent company	(24,631,487)	(52,058,386)
Noncontrolling interests	(219,770)	(28,779)
	(24,851,257)	(52,087,165)
Total comprehensive income (loss) attributable to:		
Equity holders of the parent company	(24,631,487)	(52,058,386)
Noncontrolling interests	(219,770)	(28,779)
	(24,851,257)	(52,087,165)
Basic/Diluted Earnings (Loss) Per Share (Note 28)	(0.0247)	(0.0523)

See accompanying Notes to Consolidated Financial Statements.

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED JUNE 30, 2018 AND 2017

JUNE 2018 (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 (Note 11)	Retained Earnings - Unappropriated	Treasury Shares	Subtotal	Noncontrolling Interests	Total
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 period					(76,790,448)		(76,790,448)	(463,375)	(77,253,823)
Cash dividends declared					(49,808,064)		(49,808,064)		(49,808,064)
BALANCES AT JUNE 30, 2018	996,170,748	27,594,539	27,637,707	4,950,148	2,727,498,732	(7,096)	3,783,844,778	65,235,139	3,849,079,917

See accompanying Notes to Consolidated Financial Statements.

2,727,498,732

0

JUNE 2017 (UNAUDITED)

	Capital Stock	Additional Pain-In Capital	Net Cumulative Changes in Fair Values of AFS Financial Assets	Actuarial Gains on Accrued Retirement Benefits	Retained Earnings - unappropriated	Treasury Shares	Subtotal	Noncontrolling Interests	Total
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
Total comprehensive income (loss) for the period					(90,650,234)		(90,650,234)	(52,654)	(90,702,888)
BALANCES AT JUNE 30, 2017	996,170,748	27,594,539	24,133,722	4,962,621	2,932,613,667	(7,096)	3,985,468,201	66,086,566	4,051,554,767

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED JUNE 30, 2018 AND 2017

	UNAUDITED JUNE 2018	UNAUDITED JUNE 2017
	(In Philippine Peso)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (Loss) before income tax	**(67,788,049)**	(85,540,244)
Adjustments for:		
Depreciation (Notes 12, 13 and 19)	**41,596,908**	41,373,606
Equity in net losses (earnings) of associates and joint ventures (Note 10)	**65,824,193**	67,418,674
Interest income (Note 22)	**(9,259,191)**	(8,437,383)
Finance costs (Note 23)	**4,224,793**	2,692,637
Amortization of franchise fee (Note 17)	**897,000**	897,000
Dividend income	**(181,375)**	(181,375)
Loss (gain) on sale of:		-
Property and equipment		(85,536)
Operating income before working capital changes	**35,314,279**	18,137,380
Decrease (increase) in:		
Receivables	**18,422,933**	(29,643,054)
Inventories	**7,655,522**	3,776,899
Other current assets	**(4,294,468)**	2,260,333
Increase (decrease) in:		
Accounts payable and other liabilities	**(1,296,228)**	9,568,333
Accrued retirement benefits (Note 22)	**(2,918,184)**	(2,018,184)
Cash generated from operations	**52,883,854**	2,081,707
Income taxes paid, including creditable withholding and final taxes	**(3,326,538)**	(2,305,134)
Net cash provided (used) by operating activities	**49,557,316**	(223,427)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received (Note 22)	**9,259,191**	8,437,383
Dividends received (Notes 10 and 24)	**12,207,089**	10,820,523
Decrease (increase) in other noncurrent assets	**(1,195,180)**	16,593
Acquisitions of property and equipment (Note 12)	**(11,809,363)**	(19,412,820)
Acquisitions of investment property (Note 13)	**(2,252,000)**	(6,662,850)
Acquisitions of AFS financial assets		(20,000,000)
Proceeds from sale of:		-
Property and equipment (Note 24)		85,536
Net cash provided (used) by investing activities	**6,209,737**	(26,715,635)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term loans and borrowings	**14,000,000**	108,000,000
Payments of:		
Short-term loans and borrowings (Note 15)	**(34,923,982)**	(45,297,794)
Acquisition of a subsidiary		
Dividends paid	**(49,808,064)**	
Interest paid	**(4,224,793)**	(2,692,637)
Net cash provided (used) in financing activities	**(74,956,839)**	60,009,569
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(19,189,786)**	33,070,506
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**225,600,519**	171,837,642
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**206,410,733**	204,908,148

See accompanying Notes to Consolidated Financial Statements.

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE QUARTERS ENDED JUNE 30, 2018 AND 2017

	UNAUDITED JUNE 2018	UNAUDITED JUNE 2017
	(In Philippine Peso)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (Loss) before income tax	**(18,171,243)**	(47,402,767)
Adjustments for:		
Depreciation (Notes 12, 13 and 19)	**20,895,687**	20,956,527
Equity in net losses (earnings) of associates and joint ventures (Note 10)	**32,531,433**	32,619,335
Interest income (Note 22)	**(2,356,225)**	329,063
Finance costs (Note 23)	**2,131,819**	1,481,137
Amortization of franchise fee (Note 17)	**448,500**	448,500
Dividend income	**(111,688)**	(111,688)
Loss (gain) on sale of:		
Property and equipment		-
Operating income before working capital changes	**35,368,284**	8,320,108
Decrease (increase) in:		
Receivables	**(6,446,952)**	12,225,496
Inventories	**3,849,403**	2,715,953
Other current assets	**2,529,306**	3,761,313
Increase (decrease) in:		
Accounts payable and other liabilities	**1,509,509**	28,470,974
Accrued retirement benefits (Note 22)	**(300,000)**	2,578,246
Cash generated from operations	**36,509,550**	58,072,090
Income taxes paid, including creditable withholding and final taxes	**(3,263,577)**	(2,266,932)
Net cash provided (used) by operating activities	**33,245,973**	55,805,158
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received (Note 22)	**2,356,225**	(329,063)
Dividends received (Notes 10 and 24)	**5,640,459**	4,723,837
Decrease (increase) in other noncurrent assets	**(246,329)**	367,610
Acquisitions of property and equipment (Note 12)	**(8,296,268)**	(10,535,413)
Acquisitions of investment property (Note 13)	**(2,027,473)**	(3,074,866)
Acquisitions of AFS financial assets	-	(20,000,000)
Proceeds from sale of:		
Property and equipment (Note 24)		
Net cash provided (used) by investing activities	**(2,573,386)**	(28,847,895)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term loans and borrowings	**14,000,000**	8,000,000
Payments of:		
Short-term loans and borrowings (Note 15)	**(18,000,000)**	(26,497,794)
Dividends paid	**(49,808,064)**	
Interest paid	**(2,131,819)**	(1,481,137)
Net cash provided (used) in financing activities	**(55,939,883)**	(19,978,931)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(25,267,297)**	6,978,332
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**231,678,030**	197,929,816
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**206,410,733**	204,908,148

See accompanying Notes to Consolidated Financial Statements.

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES
AGING SCHEDULE OF RECEIVABLES
AS OF JUNE 31, 2018
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	114,356,871	40,257,945	4,670,424	5,804,673	6,905,254	56,718,575
2	Rent receivables (see Notes 13 and 14)	13.811.843	6,313,480	1,893,286	461,875	320,653	4,822,549
3	Receivable from Philippine Amusement and Gaming Corporation (PAGCOR) (see Note 31)	2,504,421	1,640,799	186,000	179,900	144,329	353,393
4	Receivables from off-track betting (OTB) operators	1,687,534	516,582	2,501	850	425,821	741,780.44
5	Advances to suppliers	27,686,617	14,260,966	1,306,363	2,687,153	789,642	8,642,494
6	Advances and loans to officers and employees (Note 26)	19,718,866	1,420,380	1,214,899	956,364	857,255	15,269,968
7	Receivable from third parties**	9,825,515	129,837			3,611,797	6,083,881
8	Receivable from contractors	5,641,495					5,641,495
9	Dividends receivable (see Note 10)	5,528,771	2,305,752	1,071,461.41	2,151,558		
10	Due from related parties (Note 26)	5,061,536	8,334			43,398	5,009,804
11	Claims for tax credit certificates (TCC)	-					
12	Others	14,221,172	2,930,088	2,891,919	477,214	542,036	7,379,916
	TOTAL	220,044,642	69,784,162	13,236,853	12,719,588	13,640,184	110,663,854
	Less: Allowance for doubtful accounts	36,393,964					
	RECEIVABLES - NET	**183,650,678**					

B. ACCOUNTS DESCRIPTION

	TYPE OF RECEIVABLES	DESCRIPTION	COLLECTION PERIOD
1	Real estate receivables - current potion	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 betting (OTB) operators	Receivables from racing and cockfighting operations	Monthly
4	Receivable from Philippine Amusement and Gaming Corporation (PAGCOR)	Proponent share on gaming revenues of PAGCOR on the casino operations at the	Monthly
5	Advances to suppliers	Advance payments to suppliers for goods and services yet to be received	Daily/Monthly
6	Advances and loans to officers and employees	Advances granted to and loans availed by officers and employees	Daily/Monthly
7	Receivable from contractors	Claims for deposits paid to contractors	Annually
8	Receivable from third parties	Due from third parties	Monthly
9	Due from related parties	Receivable from related parties	Monthly
10	Dividends receivable	Share on the net earnings of a joint venture partner	Quarterly
11	Claims for tax credit certificates (TCC)	Claim for refund on tax unduly paid	
12	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

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 14). 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.

Subsidiaries, Joint Ventures and Associates

	Place of incorporation	Nature of business	Functional currency	Percentage of ownership	
				JUN 2018	DEC2017
Subsidiaries					
Biohitech Philippines, Inc. (Biohitech) [(a)]	Philippines	Waste management	Philippine Peso	50.00	50.00
Gametime Sports and Technologies, Inc. (Gametime)	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
Joint Ventures					
Gamespan, Inc. (Gamespan) [(a)]	Philippines	Gaming	Philippine Peso	50.00	50.00
San Lazaro BPO Complex (SLBPO)	Philippines	Real estate	Philippine Peso	30.00	30.00
Associates					
MJC Investments Corporation Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino (MIC)	Philippines	Real estate and Gaming	Philippine Peso	22.31	22.31
Techsystems, Inc. (Techsystems) [(a)]	Philippines	Information Technology	Philippine Peso	33.33	33.33

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

2. Basis of Preparation and Statement of Compliance

Basis of Preparation

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

Statement of Compliance

The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

3. Summary of Significant Changes in Accounting Policies and Disclosures

New and Amended Standards and Interpretation

The Group applied for the first time certain pronouncements, which are effective for annual periods beginning on or after January 1, 2016. Adoption of these pronouncements did not have a significant impact on the Group's financial position or performance unless otherwise indicated.

- Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 28, *Investments in Associates and Joint Ventures, Investment Entities: Applying the Consolidation Exception*

  These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value. They also clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture) to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries when applying the equity method.

  These amendments are not applicable to the Group since none of the entities within the Group is an investment entity nor does the Group have investment entity associates or joint ventures.

- Amendments to PFRS 11, *Joint Arrangements, Accounting for Acquisitions of Interests in Joint Operations*

  The amendments to PFRS 11 require a joint operator that is accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business (as defined by PFRS 3), to apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation.

- PFRS 14, *Regulatory Deferral Accounts*

  PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of income and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements.

- Amendments to PAS 1, *Presentation of Financial Statements*, *Disclosure Initiative*

  The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRSs. They clarify the following:

  - That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions
  - That specific line items in the statement of income and other comprehensive income and the statement of financial position may be disaggregated
  - That entities have flexibility as to the order in which they present the notes to financial statement
  - That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

- Amendments to PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets*, *Clarification of Acceptable Methods of Depreciation and Amortization*

  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

- Amendments to PAS 16 and PAS 41, *Agriculture: Bearer Plants*

  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply.

- Amendments to PAS 27, *Separate Financial Statements, Equity Method in Separate Financial Statements*

  The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively.

- Annual Improvements to PFRSs 2012 - 2014 Cycle

  - Amendment to PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations, Changes in Methods of Disposal*

    The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

  - Amendment to PFRS 7, Financial Instruments: Disclosures, Servicing Contracts

    PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

  - Amendment to PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*

    This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

  - Amendment to PAS 19, *Employee Benefits, Discount Rate: Regional Market Issue*

    This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
    These amendments do not have any impact on the Group's financial statements.

  - Amendment to PAS 34, *Interim Financial Reporting, Disclosure of Information 'Elsewhere in the Interim Financial Report'*
    The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Future Changes in Accounting Policies

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 to 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, 2017

- Amendment to PFRS 12, *Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)

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

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

  The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted.

  Application of amendments will result in additional disclosures in the 2017 financial statements of the Group.

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

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

  Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted.

Effective beginning on or after January 1, 2018

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

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

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

The Group is assessing the potential effect of the amendments on its financial statements.

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

  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

  The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

- PFRS 9, *Financial Instruments*

  PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

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

- PFRS 15, *Revenue from Contracts with Customers*

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

  The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018.

  The Group is assessing the potential effect of the amendments on its consolidated financial statements.

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

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

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

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

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

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

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*

  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

  The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

  Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

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

Deferred effectivity

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

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

  On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed 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.

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. 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.

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. An acquisition, transfer or sale of a noncontrolling interest is accounted for as an equity transaction. No gain or loss is recognized in an acquisition of a noncontrolling 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. The cost of an acquisition is measured as the aggregate of the consideration transferred at acquisition date fair value, and the amount of any noncontrolling interest in the acquiree. For each business combination, the Group elects to measure the noncontrolling 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 in the profit or loss under "General and administrative expenses" account.

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, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PAS 39, is measured at fair value with the changes in fair value recognized in the statement of 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 profit or loss.

After 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.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

When such acquisition is not judged to be an acquisition of 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 statement of financial position based on current or noncurrent classification. An asset is current when it is:

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

All other assets are classified as noncurrent.

A liability is current when:

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

The Group classifies all other liabilities as noncurrent.

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

Fair Value Measurement

The Group 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 estimated 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 financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

Cash and Cash Equivalents

Cash 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 Assets and Financial Liabilities

The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument.

All regular way purchases and sales of financial assets are recognized on the trade date, which is the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets and financial liabilities are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets and financial liabilities, except for financial instruments measured at Fair value through profit or loss (FVPL). Fair value is determined by reference to the transaction price or other market prices. If such market prices are not readily determinable, the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rates of interest for similar instruments with similar maturities.

Financial assets are classified into the following categories:

a. Financial assets at FVPL
b. Loans and receivables
c. Held-to-maturity (HTM) investments
d. AFS financial assets

Financial liabilities, on the other hand, are classified into the following categories:

a. Financial liabilities at FVPL
b. Other financial liabilities

As of June 30, 2018 and December 31, 2017, the Group has no financial assets or financial liabilities at FVPL and HTM investments.

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 amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statements of comprehensive income. The losses arising from impairment are recognized in the consolidated statements of comprehensive income in finance costs for loans and in 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 June 30, 2018 and 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 fair value through profit or loss. 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 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 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 statement of 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 June 30, 2018 and December 31, 2017.

c. *Other financial liabilities*

This category pertains to financial liabilities that are not held for trading or not designated at FVPL 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 profit or loss.

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 June 30, 2018 and December 31, 2017.

Derecognition of Financial Assets and Financial 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 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) the Group has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. 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.

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 amounts is recognized in profit or loss.

Impairment of Financial Assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired.

Assets carried at amortized cost

For financial assets carried at amortized cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in the statements of comprehensive income. Interest income (recorded as finance income in the statement of income) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of income.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value or on a derivative asset that is linked to and must be settled by delivery of such unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the current market rate of return for a similar financial asset.

AFS financial assets

For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the statements of comprehensive income, is removed from OCI and recognized in the statement of income. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized in OCI.

The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statements of comprehensive income.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statements of comprehensive income, the impairment loss is reversed through the consolidated statements of comprehensive income.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement 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 assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Inventories

Inventories 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 and on-going 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 properties held for future development and properties being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation.

The carrying values of revalued real estate properties as of January 1, 2004 transferred to real estate inventories in 2005 were considered as the assets' deemed cost as of the said date in accordance with PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards.*

Investments in Associates and Joint Ventures

Investment in an associate in which the Group exercises significant influence and which is neither a subsidiary nor a joint venture of the Group is accounted for under the equity method of accounting.

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. The Group's investment in a joint venture is accounted for using the equity method.

Under the equity method, the investments in associates and joint ventures are carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of the net assets of the associates and joint ventures. The Group's share in the associates' and joint ventures' post-acquisition profits or losses is recognized in the consolidated statement of income, and its share of post-acquisition movements in the associates' and joint ventures' equity reserves is recognized directly in other comprehensive income. When the Group's share of losses in the associate and joint venture equals or exceeds its interest in the associate and joint venture, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate and joint venture. Profits and losses resulting from transactions between the Group and the associates and joint ventures are eliminated to the extent of the interest in the associates and joint ventures.

The reporting dates of the associate, the joint venture and the Parent Company are identical and the accounting policies of the associate and joint venture conform to those used by the Group for like transactions and events in similar circumstances.

Upon loss of joint control over the joint venture and loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the joint venture and the associate upon loss of joint control and significant influence, respectively, and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

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 (see Notes 8 and 13)
- 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 for land, is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The initial cost of property and equipment comprises its purchase price, nonrefundable taxes, any related capitalizable borrowing costs, and other directly attributable costs of bringing the property and equipment to its working condition and location for its intended use. Land is stated at cost.

Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance costs, are normally charged to income in the period in which the costs are incurred. 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 beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation commences when an asset is in its location and 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.

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

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

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 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 property.

Investment properties are derecognized when either they have been disposed of or when the investment properties are permanently withdrawn from use or no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of investment properties is recognized in profit or loss in the year of retirement or disposal.

Transfers are made from investment properties when and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sell. When an entity decides to dispose of an investment property without development, it continues to treat the property as an investment property until it is derecognized (eliminated from the consolidated statement of financial position) and does not treat it as inventory. Similarly, if an entity begins to redevelop an existing investment property for continued future use as investment property, the property remains as investment property and is not reclassified as owner-occupied property during the redevelopment.

Transfers between investment property, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

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 profit or loss.

Impairment of Nonfinancial Assets

The Group assesses, at each reporting date, whether there is an indication that its investment in associates, interest in joint ventures, property and equipment, investment properties and franchise fee may be impaired. If indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use and 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 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. Impairment losses are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

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 represents the portion of the paid in capital representing the total par value of the 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 represent the cumulative balance of net income or loss, dividend distributions and effects of changes in accounting policy.

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.

Appropriated retained earnings represent that portion which has been restricted and therefore is not available for any 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 Parent 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 Parent 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 Parent 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 Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts and sales taxes. 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 following specific recognition criteria 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 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 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.

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.

<u>Cost of Sales and Services and Expenses</u>

Cost of club races, cost of cockfighting, cost of rental services and expenses are recognized in the consolidated statement 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 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 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 or qualifying insurance policies. 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 the arrangement is, or contains, a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

A reassessment is made after inception of the lease only if one of the following applies:

a. there is a change in contractual terms, other than a renewal or extension of the arrangement
b. a renewal option is exercised or extension is granted, unless the term of the renewal or extension was initially included in the lease term
c. there is a change in the determination of whether fulfillment is dependent on a specified asset or
d. there is substantial change to the asset

When a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gives rise to reassessment for scenario (a), (c) or (d) and at the date of renewal or extension period for scenario (b).

The Group as a lessee

Leases, where the lessor retains substantially all the risks and benefits of ownership of the asset, are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

The Group as a lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Rental income is recognized in profit or loss on a straight-line basis over the lease term. 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 these are earned.

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.
Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Taxes

Current tax

Current tax assets and liabilities for the current and prior periods 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 recognized using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable income will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and unused tax losses 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 future taxable income will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that sufficient future taxable income will allow the deferred tax assets to be recovered.

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

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

Income tax relating to items recognized directly in equity is recognized in equity and not in profit or loss.

VAT

Revenue, expenses and assets are recognized net of the amount of VAT except where the VAT incurred on a purchase of assets or services are not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable.

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 profit or loss.

Provisions

Provisions are recognized when: (1) the Group has a present obligation (legal or constructive) as a result of a past event; (2) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (3) a reliable estimate of the amount of the obligation can be made. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where 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 an interest expense. When the Group expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain and its amount is estimable.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements but are 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. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the consolidated financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the consolidated financial statements.

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 29 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.

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.

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 if significant influence exist in an associate

Significant influence exist 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 since the Group has the power to appoint representatives to the BOD of MIC to participate in the financial and operating policy decision (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, Alveo and 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 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.

On August 25, 2016, the Parent Company acquired 56.87 percent of the total capital stock of Apo Reef World Resorts, Inc. for ₱89.9 million. The acquisition did not qualify as an acquisition of a business in accordance with PFRS 3 since the Parent Company acquired only inputs in the form of parcels of land situated in Mamburao, Mindoro and was not able to acquire any processes. There were no indicators of substantive processes and/or services acquired or provided as of acquisition date.

Classification of leases
Management exercises judgment in determining whether substantially all the significant risks and rewards of ownership ofs 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 Parent Company as lessee*
   The Parent 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.

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, 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.

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.

Estimation of allowance for doubtful accounts

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.

As of June 30, 2018 and December 31, 2017, the carrying value of receivables (including noncurrent portion of real estate receivables), net of allowance for doubtful accounts, are disclosed in Note 7 to the consolidated financial statements.

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.

Estimation of impairment of AFS financial assets

The Group treats AFS financial assets as impaired when there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment.

The Group treats 'significant' generally as 20% or more of original cost and 'prolonged' as greater than 12 months. 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 June 30, 2018 and December 31, 2017, the carrying value of the Group's AFS financial assets are disclosed in Note 11 to the consolidated financial statements.

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 property based on the internal technical evaluation and experience with similar assets. Estimated useful lives of property and equipment and investment property (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 2018 and 2017. As of June 30, 2018 and December 31, 2017, the carrying amount of depreciable property and equipment are disclosed in Note 12 to the consolidated financial statements. The carrying amount of depreciable investment property as of June 30, 2018 and December 31, 2017 are disclosed in Note 13 to the consolidated financial statements.

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 21 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, 2018 and December 31, 2017, the carrying value of accrued retirement benefits are disclosed in Note 21 to the consolidated financial statements. Retirement benefits cost in 2018 and 2017 are disclosed in Note 21 to the consolidated financial statements.

6. Cash and Cash Equivalents

This account consists of:

	JUN 2018	DEC 2017
Cash on hand	**₱26,283,497**	₱24,168,097
Cash in banks	**180,127,236**	176,432,422
Cash equivalents	**-**	25,000,000
	₱206,410,733	₱225,600,519

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 ₱0.9 million and ₱0.7 million for the periods ended June 30, 2018 and 2017, respectively (Note 22).

7. Receivables

This account consists of:

	JUN 2018	DEC 2017
Trade		
Real estate receivables - current portion	**₱114,356,871**	₱172,355,182
Rent receivables	**13,811,843**	12,687,936
Receivable from Philippine Amusement and Gaming Corporation (PAGCOR)	**2,504,421**	2,296,721

Receivables from off-track betting (OTB) operators	**1,687,534**	1,406,515
Non-trade		
Advances to suppliers	**27,686,617**	13,886,233
Advances and loans to officers and Employees (Note 22)	**19,718,866**	14,710,930
Receivable from third parties	**9,825,515**	10,545,688
Receivable from contractors	**5,641,495**	5,641,495
Dividends receivable	**5,528,771**	3,376,407
Due from related parties	**5,061,536**	5,009,303
Claims for tax credit certificates (TCC)	**–**	–
Others	**14,221,173**	11,853,772
	220,044,642	253,770,183
Less allowance for doubtful accounts	**36,393,964**	36,393,964
	₱183,650,678	₱217,376,219

Real Estate Receivables

The real estate receivables of the Parent Company are as follows:

	JUN 2018	DEC 2017
Current	**₱114,356,871**	₱172,355,182
Noncurrent	**66,455,970**	51,153,362
	₱180,812,841	₱223,508,544

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 ₱8.0 million and ₱7.6 million for the periods ended June 30, 2018 and 2017, respectively (Note 22).

Advances and Loans to Officers and Employees

The Parent Company grants salary loans and advances to its officers, payable through salary deductions. The loans bear an average interest rate of 9% per annum.

Receivable from contractors

This pertains to deposits made by the Parent Company to the contractors not yet deducted from the billings of the Parent Company.

Advances to Suppliers

Advances to suppliers are noninterest-bearing payments, which is normally within twelve months or within the normal operating cycle.

Other Receivables

Other receivables include accrued interest and other various individually insignificant items.

Allowance for Doubtful Accounts

The following table shows the rollforward of the allowance for doubtful accounts as of June 30, 2018 and December 31, 2017:

	JUN 2018	DEC 2017
Balance at beginning of year	**₱36,393,964**	₱37,855,574
Provision during the period	-	13,849,311
Amounts written off during the period	-	(15,302,711)
Recovery of doubtful accounts	-	(8,210)
Balance at end of period	**₱36,393,964**	₱36,393,964

Details of allowance for doubtful accounts per class of receivable are as follows:

	JUN 2018	DEC 2017
Trade	**₱24,020,769**	₱24,020,769
Non-trade	**12,373,195**	12,373,195
Balance at end of period	**₱36,393,964**	₱36,393,964

8. Inventories

This account consists of:

	JUN 2018	DEC 2017
Real estate:		
Land held for development - at cost	**₱38,189,898**	₱38,189,898
Condominium units for sale - at cost	**14,001,857**	18,693,592
Memorial lots for sale - at net realizable value	**6,489,904**	8,379,931
Residential units for sale - at cost	**2,783,562**	2,783,562
	61,465,221	68,046,983
Food and beverages - at cost	**626,934**	551,194
Gamefowls - at cost	**1,501,500**	2,651,000
	₱63,593,654	₱71,249,177

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 2018	DEC 2017
Balance at beginning of year	**₱68,046,953**	₱81,320,152
Cost of real estate sold (Note 17)	**(6,581,762)**	(13,273,169)
Balance at end of period	**₱61,465,191**	₱68,046,953

In 2018 and 2017, no impairment loss was recognized. There were 3 sales of memorial lots during the period ended June 30, 2018. Thus, the cost of memorial lots for sale as at June 30, 2018 is at ₱1.3 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 Land Corporation (Avida) and Alveo Land Corporation (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 and 2 of Alveo are fully completed as of December 31, 2017 and 2016. The construction of Tower 3 of Alveo is 99.9% complete as of June 30, 2018 and December 31, 2017.

Residential units for sale

On February 24, 2004, the Parent Company entered into an agreement with Century Communities Corporation (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, 2017, 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. Marketing costs for the periods ended June 30, 2018 and 2017 amounted to ₱5.8 million and ₱3.3 million, respectively.

9. Other Current Assets

This account consists of:

	JUN 2018	DEC 2017
Prepaid income tax	**₱10,006,442**	₱4,137,338
Input VAT	**2.719.927**	1,270,974
Prepaid expenses	**2.491.217**	5,657,591
Deposit	**174,206**	174,206
Others	**394.908**	252,123
	₱15,786,700	₱11,492,232

Prepaid expenses include prepayments made for insurance and licenses.

10. Investment in Associates and Joint Ventures

Investment in associates and joint ventures consist of:

	JUN 2018	DEC 2017
Investment in associates		
MIC	**₱2,081,622,765**	₱2,011,056,348
Techsystems	–	–
	2,081,622,765	2,011,056,348
Investment in joint ventures		
Gamespan	**9,792,161**	9,792,161

SLLBPO	**35,031,205**	31,193,101
	44,823,366	40,985,262
Advances to an associate	**14,163,203**	152,254,429
	₱2,140,609,334	₱2,204,296,039

Investment in Associates

MIC. Investment in MIC pertains to the Group's 22.31% interest in MIC as of March 31, 2018 and December 31, 2017. MIC started its commercial operations on January 6, 2016. The movements and details of the accounts are as follows:

	JUN 2018	DEC 2017
Investment in associate	**₱2,163,310,777**	₱2,185,285,142
Equity in net losses of the associate	**(81,688,012)**	(174,228,794)
	2,081,622,765	2,011,056,348
Advances to an associate	**14,163,203**	152,254,429
	₱2,095,785,968	₱2,163,310,777

The summarized financial information of MIC is as follows:

	JUN 2018	DEC 2017
Current assets	**₱ 371,461,070**	₱897,918,988
Noncurrent assets	**6,075,746,284**	6,051,105,774
Current liabilities	**1,414,200,161**	1,301,980,534
Noncurrent liabilities	**3,630,379,513**	3,878,241,036
Equity	**1,402,627,680**	1,768,803,192
Income	**298,165,889**	469,722,606
Expenses	**664,341,401**	1,259,957,781
Net loss	**366,175,512**	790,235,175

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 June 30, 2018 and December 31, 2017, investment in Techsystems is fully provided with allowance. As of August 13 2018, Techsystems has not yet started commercial operations.

The summarized financial information of Techsystems is as follows:

	JUN 2018	DEC 2017
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 13, 2018, Gamespan has not yet started its commercial operations.

The summarized financial information of the Gamespan is as follows:

	JUN 2018	DEC 2017
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

Equity in joint venture in Gamespan amounted to ₱9.8 million in 2018 and 2017. No equity in net earnings (loss) was recognized in 2018 and 2017.

SLBPO. On December 12, 2008, the Parent Company entered into a JVA with Ayala Land, Inc. (ALI) to create SLBPO, an incorporated 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 movement of the equity in joint venture of the San Lazaro JV for periods ended June 30, 2018 and December 31, 2017 are as follow:

	JUN 2018	DEC 2017
Balance at beginning of year	**₱31,193,101**	₱10,318,304
Equity in net earnings for the period	**15,863,818**	39,009,304
Share on dividends declared	**(12,025,714)**	(18,134,507)
Balance at end of period	**₱35,031,205**	₱31,193,101

Dividend receivable from the JV amounted to ₱5.5 million and ₱6.0 million as of June 30, 2018 and December 31, 2017.

The summarized financial information of the San Lazaro JV is as follows:

	JUN 2018	DEC 2017
Current assets	**₱ 278,823,517**	₱254,648,235
Noncurrent assets	**16,732,985**	18,063,655
Current liabilities	**117,423,155**	107,759,329
Noncurrent liabilities	**46,258,970**	45,871,866
Equity	**12,793,681**	119,080,695
Income	**54,467,608**	217,264,535
Expenses	**1,588,213**	87,233,520
Net income	**52,879,395**	130,031,015

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

	JUN 2018	JUN 2017
MIC	**(₱81,688,012)**	(₱ 83,845,792)
SLBPO	**15,863,818**	16,427,119
Gamespan	**–**	–
	(₱65,824,194)	(₱67,418,674)

11. AFS Financial Assets

This account consists of:

	JUN 2018	DEC 2017
At fair value:		
Quoted equity securities	**₱12,560,582**	₱12,560,582
Quoted debt securities	**22,005,460**	22,005,460
At cost:		
Unquoted equity securities	**633,297**	633,297
	₱35,199,339	₱35,199,339

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

	JUN 2018	DEC 2017
Balance at beginning of year	**₱35,199,339**	₱13,261,8121
Additions during the period	–	22,000,000
Disposal during the period	–	–
Unrealized mark-to-market gains (losses) during the period	–	(62,473)
Balance at end of period	**₱35,199,339**	₱35,199,339

The movements in net cumulative changes in fair values of AFS financial assets are as follows:

	JUN 2018	DEC 2017
Balance at beginning of year	**₱4,950,148**	₱4,962,621
Impairment loss reclassified to profit or loss	–	50,000
Unrealized mark-to-market gains (losses) during the period	–	(62,473)
Realized mark-to-market gains (losses) during the period	–	–
Balance at end of period	**₱4,950,148**	₱4,950,148

The fair values of quoted AFS financial assets are determined based on published prices in an active market. AFS financial assets that are unquoted and do not have ready market prices are measured at cost, less allowance for impairment, if any, since their fair value cannot be reliably measured.

There were no disposals during the periods ended June 30, 2018 and 2017. Dividend income recognized for the periods ended June 30, 2018 and 2017 amounted ₱0.2 million.

12. Property and Equipment

Movements in this account are as follows:

JUN 2018

	January 1	Additions	Disposals	Reclassifications and adjustments	June 30
Cost					
Land	₱304,869,383	₱–	₱–	₱–	₱304,869,383
Land improvements	347,422,587	12,946			347,422,587
Building and improvements	672,002,701	–			672,002,701
Machinery and equipment	558,027,885	5,314,067			563,341,952
Transportation equipment	42,243,675	2,720,535		(828,571)	44,135,639
Furniture and fixtures	31,390,116	687,117			32,077,233
	1,955,956,347	8,734,665		(828,571)	1,963,862,441
Accumulated depreciation					
Land improvements	196,229,945	7,386,768			203,616,713
Building and improvements	366,433,337	16,637,317			380,070,654
Machinery and equipment	488,474,113	11,252,707		(26,736)	499,700,084
Transportation equipment	29,627,711	1,895,505			31,523,216
Furniture and fixtures	25,205,852	990,993			26,196,845
	1,105,970,958	35,163,290		(26,736)	1,141,107,512
Net book value	849,985,389	(26,428,625)			822,754,929
Construction in progress	30,621,527	3,074,698			33,696,225
	₱ 880,606,916	(₱23,353,927)		(₱801,835)	₱856,451,154

DEC 2017

	January 1	Additions	Disposals	Reclassifications and adjustments	December 31
Cost					
Land	₱304,869,383	₱–	₱–	₱–	₱304,869,383
Land improvements	347,422,587	–	–	–	347,422,587
Building and improvements	671,933,272	69,429	–	–	672,002,701
Machinery and equipment	547,259,336	10,814,549	(46,000)	–	558,027,885
Transportation equipment	36,907,586	6,420,089	(1,084,000)	–	42,243,675
Furniture and fixtures	26,972,004	4,418,112	–	–	31,390,116
	1,935,364,168	21,722,179	(2,432,758)	–	1,955,956,347
Accumulated depreciation					
Land improvements	181,443,068	14,786,877	–	–	196,229,945
Building and improvements	339,102,860	27,330,477	–	–	366,433,337
Machinery and equipment	464,814,282	23,685,121	(25,290)	–	488,474,113
Transportation equipment	27,319,907	3,335,704	(1,027,900)	–	29,627,711
Furniture and fixtures	23,387,978	1,817,874	–	–	25,205,852
	1,036,068,095	70,956,053	(1,053,190)	–	1,105,970,958
Net book value	899,296,073	(49,233,874)	(76,810)	–	849,985,389
Construction in progress	21,643,002	8,978,525	–	–	30,621,527
	₱920,939,075	(₱40,255,349)	(₱76,810)	₱–	₱ 880,606,916

Depreciation Charges

The amount of depreciation is allocated as follows:

	JUN 2018	JUN 2017
Cost of club races (Notes 12 and 17)	**₱20,175,226**	₱19,754,804
Cost of rental services (Notes 12, 13 and 17)	**9,237,721**	10,607,383
General and administrative expense (Notes 12 and 18)	**4,205,466**	3,356,542
Cost of cockfighting (Notes 12 and 17)	**1,580,047**	1,231,785
Cost of food and beverages (Notes 12 and 17)	**185,134**	209,779
	₱35,383,595	₱35,160,294

Construction in Progress

Construction in progress pertains to costs of constructed long-term assets that are accumulated until they are ready for use.

Capitalized Borrowing Costs

No interest on loans was capitalized in 2018 and 2017. Undepreciated capitalized interest relating to land improvements, building and improvements and machinery and equipment as of June 30, 2018 and December 31, 2017 and 2016 amounted to ₱35.4 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 2017 and 2016. The outstanding balance of ₱89.9 million as of March 31, 2018 and December 31, 2017 is included under "Accounts payable and other liabilities" in the consolidated statements of financial position. In 2016, the Parent Company acquired new short-term loans amounting to ₱88.0 million. These loans are secured by real estate mortgages on land with carrying value of ₱216.0 million as of December 31, 2016.

Assets Under Operating Lease

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 ₱24.0 million and ₱24.8 million as of June 30, 2018 and December 31, 2017, respectively. Rent income from stable rentals in for the periods ended June 30, 2018 and 2017 amounted to ₱24.0 and ₱22.4 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 ₱0.3 million for the periods ended June 30, 2018 and 2017.

Operating Lease Commitment with PAGCOR - the Parent Company as Lessor

In 2013, the Parent Company entered a lease contract for three years commencing July 10, 2013 with PAGCOR to lease an area of 189.231 square meters (sqm.) for a monthly fixed rental of ₱510.51 per sqm. for its casino and related activities. As of June 30, 2018, the lease contract is still under renewal.

Rent income from PAGCOR amounted to ₱0.6 million for the periods ended June 30, 2018 and 2017.

Lease of Equipment with PAGCOR

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 shall be effective until December 31, 2016. As of June 30, 2017, the agreement is still under renewal.

Income from the lease agreement with PAGCOR amounted to ₱6.7 million and ₱10.1 million for the periods ended June 30, 2018 ad 2017, respectively.

13. Investment Properties

This account consists of:

	JUN 2018	DEC 2017
Land:		
Sta. Cruz property held for capital appreciation	**₱359,631,580**	₱359,631,580
Sta. Cruz property held for lease	**238,168,692**	238,168,692
Carmona property (Note 15)	**109,750,785**	109,750,785
Mamburao property (Note 1)	**126,124,731**	123,872,731
Undivided interest in a parcel of land in Batangas	**56,723,976**	56,723,976
	890,399,764	888,147,764
Building:		
Developed office units (Note 10)	**172,013,882**	177,226,424
Retail development area (Note 10)	**31,000,536**	32,001,308
	203,014,418	209,227,732
	₱ 1,093,414,182	₱1,097,375,496

The movements in the carrying amount of investment properties are shown below:

	JUN 2018		
	Land	**Building**	**Total**
Cost			
Balance at beginning of year	**₱888,147,764**	**₱310,665,629**	**₱1,198,813,39**
Additions	**2,252,000**	–	**2,252,000**
Balance at end of year	**890,399,764**	**310,665,629**	**1,201,065,393**
Accumulated Depreciation			
Balance at beginning of year	–	**101,437,897**	**101,437,897**
Depreciation (Notes 17 and 19)	–	**6,213,313**	**6,213,313**
Balance at end of period	–	**107,651,210**	**107,651,210**
Net Book Value	**₱890,399,764**	**₱203,014,419**	**₱1,093,414,13**

	DEC 2017		
	Land	Building	Total
Cost			
Balance at beginning of year	₱877,984,914	₱310,665,629	₱1,188,650,54
Additions	10,162,850	–	10,162,850
Balance at end of year	888,147,764	310,665,629	1,198,813,393
Accumulated Depreciation			
Balance at beginning of year	–	89,011,272	89,011,272
Depreciation (Notes 17 and 19)	–	12,426,625	12,426,625
Balance at end of year	–	101,437,897	101,437,897
Net Book Value	₱888,147,764	₱209,227,732	₱1,097,375,49

Depreciation amounting to ₱1.0 million for the period ended June 30, 2018 and 2017 is included as part of "Cost of rental services". Direct operating expenses related to the investment properties amounted to ₱5.2 million for the periods ended June 30, 2018 and 2017.

Philippine Economic Zone Authority (PEZA) zones

Carmona Property. Presidential Proclamation No. 1517, signed on May 26, 2008, created and designated several parcels of land of the private domain situated at Barangay Lantic, Municipality of Carmona, Province of Cavite as Tourism Economic Zone pursuant to R.A. No. 7916 as amended by R.A. No. 8748.

The registration as an Econozone Developer/Operator shall entitle 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) with an area of 542,294 square meters.

Sta. Cruz Property. Presidential Proclamation No. 1727, dated 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 the Registration Agreement to entitle the Parent Company to develop and operate the aforementioned special economic zone on February 29, 2009. A certificate of registration was thereafter issued.

Sta. Cruz Property - Held for Lease

On March 26, 2007, the Parent Company entered into a JDA with ALI (amended and supplemented on July 18, 2007) for the construction, financing, development and operation of a building complex on the parcel of land located at Sta. Cruz, Manila. The Building Complex shall consist of two office buildings with a retail development area to primarily cater business process outsourcing companies.

Under the JDA, the Parent Company agreed to contribute the necessary cash to fully finance the construction and development of the retail development area and its corresponding share (30%) of the development of the office units. In return for their respective contributions, the parties will distribute and allocate the developed units among themselves. As of June 30, 2018 and December 31, 2017, the Parent Company's contribution to the JDA amounting to ₱310.7 million is presented as the cost of "Building" under "Investment properties" in the consolidated statements of financial position.

On December 12, 2008, the Parent Company and ALI executed a Deed of Partition for the distribution and allocation of the developed units. The entire retail development area and the appurtenant parking lots were allocated to the Parent Company in return for its contribution for the construction and development of the said area. For the Parent Company's contribution in the construction and development of the office building, the Parent Company was allocated with developed office building with gross leasable area of 5,793 square meters located at various floors and the appurtenant parking lots. Rental income recognized from the retail area amounted to ₱8.1 million and ₱7.8 million for the periods ended June 30, 2018 and 2017, respectively.

Undepreciated capitalized interest relating to the Building Complex as of June 30, 2018 and December 31, 2017 amounted to ₱5.7 million.

Fair Market Values

As of June 30, 2018 and December 31, 2017, the aggregate fair value of the Parent Company's investment properties amounted to ₱8.7 billion. Fair values of the Carmona property, Sta. Cruz properties and the building as of August 5, 2016 and August 10, 2016 have been determined based on valuation performed by independent professional appraisers using replacement cost approach method and market data approach method. Management believes that there are no material changes in fair value on these investment properties as of June 30, 2018 and December 31, 2017 from the most recent revaluations performed by independent appraisers.

The carrying value of the Mamburao property amounts to ₱117.3 million as of June 30, 2018 and December 31, 2017.

14. Other Noncurrent Assets

This account consists of:

	JUN 2018	DEC 2017
Deferred input VAT	**₱13,562,223**	₱11,573,543
Deposits	**9,342,397**	9,238,898
Franchise fee (Note 1)	**8,105,839**	9,002,839
Others	**236,429**	236,428
	₱31,246,888	₱30,051,708

Franchise Fee
Movements in the carrying amounts of franchise fees are shown below:

	JUN 2018	DEC 2017
Acquisition cost	**₱44,850,000**	₱44,850,000
Accumulated amortization:		
Balance at beginning of year	**35,847,161**	34,053,161
Amortization for the period	**897,000**	1,794,000
Balance at end of the period	**36,744,161**	35,847,161
	₱8,105,839	₱9,002,839

Franchise fee has a remaining amortization period of 5 years as of December 31, 2017.

15. Short-term Loans and Borrowings

As of June 30, 2018 and December 31, 2017, outstanding balance of short-term loans and borrowings amounted to ₱213.1 million and ₱234.0 million, respectively. These loans were obtained for working capital requirements and bear average interest of 3.0% in 2018 and 2017. The promissory notes covering these loans have terms of one year or less and are renewed upon maturity.

In 2018, total availment amounted to ₱14 million. In January 2017, the Parent Company availed a short-term loan amounting to ₱100.0 million. In 2016, the Parent Company acquired short-term loans amounting to ₱88.0 million. These loans are secured by real estate mortgages on the land with carrying value of ₱216.0 million as of December 31, 2016.

MCI also acquired a new short-term loan amounting to ₱10.0 million in 2016. This loan was obtained for working capital requirements and bear average interest of 3.0%. The promissory note covering said loan has a term of 3 months and shall be subject for renewal on maturity date. As of June 30, 2017, this loan was already fully paid.

Payments made during the period ended June 30, 2018 for these short-term loans totaled to ₱34.9 million.

Interest expense on short-term loans amounted to ₱4.2 million and ₱2.6 million for the periods ended June 30, 2018 and 2017, respectively (see Note 23).

16. Accounts Payable and Other Liabilities

This account consists of:

	JUN 2018	DEC 2017
Accounts payable	₱95,399,998	₱93,136,507
Due to RALI (Note 12)	89,900,000	89,900,000
Documentary stamps payable	35,707,759	23,338,521
Cash bond on OTB operators	27,841,971	28,520,754
Percentage tax payable	21,456,431	18,573,779
Accrued expenses	19,608,124	27,775,656
Unclaimed winnings	14,490,597	12,242,665
Due to concessionaires	10,691,049	9,584,174
VAT payable	10,184,174	4,709,364
Due to contractors	7,083,538	7,083,538
Dividends payable (Note 27)	6,968,135	4,180,958
Trade payable and buyers' deposits	5,900,654	4,081,924
Taxes on winnings	3,625,996	7,557,851
Retention payable	1,978,343	1,978,343
Due to horse owners	1,590,241	141,606
Due to OTB operators	1,544,538	2,007,935
Others	1,252,825	7,228,355
	₱355,224,373	₱342,041,930

Accounts payable are noninterest-bearing and are normally settled within the next financial year.

Accrued expenses include normal and recurring expenses incurred by the Group and will be utilized in the next financial year.

Trade payable and buyers' deposits represent cash received by the Parent Company from real estate sales where the criterion of full accrual method on revenue recognition is not satisfied as of reporting period.

Cash bond on OTB operators, documentary stamp payable, unclaimed winnings, due to concessionaire, due to contractors, taxes on winnings, VAT payable, retention payable, due to OTB operator and due to horse owners are payable within the next periods.

17. Cost of Sales and Services

Cost of club races consists of:

	JUN 2018	JUN 2017
Personnel costs (see Note 21)	₱ 26,179,843	₱28,008,529
Depreciation (see Notes 13 and 20)	20,175,226	19,754,804
Utilities	8,654,465	9,387,829
Commission	8,014,550	8,694,013
Taxes and licenses	6,429,666	878,956
Added/guaranteed prizes and race sponsorships	3,940,851	8,081,702
Repairs and maintenance	2,959,146	1,184,612
Rent	2,595,075	2,279,882
Transportation and travel	2,543,136	1,652,733
Contracted services	2,428,723	2,481,852
Meetings and conferences	2,135,741	1,801,868

Security services	**1,025,893**	939,621
Supplies	**955,574**	1,042,801
Amortization of franchise fee (see Note 15)	**897,000**	897,000
Gas, fuel and oil	**785,185**	469,288
Software license	**586,125**	-
Others	**3,195,813**	1,481,423
	₱93,502,012	**₱89,036,913**

Cost of real estate:

	JUN 2018	JUN 2017
	₱6,581,762	₱5,704,600

Cost of cockfighting consists of:

	JUN 2018	JUN 2017
Percentage tax	**₱37,030,096**	₱21,268,814
Support guarantee prize	**28,729,329**	14,612,856
Commission	**19,059,740**	10,393,657
Gamefowls (Note 8)	**8,618,500**	3,107,500
Service fee	**5,170,065**	10,084,571
Teller's allowances	**4,682,363**	3,254,896
Communication	**4,432,663**	4,367,491
Professional fees	**3,174,605**	3,678,213
Supplies	**2,307,148**	1,306,271
Transportation and travel	**2,015,814**	1,635,848
Depreciation	**1,580,047**	1,231,785
Taxes and licenses	**1,018,303**	4,099,005
Security services	**962,955**	415,130
Repairs and maintenance	**311,546**	668,723
Fuel and oil	**310,989**	266,395
Meetings and conferences	**101,348**	3,092,376
Rent (Note 30)	**76,037**	7,029,444
Others	**3,379,533**	3,141,840
	₱122,961,080	**₱93,654,813**

Cost of rental services consists of:

	JUN 2018	JUN 2017
Depreciation	**₱10,238,492**	₱11,608,154
Utilities	**6,496,449**	5,274,317
Personnel costs (Note 20)	**2,090,056**	1,711,856
Contracted services	**1,706,558**	2,074,224
Repairs and maintenance	**879,532**	1,561,175
Security services	**824,972**	775,572
Meetings and conferences	**672,113**	772,911
Rent (Note 30)	**435,075**	894,169
Taxes and licenses	**358,664**	538,593
Advertisements and promotions	**65,000**	731,931
Others	**638,015**	500,055
	₱24,404,925	₱26,442,957

Cost of food and beverages consists of:

	JUN 2018	JUN 2017
Purchased stocks	₱7,756,950	₱3,767,256
Utilities	2,771,351	2,459,196
Contracted services	1,887,786	2,024,499
Personnel cost (Note 20)	1,283,995	1,015,279
Meetings and conferences	377,371	250,670
Rent	245,730	10,537
Depreciation	185,134	209,779
Repairs and maintenance	104,590	56,315
Commission	76,705	58,283
Supplies	23,559	329,680
Others	619,129	308,406
	₱15,332,300	₱10,489,901

18. General and Administrative Expenses

This account consists of:

	JUN 2018	JUN 2017
Personnel costs (Note 20)	₱39,601,813	₱36,352,721
Taxes and licenses	11,360,546	2,071,463
Contracted services	9,959,176	8,860,651
Depreciation	9,418,009	8,569,084
Professional fees	9,190,375	5,021,630
Tenant's reimbursements	7,913,331	3,502,734
Meetings and conferences	7,065,851	3,441,190
Utilities	6,025,705	6,019,273
Rent (Note 30)	5,442,746	4,921,028
Repairs and maintenance	4,957,429	4,808,908
Security services	4,089,427	2,979,896
Service fee	2,636,405	178,775
Gas, fuel and oil	2,292,887	1,334,760
Transportation and travel	2,086,389	623,976
Supplies	1,094,698	1,285,461
Advertising	1,076,649	871,452
Insurance	883,142	654,768
Directors" fee	791,000	660,000
Membership dues	488,433	487,637
Seminars and trainings	181,938	176,674
Entertainment, amusement, and recreation	100,302	65,577
Others	5,954,169	3,708,594
	₱132,610,420	₱96,596,252

19. Depreciation

This account consists of:

	JUN 2018	JUN 2017
Cost of club races (Notes 12 and 17)	**₱20,175,226**	₱19,754,804
Cost of rental services (Notes 12, 13 and 17)	**10,238,492**	11,608,154
General and administrative expense (Notes 12 and 18)	**9,418,009**	8,569,084
Cost of cockfighting (Notes 12 and 17)	**1,580,047**	1,231,785
Cost of food and beverages (Notes 12 and 17)	**185,134**	209,779
	₱41,596,908	₱41,373,606

20. Personnel Costs

This account consists of:

	JUN 2018	JUN 2017
Salaries and wages	**₱60,990,270**	₱60,059,515
Retirement benefits costs (Note 21)	**4,250,365**	4,286,489
Other employee benefits	**3,915,072**	2,851,172
	₱ 69,155,707	₱67,197,176

21. Retirement Benefits Costs

The Parent 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, 2017. The details of the retirement benefits costs are as follows:

	JUN 2018	JUN 2017
Current service costs	**₱4,250,365**	₱4,286,489
Interest costs	-	-
	₱4,250,365	₱4,286,489

Movements in the accrued retirement benefits are as follows:

	JUN 2018	DEC 2017
Balance at beginning of year	**₱39,858,117**	₱44,035,776
Net retirement benefits costs for the period	**4,200,000**	8,928,035
Contributions for the period	**(7,118,184)**	(8,100,000)
Defined benefit income recognized in OCI	-	(5,005,694)

Balance at end of period	**₱36,939,933**	₱39,858,117

22. Interest Income

Interest income related to:

	JUN 2018	JUN 2017
Real estate receivables (Note 7)	**₱7,975,274**	₱7,575,525
Cash and cash equivalents (Note 6)	**866,617**	696,839
Advances and loans to officers and employees (Note 7)	**417,300**	165,019
	₱9,259,191	₱8,437,383

23. Finance Costs

Interest expense related to:

	JUN 2018	JUN 2017
Short-term loans (Note 15)	**₱4,183,309**	₱2,619,399
Bank charges and others	**41,484**	39,727
	₱4,224,793	₱2,692,637

24. Other Income – net

	JUN 2018	**JUN 2017**
Tenants' reimbursements	**2,885,521**	**2,443,432**
Income from advertising campaign	**1,742,231**	**1,843,193**
Sponsorships	**1,258,929**	-
Income from unclaimed winnings	**814,205**	**3,803,396**
F&B - Others	**578,822**	-
Income from subscription	**495,278**	-
Income from receivable from third parties	**350,000**	**510,833**
Entrance fees	**217,143**	**279,286**
Dividend income from AFS financial assets	**181,375**	**181,375**
Income due to cancellations	**123,899**	**260,000**
Foreign exchange gain/(loss) - net	**10,994**	**33,687**
Gain on sale equipment	-	**85,536**
Others - *net*	**332,772**	**416,053**
	₱8,991,170	₱9,856,790

Tenant's reimbursements refer to the payment of utility charges by the tenants of the Building Complex at Sta. Cruz, Manila which the Parent Company recognizes as income when collected and expense when remitted to SLBPO.

Income from advertising campaign pertains to advertising placement rights granted by the Group to third parties.

Others include various income and expenses such as racing horse rehearsal fees, lotto commission and other insignificant items.

25. Income Taxes

a. The provision for current tax consists of the following:

	JUN 2018	JUN 2017
RCIT	₱-9,293,290	₱4,003,257
Final tax on interest income	172,483	126,992
MCIT	-	1,032,395
	₱9,465,773	₱5,162,644

26. Related Party Transactions

Transactions between related parties are on an arm's-length basis or on terms similar to those offered to non-related entities in an economically comparable market. The following are the transactions with related parties:

	Nature	Amount		Receivable/(Payable)		Terms	Conditions
		JUN 2018	DEC 2017	JUN 2018	DEC 2017		
Affiliates:							
Arco Management Development Corporation (AMDC)	Lease of office space[a]	₱5,267,810	₱11,780,277	₱–	₱–	Noninterest-bearing	Unsecured, impaired
Advances from shareholders	Advances	-	-	(14,734,481)	(14,734,481)	Noninterest-bearing	Unsecured, impaired
Associates:							
MIC	Advances[b]	43,398	1,161	5,025,503	4,982,104	Noninterest-bearing	Unsecured, impaired
Techsystems	Advances[b]	8,833	9,034	36,033	27,200	Noninterest-bearing	Unsecured, impaired

[a] *The Parent Company has a lease agreement with AMDC, an affiliate under common control, in the lease of office space and parking lots..*

[b] *Included in the "Receivables" account.*

27. Equity

Capital Stock

The details of the Parent Company's capital stock as of June 30, 2018 and December 31, 2017 are as follows:

	JUN 2018		DEC 2017	
	Number of Shares	Amount	Number of Shares	Amount
Common shares - ₱1 par value				
Authorized - 1,000,000,000 shares				
Issued and outstanding (held by 970 and 981 equity holders in 2017 and 2016)	996,170,748	₱996,170,748	996,170,748	₱996,170,748
	996,170,748	996,170,748	996,170,748	₱996,170,748

28. Basic/Diluted EPS

Basic/diluted earnings (loss) per share were computed as follows:

	JUN 2018	DEC 2017
Net income (loss) attributable to equity holders of the Parent Company	**(₱76,790,447)**	**(₱119,358,594)**
Divided by weighted average number of outstanding common shares	**996,170,748**	**996,170,748**
Basic/diluted earnings (loss) per share	**(₱0.0771)**	**(₱0.1198)**

The Parent Company does not have potential dilutive common shares as of June 30, 2018 and December 31, 2017. Therefore, the basic and diluted earnings (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.

30. Commitments and Contingencies

Commitments

The following are the significant commitments of the Group:

a. Operating Lease Commitment - the Parent Company as Lessee

On January 1, 2008, 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 2008 and includes an annual escalation rate of 5.0%. The monthly rate of the lease for the year 2012 amounted to ₱385,923. The lease contract expired in December 2012 and the Parent Company renewed its lease agreement with AMDC on

February 5, 2013 with a monthly rate of ₱427,550, subject to an annual escalation rate of 5.0%, and will expire on December 31, 2017.

On January 1, 2011, the Parent Company entered into another lease agreement with AMDC for another office space. The lease is for a 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 2016 is ₱301,403, 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 square meters (sqm.) for a monthly fixed rental of ₱510.51 per sqm. for its casino and related activities. As of August 13, 2018, the lease contract is still under renewal. Rent income from PAGCOR amounted to ₱0.6 million for the periods ended June 30, 2018 and 2017.

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 shall be effective until June 30, 2016. Gaming revenue recognized for the periods ended June 30, 2018 and 2017 amounted to ₱6.7 million and ₱10.1 million, respectively.

d. Claims and Legal Actions

As of June 30, 2018 and December 31, 2017, 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.

Significant Contracts between MIC and PAGCOR were discussed in the Group's Audited Financial Statements for year 2017 submitted to regulatory bodies.

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 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. Hence, unclaimed dividends and/or winnings within thirty days were declared to be private funds of the Parent Company.

31. Financial Risk Management Objectives and Policies

The Group's financial instruments comprise cash and cash equivalents (except cash on hand), receivables, AFS financial assets, deposits, accounts payable and other liabilities, interest-bearing 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 interest-bearing loans and borrowings carry fixed interest rates.

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 investments held by the Group, which are classified in the consolidated statements of financial position as held for trading investments and AFS financial assets.

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.

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.

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 Board of Directors 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.

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 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. 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.

These receivables have no history of significant default or delinquency in collections but have a reasonable probability of non-collectability.

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.

32. 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 2018	DEC 2017
Capital stock	**₱996,170,748**	₱996,170,748
Additional paid-in capital	**27,594,539**	27,594,539
Net cumulative changes in fair values of AFS financial assets	**4,950,148**	4,950,148
Remeasurement on retirement benefits	**27,637,707**	27,637,707
Retained earnings	**2,727,498,732**	2,854,097,244
Treasury shares	**(7,096)**	(7,096)
Noncontrolling interest	**65,235,139**	65,698,514
	₱3,849,079,917	₱3,976,141,804

No changes were made in the objectives, policies and processes from the previous years.

33. Other Matters

On April 4, 2014, a MOA was executed between the Parent Company and the Philippine Football Federation, Inc. (PFF) to jointly develop a football complex on a portion of MJC's SLLBP in Carmona, Cavite. This is in consonance with MJC's over-all plan to develop SLLBP into a leisure, gaming and entertainment hub.

The football complex shall consist of a pitch of Federacion Internationale de Football Association (FIFA) two star international standards, a training center and other football support facilities. It is envisioned to be the site of national and international matches and friendlies sanctioned by the FIFA, ASEAN Football Federation (AFF) and Asian Football Confederation (AFC).

PFF is responsible for the governance, development and promotion of football in the Philippines and the sole controlling body of all provincial football associations. It is a regular member of FIFA, AFF, AFC and the Philippine Olympic Committee.

ANNEX "B"

MANAGEMENT DISCUSSION & ANALYSIS OF PLAN OF OPERATIONS

Discussion on Operating Results for the Periods Ended June 30, 2018 and 2017

Revenues

Income from club races generated a total sales of P78.8 million for the period ended June 30, 2018, a decrease of P7 million as compared to P85.8 million to the same period in 2017. The decrease can be attributed to the increase in Documentary Stamp Taxes which affects the winnings and causes disappointment to bettors.

Income from cockfighting operations for the period ended June 30, 2017 amounted to ₱114.4 million and ₱205.7 million for the same period in 2018 or an increase of ₱91.3 million. As the cockfighting operation has become fully operational and is gaining more exposure, revenue is increasing due to more line-up of fights and increasing number of off-track betting stations.

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 revenue amounting to ₱52.7 million and ₱41.8 million for the periods ended June 30, 2018 and 2017, respectively. Revenue recognized for the current period increased by ₱10.9 million.

Rental revenue from the leasing of stables, buildings and other facilities decreased by ₱1.6 million from ₱42.5 million for the period ended June 30, 2017 to ₱40.9 million for the same period in 2018. The decrease relates primarily to the decline in the income generated from the lease agreement with PAGCOR.

Revenue from sale of food and beverages increased the Group's total revenues by ₱2.6 million for the first half of 2018 from ₱8.6 million for the period ended June 30, 2017 to ₱11.2 million for the same period in 2018.

Other Revenues come from money changing operations of the Group's subsidiary, MJC Forex Corp. Dollar sales for the period ended June 30, 2018 amounted to ₱1.0 million and ₱10.0 million for the same period in 2017 or a decrease of ₱9.0 million.

Other Income

For the period ended June 30, 2018, equity in net losses of associates and joint venture amounted to ₱65.8 million compared to same period in 2017 amounting to ₱67.4 million. The net decrease in the equity share in the net losses recognized in the current period amounting to ₱1.6 million is the result of the share in the net losses of an associate amounting to ₱81.7 million for the period ended June 30, 2018 and ₱83.8 million for the same period in 2017; which is partially offset by the share in the net earnings of a joint venture amounting to ₱15.9 million for the period ended June 30, 2018 and ₱16.4 million for the same period in 2017.

Interest income relates to real estate receivables and cash and cash equivalents. Interest income for the periods ended June 30, 2018 and 2017 amounted to ₱9.3 million and ₱8.4 million, respectively. The increase of ₱0.9 million relates primarily to real estate sales under the installment method.

Other income – net decreased by ₱0.9 million from ₱9.9 million for the period ended June 30, 2017 to ₱9.0 million for the same period in 2018.

Expenses

Cost of Sale and Services

Cost of racing services increased by ₱4.5 million from ₱89.0 million for the period ended June 30, 2017 to ₱93.5 million for the same period in 2018. The increase can be attributed to the documentary stamp taxes increase by the Train Law in 2018.

Cost of cockfighting services amounted to ₱123.0 million for the period ended June 30, 2018 and ₱93.7 million for the same period in 2017. It increased by ₱29.3 million as the cockfighting business is now in full operation. Significant costs are percentage taxes, support guarantee prizes, service fees and commission of off-track betting operators.

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, 2018 and 2017, cost of real estate amounted to ₱6.6 million and ₱5.7 million, respectively. The increase in the number of sold units used in the computation also contributed to the variance.

Rental cost of services decreased by ₱2 million from ₱26.4 million for the period ended June 30, 2017 to ₱24.4 million for the same period in 2018. The variance relates primarily to expenses for the gaming operations.

Cost of food and beverage amounted to ₱15.3 million and ₱10.5 million for the periods ended June 30, 2018 and 2017, respectively. The increase amounting to ₱4.8 million came primarily from purchased stocks.

The cost of sales for "Others" amounted to ₱5.1 million and ₱11.6 million for the periods ended June 30, 2018 and 2017, respectively. It decreased by ₱6.5 million in 2018. The variance relates mainly to dollar purchases during the period.

General Operating Expenses

General and administrative expenses constitute costs of administering the business. For the period ended June 30, 2017, it amounted to ₱96.6 million or an increase of ₱36.0 million compared with the same period in 2018 which amounted of ₱132.6 million. The increase pertains mainly to the administrative costs for the cockfighting operations. As the operations continue to get exposed and more fights are being lined up, operating costs are increasingly incurred. These costs include salaries and allowances of support workforces, professional fees as well as patronage fees.

Selling expenses pertain to marketing fees related to the sale of real estate properties. It amounted to ₱5.8 million for the period ended June 30, 2018 compared to ₱3.3 million for the same period in 2017. Marketing fees increased by ₱2.5 million.

Finance costs pertain to interest expenses on bank loans availed for working capital requirements. It amounted to ₱4.2 million and ₱2.7 million for the periods ended June 30, 2018 and 2017, respectively, or an increase of ₱1.5 million which is due to the increase in the outstanding principal balances from the newly acquired short-term loans and borrowings.

CHANGES IN FINANCIAL CONDITION

Discussion on some Significant Changes in Financial Condition as of June 30, 2018 and December 31, 2017

Total assets decreased due to the following:

1. For the period ended June 30, 2018 cash and cash equivalents amounted to ₱206.4 million from ₱225.6 as of December 31, 2017. The decrease of ₱19.2 million can be attributed from dividend payment during the period. Cash was also used for the acquisition of property and equipment as well as investment property.

2. Receivables decreased by ₱33.7 million from ₱217.4 million as of December 31, 2017 to ₱183.7 million as of June 30, 2018. The decrease is the net effect of the real estate collections in the current period under the installment method and the increase in advances to suppliers, advances to officers and employees and dividend receivables.

3. Inventories decreased by ₱7.7 million in the current period as a result of the sale of real estate inventories during the first half of 2018.

4. Other current assets increased by ₱4.3 million from ₱11.5 million as of December 31, 2017 to ₱15.8 million as of June 30, 2018. The increase relates to the net effect of prepayments on Income Tax and Input Vat and decrease in prepaid expenses made during the period.

5. Investment in associates and joint ventures amounted to ₱2,204.3 million and ₱2,140.6 million as of December 31, 2017 and June 30, 2018, respectively. The decrease in investment in associates and joint ventures is due to the equity share in the net losses of MIC amounting to ₱81.7 million for the period ended June 30, 2018 partially offset by the equity in net earnings of SLBPO amounting to ₱15.9 million in the current period less dividends declared for the Parent Company amounting to ₱12.0 million.

6. There were no acquisitions and disposals of available-for-sale (AFS) financial assets during the current period. AFS financial assets as of June 30, 2018 and December 31, 2017 amounts to ₱35.2 million.

7. Property and equipment decreased from ₱880.6 million as of December 31, 2017 to ₱856.5 million as of June 30, 2018. The decrease in property and equipment amounting to ₱24.1 million in the current period is the depreciation charges during the year partially offset by the acquisitions for the year amounting to ₱11.8 million.

8. Investment properties decreased by ₱4.0 million from ₱1,097.4 million as of December 31, 2017 to ₱1,093.4 million as of June 30, 2018. The decrease is the net result of the depreciation charges of the Vertex One building amounting to ₱6.2 million and the acquisition in the current period of some parcels of land situated in Mamburao, Mindoro amounting to ₱0.4 million.

9. Other noncurrent assets increased by ₱1.1 million from ₱30.1 million as of December 31, 2017 to ₱31.2 million as of June 30, 2018. The increase is the net effect of the amortization of franchise fee amounting to ₱0.9 million and the increase in deferred vat input for various purchases during the period.

Total Current Liabilities decreased due to the following:

10. Short-term loans and borrowings decreased by ₱20.9 million in the current period from ₱234.0 million as of December 31, 2017 to ₱213.1 million as of June 30, 2018. The decrease is the net effect of repayments made during the period and availment of new loan of ₱14 million ended June 30, 2018.

11. Accounts payable and other liabilities increased by ₱13.2 million from ₱342.0 million as of December 31, 2017 to ₱355.2 million as of June 30, 2018. Payables to suppliers for various purchases increased during the current period. Expenses incurred but not yet paid as of the current period also increased. Other liabilities that increased during the period ended June 30, 2018 include percentage tax payable and documentary stamp tax.

12. Due to related parties amounted to ₱14.7 million as of June 30, 2018 and December 31, 2017. The amount recognized in 2017 pertains mainly to payables of Apo Reef World Resorts, Inc. to its related parties as a result of its acquisition by the Parent Company.

13. Income tax payable increased from ₱0.7 million as of December 31, 2017 to ₱6.9 million as of June 30, 2018. The increase refers mainly to the income tax expense recognized by the Group covering the first half of 2018.

Total Noncurrent Liabilities decreased due to the following:

14. Accrued retirement benefits as of December 31, 2017 amounted to ₱39.9 million and ₱36.9 million as of June 30, 2018. The decrease amounting to ₱2.9 million is the net effect of the contributions made to the retirement fund during the current period amounting to ₱7.1 million and the retirement expense recognized covering the first half of 2018 amounting to ₱4.2 million.

Total Equity decreased due to the following:

15. Retained earnings decreased by ₱126.6 million from ₱2,854.1 as of December 31, 2017 to ₱2,727.5 million as of June 30, 2018. The decrease pertains to the net losses dividend declaration recognized by the Group for the first half of 2018.

16. Non-controlling interest decreased by ₱0.4 million in the current period which represents the 56.87% share of minority interest in the net losses of ARWRI covering the first half of 2018.

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. There are no known seasonal or cyclical factors that will materially affect the racing operation of the MJCI.

TOP FIVE (5) KEY PERFORMANCE INDICATORS:

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

	JUN 2018	DEC 2017
Current Ratio	**0.80**	0.89
Asset to Liability Ratio	**5.56**	5.68

	JUN 2018	JUN 2017
Sales to Revenue Ratio	**0.20**	0.28
Sales to Expenses Ratio	**0.19**	0.25
Earnings Per Share	**(₱0.0771)**	(₱0.0910)

Current ratio or working capital ratio is computed by dividing current assets over current liabilities. Total current assets as of June 30, 2018 and December 31, 2017 amounted to ₱469.4 million and ₱525.7 million, respectively. As of June 30, 2018 and December 31, 2017, total current liabilities amounted to ₱589.9 million and ₱591.5 million, respectively.

Asset to liability ratio or solvency ratio is computed by dividing total assets over total liabilities. As of June 30, 2018 and December 31, 2017, total assets amounted to ₱4,692.8 million and ₱4,825.9 million, respectively. Total liabilities as of June 30, 2018 amounted to ₱843.7 million and ₱849.8 million as of December 31, 2017.

Sales to revenue ratio is computed by dividing the income from horse racing over total operating revenue. Income from club races for the period ended June 30, 2018 and 2017 amounted to ₱78.8 million and ₱85.8 million, respectively. Total operating revenue for the period ended June 30, 2018 amounted to ₱390.3 million and ₱303.1 million for the same period in 2017.

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 period ended June 30, 2018 and 2017 amounted to ₱78.8 million and ₱85.8 million, respectively, while total expenses amounted to ₱410.5 million for the period ended June 30, 2018 and ₱339.5 million for the same period in 2017.

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 losses attributable to equity holders of the parent company for the periods ended June 30, 2018 and 2017 amounted to ₱76.8 million and ₱90.7 million, respectively. The weighted average number of outstanding common shares as of June 30, 2018 and 2017 totaled to 996.2 million.

Analysis of plan of operations

For the year 2017, we forecasted a robust consolidated financial outlook for MJCI despite not too encouraging forecast in horseracing. Significant contributions from two promising subsidiaries were anticipated to help the financials of the parent company aside from the other business projects being looked into by the parent company. These wholly owned subsidiaries were the Manila Cockers Club, Inc. ("MCCI") and Gametime Sports and Technologies, Inc. ("Gametime").

We again repeat the same forecast but more substantial contributions from MCCI because of the inspiring financial results in 2017, an unprecedented feat for a new company barely operating two years ago since its full operation in 2015. The year 2018 and onward for MCCI will be a game changer for the parent company since its trajectory forecast position is geared towards maximizing full revenue potentials of MCCI.

On the other hand, Gametime is being reengineered to ensure that its electronic betting will get the same interest and enthusiasm of the thousands of gaming bettors not only in the Philippines but even those outside of the country. Significant revenues were collected by Gametime in 2017, enough to give the parent company its modest share in revenues. The Pay Per View (PPV) cockfighting for international enthusiasts is a potential revenue in waiting. Management is still fine tuning some technology and administrative aspects before this product is launched to international clients.

Apo Reef World Resorts, Inc. located in Mamburao, Occidental Mindoro continues to consolidate land titles and acquisitions of adjacent lots. Its fair value thus far had already increased despite land development has yet to start. Management is optimistic that this will be another Boracay with a different class of beach enthusiasts.

New high rise mixed commercial and residential condominium buildings on the remaining idle lots in Tayuman, Sta Cruz will soon rise. The parent company will assume the commercial units that will add up to the recurring rental revenue stream of Vertex.

The stable lease has continuously provided ample revenue support to the Parent Company. MCCI is renting from MJC 136 stable units converted into cock houses.

The football field in the San Lazaro Leisure and Business Park in Carmona, Cavite is now open for football sports activities. Football tournaments were already held in SLBN. We expect people trooping to SLBN witnessing and enjoying a favorite sport which will be beneficial to our F & B operations in Carmona.

There is no particular event that will trigger a direct or contingent financial obligation that would be material to the Company, including events of default and acceleration of an obligation.

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.

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