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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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S.E.C. Registration Number

MANILA JOCKEY CLUB, INC.

(Company's Full Name)

14 TH 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

QUARTERLY REPORT
FOR THE PERIOD ENDED 30 JUNE 2019

1 2 3 1

Month Day

Fiscal Year

17 - Q

FORM TYPE

0 6 3 0

Month Day

Annual Meeting

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

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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, 2019
2. Commission identification number PW803 3. BIR Tax Identification No. 000-786-765
4. Exact name of issuer as specified in its charter MANILA JOCKEY CLUB, INC.
5. Province, country or other jurisdiction of incorporation or organization Republic of the Philippines
6. Industry Classification Code: (SEC Use Only)
7. Address of issuer's principal office Postal Code
San Lazaro Leisure and Business Park, Brgy. Lantic, Carmona, Cavite 1014
8. Issuer's telephone number, including area code (632) 687-9889
9. Former name, former address and former fiscal year, if changed since last report N/A
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
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Common	1,494,241,674
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11. Are any or all of the securities listed on a Stock Exchange?

Yes 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 No

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

Yes No

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Please see attached **Annex “A”**.

- Consolidated Statements of Financial Position as of June 30, 2019 and December 31, 2018
- Consolidated Statements of Comprehensive Income for the periods ended June 30, 2019 and 2018
- Consolidated Statements of Comprehensive Income for the quarters ended June 30, 2019 and 2018
- Consolidated Statements of Changes in Equity for the periods ended June 30, 2019 and 2018
- Consolidated Statements of Cash Flows for the periods ended June 30, 2019 and 2018
- Consolidated Statements of Cash Flows for the quarters ended June 30, 2019 and 2018
- Aging Schedule of Receivables as of June 30, 2019
- 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 14, 2019
Date

By:


NESTOR N. UBALDE
Chief Finance Officer

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2019 AND DECEMBER 31, 2018

	UNAUDITED JUNE 2019	AUDITED DECEMBER 2018
(In Philippine Peso)		
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	398,177,439	332,347,036
Receivables (Note 7)	100,240,562	141,247,956
Inventories (Note 8)	53,380,550	54,573,219
Other current assets (Note 9)	19,081,463	9,811,267
Total Current Assets	570,880,014	537,979,478
Noncurrent Assets		
Real estate receivables - net of current portion (Note 7)	40,898,785	61,541,708
Investments in and advances to associates and joint ventures (Note 10)	2,124,276,794	2,132,053,983
Property and equipment (Notes 11 and 29)	817,913,856	831,782,460
Investment properties (Notes 10, 12, 14 and 29)	1,088,431,794	1,094,755,913
Deferred tax assets - net	1,812,371	1,812,371
Other noncurrent assets (Note 13)	65,566,321	65,734,395
Total Noncurrent Assets	4,138,899,921	4,187,680,830
Total Assets	4,709,779,935	4,725,660,308
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term loans and borrowings (Note 14)	253,000,000	288,636,040
Accounts payable and other liabilities (Notes 15)	375,781,445	386,149,748
Income tax payable	19,418,068	14,592,986
Due to related parties (Note 25)	13,734,482	13,734,482
Total Current Liabilities	661,933,995	703,113,256
Noncurrent Liabilities		
Accrued retirement benefits (Note 20)	52,810,799	55,944,377
Deferred tax liabilities - net	188,910,254	188,910,254
Total Noncurrent Liabilities	241,721,053	244,854,631
Total Liabilities	903,655,048	947,967,887
Equity		
Capital stock (Note 26)	1,494,251,391	996,170,748
Additional paid-in capital	27,594,539	27,594,539
Actuarial gains on accrued retirement benefits	17,413,770	17,413,770
Net cumulative changes in fair values of financial assets measured at FVOCI	4,620,965	4,620,965
Retained earnings (Note 26)	2,201,954,149	2,670,524,084
Treasury shares (Note 26)	(7,096)	(7,096)
Equity attributable to equity holders of the parent company	3,745,827,718	3,716,317,010
Non-controlling interests (Note 1)	60,297,169	61,375,411
Total Equity	3,806,124,887	3,777,692,421
Total Liabilities and Equity	4,709,779,935	4,725,660,308

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, 2019 AND 2018

	UNAUDITED JUNE 2019	UNAUDITED JUNE 2018
	(In Philippine Peso)	
REVENUES		
Club races	61,308,664	78,814,327
Cockfighting	645,793,011	205,722,754
Real estate	(793,475)	52,708,549
Rent (Notes 11, 12 and 29)	37,588,873	40,888,586
Food and beverages	12,743,934	11,166,443
Others	985,302	1,011,046
	757,626,309	390,311,705
COST OF SALES AND SERVICES (Note 16)		
Club races	82,325,140	93,502,012
Cockfighting	365,796,762	122,961,080
Real estate	(176,989)	6,581,762
Rent	24,817,015	24,404,925
Food and beverages	14,376,223	15,332,300
Others	11,341,780	5,113,148
	498,479,931	267,895,227
GROSS INCOME	259,146,378	122,416,478
General and administrative expenses (Note 17)	(152,409,567)	(132,610,420)
Selling expense (Note 8)	-	(5,795,482)
Interest income (Notes 6, 7, 13 and 21)	3,286,333	9,259,191
Finance costs (Notes 14 and 22)	(8,596,711)	(4,224,793)
Equity in net earnings (losses) of associates and joint ventures (Note 10)	(50,816,290)	(65,824,193)
Other income - net (Note 23)	16,430,884	8,991,170
INCOME (LOSS) BEFORE INCOME TAX	67,041,027	(67,788,049)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 24)		
Current	38,608,561	9,465,773
Deferred	-	-
	38,608,561	9,465,773
NET INCOME (LOSS)	28,432,466	(77,253,822)
OTHER COMPREHENSIVE INCOME (LOSS)		
<i>Items of other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods</i>		
Net changes in fair values of financial assets measured at FVOCI	-	-
<i>Items of other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods</i>		
Actuarial gains (losses) on remeasurement of retirement benefits, net of tax	-	-
TOTAL COMPREHENSIVE INCOME (LOSS)	28,432,466	(77,253,822)
Net income attributable to:		
Equity holders of the parent company	29,510,708	(76,790,447)
Noncontrolling interests	(1,078,242)	(463,375)
	28,432,466	(77,253,822)
Total comprehensive income (loss) attributable to:		
Equity holders of the parent company	29,510,708	(76,790,447)
Noncontrolling interests	(1,078,242)	(463,375)
	28,432,466	(77,253,822)
Basic/Diluted Earnings (Loss) Per Share (Note 27)	0.0197	(0.0771)

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, 2019 AND 2018

	UNAUDITED JUNE 2019	UNAUDITED JUNE 2018
	(In Philippine Peso)	
REVENUES		
Club races	27,705,202	37,179,461
Cockfighting	321,048,457	119,145,245
Real estate	(272,507)	33,480,370
Rent (Notes 11, 12 and 29)	18,930,594	21,323,087
Food and beverages	6,604,946	6,168,146
Others	573,492	282,603
	374,590,184	217,578,912
COST OF SALES AND SERVICES (Note 16)		
Club races	41,212,134	43,599,422
Cockfighting	186,294,041	70,757,801
Real estate	-	3,413,829
Rent	12,654,364	12,696,184
Food and beverages	6,955,395	8,777,534
Others	9,284,139	438,335
	256,400,073	139,683,105
GROSS INCOME	118,190,111	77,895,807
General and administrative expenses (Note 17)	(67,286,243)	(64,453,998)
Selling expense (Note 8)	36,600	(4,293,125)
Interest income (Notes 6, 7, 13 and 21)	378,927	2,356,225
Finance costs (Notes 14 and 22)	(4,125,401)	(2,131,819)
Equity in net earnings (losses) of associates and joint ventures (Note 10)	(28,045,569)	(32,531,433)
Other income - net (Note 23)	10,497,433	4,987,100
INCOME (LOSS) BEFORE INCOME TAX	29,645,858	(18,171,243)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 24)		
Current	19,500,970	6,680,014
Deferred	-	-
	19,500,970	6,680,014
NET INCOME (LOSS)	10,144,888	(24,851,257)
OTHER COMPREHENSIVE INCOME (LOSS)		
<i>Items of other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods</i>		
Net changes in fair values of financial assets measured at FVOCI	-	-
<i>Items of other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods</i>		
Actuarial gains (losses) on remeasurement of retirement benefits, net of tax	-	-
TOTAL COMPREHENSIVE INCOME (LOSS)	10,144,888	(24,851,257)
Net income attributable to:		
Equity holders of the parent company	10,702,839	(24,631,487)
Noncontrolling interests	(557,951)	(219,770)
	10,144,888	(24,851,257)
Total comprehensive income (loss) attributable to:		
Equity holders of the parent company	10,702,839	(24,631,487)
Noncontrolling interests	(557,951)	(219,770)
	10,144,888	(24,851,257)
Basic/Diluted Earnings (Loss) Per Share (Note 27)	0.0072	(0.0247)

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, 2019 AND 2018

JUNE 2019 (UNAUDITED)
(In Philippine Peso)

	Capital Stock (Note 26)	Additional Paid- In Capital	Actuarial Gains on Accrued Retirement Benefits (Note 20)	Net Cumulative Changes in Fair Values of AFS Financial Assets (Note 13)	Retained Earnings - Unappropriated (Note 26)	Treasury Shares (Note 26)	Subtotal	Noncontrolling Interests	Total
BALANCES AT DECEMBER 31, 2018	996,170,748	27,594,539	17,413,770	4,620,965	2,670,524,084	(7,096)	3,716,317,010	61,375,411	3,777,692,421
Total comprehensive income (loss) for the period					29,510,708		29,510,708	(1,078,242)	28,432,466
Stock dividends declared	498,080,643				(498,080,643)				
BALANCES AT JUNE 30, 2019	1,494,251,391	27,594,539	17,413,770	4,620,965	2,201,954,149	(7,096)	3,745,827,718	60,297,169	3,806,124,887

See accompanying Notes to Consolidated Financial Statements.

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.

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED JUNE 30, 2019 AND 2018

	UNAUDITED JUNE 2019	UNAUDITED JUNE 2018
	(In Philippine Peso)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (Loss) before income tax	67,041,027	(67,788,049)
Adjustments for:		
Depreciation (Notes 11, 12 and 18)	43,060,437	41,596,908
Equity in net losses (earnings) of associates and joint ventures (Note 10)	50,816,290	65,824,193
Interest income (Note 21)	(3,286,333)	(9,259,191)
Finance costs (Note 22)	8,596,711	4,224,793
Amortization of franchise fee (Note 13 and 16)	897,000	897,000
Dividend income	(54,000)	(181,375)
Operating income before working capital changes	167,071,132	35,314,279
Decrease (increase) in:		
Receivables	61,650,317	18,422,933
Inventories	1,192,669	7,655,522
Other current assets	(9,270,196)	(4,294,468)
Increase (decrease) in:		
Accounts payable and other liabilities	(10,368,304)	(1,296,228)
Accrued retirement benefits (Note 20)	(3,133,578)	(2,918,184)
Cash generated from operations	207,142,040	52,883,854
Income taxes paid, including creditable withholding and final taxes	(33,783,479)	(3,326,538)
Net cash provided (used) by operating activities	173,358,561	49,557,316
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	3,286,333	9,259,191
Dividends received	10,117,901	12,207,089
Decrease (increase) in other noncurrent assets	168,074	(1,195,180)
Acquisitions of property and equipment (Note 11)	(22,867,715)	(11,809,363)
Acquisitions of investment property	-	(2,252,000)
Advances to an associate (Note 10)	(54,000,000)	-
Net cash provided (used) by investing activities	(63,295,407)	6,209,737
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short term loans and borrowings	-	14,000,000
Payments of short-term loans and borrowings (Note 14)	(35,636,040)	(34,923,982)
Dividends paid by the Parent Company	-	(49,808,064)
Interest paid	(8,596,711)	(4,224,793)
Net cash provided (used) in financing activities	(44,232,751)	(74,956,839)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	65,830,403	(19,189,786)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	332,347,036	225,600,519
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	398,177,439	206,410,733

See accompanying Notes to Consolidated Financial Statements.

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE QUARTERS ENDED JUNE 30, 2019 AND 2018

	UNAUDITED JUNE 2019	UNAUDITED JUNE 2018
	(In Philippine Peso)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (Loss) before income tax	29,645,858	(18,171,243)
Adjustments for:		
Depreciation (Notes 11, 12 and 18)	21,685,559	20,895,687
Equity in net losses (earnings) of associates and joint ventures (Note 10)	28,045,569	32,531,433
Interest income (Note 21)	(378,927)	(2,356,225)
Finance costs (Note 22)	4,125,400	2,131,819
Amortization of franchise fee (Note 13 and 16)	448,500	448,500
Dividend income	(54,000)	(111,688)
Operating income before working capital changes	83,517,959	35,368,284
Decrease (increase) in:		
Receivables	78,243,962	(6,446,952)
Inventories	75,111	3,849,403
Other current assets	(3,888,937)	2,529,306
Increase (decrease) in:		
Accounts payable and other liabilities	(77,404,318)	1,509,509
Accrued retirement benefits (Note 20)	3,300,000	(300,000)
Cash generated from operations	83,843,777	36,509,550
Income taxes paid, including creditable withholding and final taxes	(33,759,751)	(3,263,577)
Net cash provided (used) by operating activities	50,084,026	33,245,973
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	378,927	2,356,225
Dividends received	10,117,901	5,640,459
Decrease (increase) in other noncurrent assets	408,213	(246,329)
Acquisitions of property and equipment (Note 11)	(11,090,524)	(8,296,268)
Acquisitions of investment property	-	(2,027,473)
Advances to an associate (Note 10)	(14,000,000)	-
Net cash provided (used) by investing activities	(14,185,484)	(2,573,386)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short term loans and borrowings	-	14,000,000
Payments of short-term loans and borrowings (Note 14)	(18,000,000)	(18,000,000)
Dividends paid by the Parent Company	-	(49,808,064)
Interest paid	(4,125,400)	(2,131,819)
Net cash provided (used) in financing activities	(22,125,400)	(55,939,883)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	13,773,142	(25,267,297)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	384,404,297	231,678,030
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	398,177,439	206,410,733

See accompanying Notes to Consolidated Financial Statements.

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES
AGING SCHEDULE OF RECEIVABLES
AS OF JUNE 30, 2019

UNAUDITED
(In Philippine Peso)

A. AGING OF ACCOUNTS RECEIVABLE-NET

TYPE OF RECEIVABLES	AGING PERIODS					TOTAL
	1-30 DAYS	31-60 DAYS	61-90 DAYS	91-120 DAYS	OVER 120 DAYS	
1 Real estate receivables - current portion	-	-	-	-	-	66,376,549
2 Rent receivables	5,419,312	2,415,360	1,095,635	1,942,123	6,403,018	
3 Receivables from off-track/off-cockpit betting (OTB/OCB) operators	6,292,412	158,052	345,454	261,131	309,124	
4 Receivables from food and beverage operations	872,022	399,671	634,878	28,943	2,240,863	
5 Advances and loans to officers and employees	5,312,215	4,240,915	4,280,924	712,154	5,458,110	
6 Receivable from third parties	-	-	-	-	6,060,590	
7 Due from related parties	-	-	-	8,934	5,018,137	
8 Dividends receivable	2,129,048	76,046	2,042,302	-	-	
9 Receivable from contractors	-	10,871	47,500	-	1,778,413	
10 Advances to suppliers	78,955	895,267	301,560	-	757,941	
11 Others	347,092	2,383,869	51,325	371,049	1,312,844	
TOTAL	20,451,055	7,602,474	8,498,018	3,324,333	95,715,590	
Less: ECL/allowance for doubtful accounts					35,350,908	
RECEIVABLES - NET					100,240,562	

B. ACCOUNTS DESCRIPTION

TYPE OF RECEIVABLES	DESCRIPTION	COLLECTION PERIOD
1 Real estate receivables - current portion	Sales on real estate operations	Monthly
2 Rent receivables	Receivables on leasing transactions from stables, building and other facilities	Semi-monthly/Monthly
3 Receivables from off-track/off-cockpit betting (OTB/OCB) operators	Receivables from racing and cockfighting operations	Monthly
4 Receivables from food and beverage operations	Receivable from sale of food and beverages	Daily/Monthly
5 Advances and loans to officers and employees	Advances granted to and loans availed by officers and employees	Daily/Monthly
6 Receivable from third parties	Due from third parties	Monthly
7 Due from related parties	Receivable from related parties	Monthly
8 Dividends receivable	Share on the net earnings of a joint venture partner	Quarterly
9 Receivable from contractors	Claims for deposits paid to contractors	Annually
10 Advances to suppliers	Advance payments to suppliers for goods and services yet to be received	Daily/Monthly
11 Others	Various deposits and advances	Daily/Semi-monthly/Monthly

C. OPERATING CYCLE

Calendar Year

	Mar-19	Dec-18
Trade		
Real estate receivables - current portion	P=77,962,178	P=66,479,721
Rent receivables (Notes 11, 12 and 29)	14,898,012	17,358,859
Receivables from off-track/off-cockpit betting (OTB/OCB) operators (OTB/OCB) operators	19,184,558	4,442,505
Receivables from food and beverage operations	3,861,318	4,423,786
Non-trade		
Advances and loans to officers and employees (Note 25)	22,039,449	24,754,227
Receivable from third parties	15,200,568	20,428,691
Advances to suppliers	19,850,266	16,011,079
Receivable from contractors	5,641,494	5,803,672
Due from related parties (Note 25)	5,027,070	5,018,137
Dividends receivable (Note 10)	6,713,503	4,739,449
Others	22,254,334	7,138,738
Less ECL/allowance for doubtful accounts	P=177,281,843	=P141,247,956
	35,350,908	35,350,908
	212,632,751	176,598,864

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 13). The Parent Company is also engaged in the development and sale of condominium units and residential properties, and lease of an office building through joint venture (JV) arrangements with certain developers.

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

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

Subsidiaries, Joint Ventures and Associates

	Place of incorporation	Nature of business	Functional currency	Percentage of ownership	
				JUN 2019	DEC 2018
Subsidiaries					
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
Biohitech Philippines, Inc. (Biohitech) ^(a)	Philippines	Waste management	Philippine Peso	50.00	50.00
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

(Forward)

	Place of incorporation	Nature of business	Functional currency	Percentage of ownership	
				MAR 2019	DEC2018
Associates					
MJC Investments Corporation					
Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino (MIC)	Philippines	Gaming	Philippine Peso	22.31	22.31
Techsystems, Inc. (Techsystems) ^(a)	Philippines	Information Technology	Philippine Peso	33.33	33.33

(a) Not yet started commercial operation as of March 31, 2019.

On February 22, 2016, the Parent Company entered into a share purchase agreement with ACL Development Corporation (“ACL”) to purchase 9.8 million shares of ARWRI, a company owning parcels of land in Mamburao, Mindoro, for a total consideration of ₱9.9 million. Furthermore, on August 25, 2016, the Parent Company paid ₱20.0 million to subscribe to 80.0 million shares of ARWRI at par value of ₱1.00 per share, equivalent to ₱80.0 million, after ARWRI increased its authorized capital stock from 100.0 million shares to 200.0 million shares. The acquisition did not qualify as an acquisition of a business in accordance with PFRS 3, *Business Combination*, and was therefore accounted for as an acquisition of assets.

The identifiable assets and liabilities of ARWRI at the date of acquisition were:

	Amount
Assets	
Cash	₱15,543,130
Investment properties (see Note 13)	104,440,943
Subscription receivable	60,000,000
Other noncurrent assets	225,000
	<u>180,209,073</u>
Liabilities	
Accounts payable	(5,173,775)
Other noncurrent liabilities	(17,043,387)
	<u>(22,217,162)</u>
Total net assets acquired	157,991,911
Non-controlling interest - 43.13%	(68,141,911)
Purchase consideration	<u>₱89,850,000</u>

In the 2016 consolidated statements of cash flow, the net cash outflow on the acquisition amounting to ₱14.3 million was derived as follows:

Cash paid at acquisition date	₱29,850,000
Less cash and cash equivalents acquired	15,543,130
Net cash outflow at acquisition date	<u>₱14,306,870</u>

As of June 30, 2019, and December 31, 2018, the Parent Company has an outstanding subscription payable to ARWRI amounting to ₱32.0 million and ₱37.5 million, respectively, which are eliminated in the consolidated financial statements against the subscription receivable above.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation

The consolidated financial statements have been prepared using the historical cost basis, except for financial assets at fair value through other comprehensive income (FVOCI) in 2018 and available for

sale (AFS) financial assets in 2017, which are carried at fair value. The consolidated financial statements are presented in Philippine Peso (₱ or Peso), the Parent Company's functional and presentation currency. All values are rounded to the nearest Peso, unless otherwise indicated.

Statement of Compliance

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

3. Summary of Significant Changes in Accounting Policies and Disclosures

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except that the Group has adopted the following amended standards as at January 1, 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. Entities are required to apply the amendments to: (1) share-based payment transactions that are unvested or vested but unexercised as of January 1, 2018, (2) share-based payment transactions granted on or after January 1, 2018 and to (3) modifications of share-based payments that occurred on or after January 1, 2018. Retrospective application is permitted if elected for all three amendments and if it is possible to do so without hindsight.

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

- *PFRS 9, Financial Instruments*

PFRS 9 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.

The Group applied PFRS 9 using the modified retrospective approach. The Group chose not to restate comparative figures as permitted by the transitional provisions of PFRS 9, thereby resulting in the following impact:

- Comparative information for prior periods will not be restated. The classification and measurement requirements previously applied in accordance with PAS 39 and disclosures required in PFRS 7 will be retained for the comparative periods. Accordingly, the information presented for 2016 and 2017 does not reflect the requirements of PFRS 9.
- The Group will disclose the accounting policies for both the current period and the comparative periods, one applying PFRS 9 beginning January 1, 2018 and one applying PAS 39 as of December 31, 2017.
- The difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period that includes the date of initial application will be recognized in the opening retained earnings or other component of equity, as applicable.
- As comparative information is not restated, the Group is not required to provide a third consolidated statement of financial position at the beginning of the earliest comparative period presented.

Under PFRS 9, the level of provision for credit and impairment losses has generally increased due to the incorporation of a more forward-looking approach in determining provisions. Further, since the implementation of PFRS 9, all financial assets except receivables and those measured at FVTPL are assessed for at least 12-month ECL and the population of financial assets to which the lifetime ECL applies is larger than the population for which there is objective evidence of impairment in accordance with PAS 39.

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

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

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

- *PFRS 15, Revenue from Contracts with Customers*

PFRS 15 supersedes PAS 11, *Construction Contracts*, PAS 18, *Revenue*, and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be 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 new standard establishes a five-step model to account for revenue arising from contracts with customers. The five-step model is as follows:

1. Identify the contracts with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue as the entity satisfies a performance obligation.

PFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted PFRS 15 using the modified retrospective method of adoption with the date of initial application of January 1, 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to all contracts as at January 1, 2018. Therefore, the comparative information were not restated and were reported under PAS 11, PAS 18 and related Interpretations.

The Group has concluded that it is acting as an agent in its club racing and cockfighting operations because the Group does not have exposure to the significant risks and rewards associated with the sale of goods or rendering of services. The amount the group earns is predetermined, being either fixed fee per transaction or a stated percentage of the amount billed to

the customer. The Group acts as a principal in all other arrangements (i.e., real estate sales and rental services) because the Group is the primary obligor who is responsible for providing goods and services to the customers and the Group bears the credit risk.

- *Amendments to PAS 28, Investments in Associates and Joint Ventures, 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. Retrospective application is required.

These amendments are not applicable to the Group since none of the entities within the Group are considered as venture capital organization or other qualifying entities.

- *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. Retrospective application of the amendments is not required and is only permitted if this is possible without the use of hindsight.

The adoption of these amendments did not result in any impact on the consolidated financial statements.

- *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 the date of the transaction for each payment or receipt of advance consideration. Retrospective application of this interpretation is not required.

The adoption of this interpretation did not result in any impact on the consolidated financial statements.

Standards Issued but not yet Effective

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

Effective beginning on or after January 1, 2019

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

Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income (OCI), provided that the contractual cash flows are SPPI on the principal amount outstanding (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

- *PFRS 16, Leases*

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

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

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

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

A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

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

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

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

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

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

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. The Group will adopt the amendments as it becomes applicable effective January 1, 2019.

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

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

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

PAS 28, *Investments in Associates and Joint Ventures*.

The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. The Group is currently assessing the impact of adopting this standard.

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

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

The interpretation specifically addresses the following:

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

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

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

- *Annual Improvements to PFRSs 2015-2017 Cycle*

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

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

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

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

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

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

An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments are not relevant to the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

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

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

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

Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its financial statements upon adoption.

Effective beginning on or after January 1, 2020

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

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

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

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

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

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

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

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

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

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

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

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

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

Deferred effectivity

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

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

On January 13, 2016, the FRSC deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of

accounting for such transactions and of other aspects of accounting for associates and joint ventures.

These amendments may apply to future transactions of the Group.

4. Summary of Significant Accounting and Financial Reporting Policies

Basis of Consolidation

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

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

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

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

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

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

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

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

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

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

Non-controlling Interests. Non-controlling interests represent the portion of profit or loss and net assets in Biohitech and ARWRI in 2018 and 2017 that are not held by the Group and are presented separately in the consolidated statements of comprehensive income and consolidated statements of financial position separate from equity attributable to equity holders of the parent.

An acquisition, transfer or sale of a non-controlling interest is accounted for as an equity transaction. No gain or loss is recognized in an acquisition of a non-controlling interest. If the Group loses control over a subsidiary, it: (i) derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interest and the cumulative translation differences recorded in equity; (ii) recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in the consolidated profit or loss; and (iii) reclassifies the Parent Company's share of components previously recognized in OCI to the consolidated profit or loss or retained earnings, as appropriate.

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

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

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

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method.

Initial Measurement

The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date, fair value, and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects to measure the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included as part of "General and administrative expenses" account in the consolidated statements of comprehensive income.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PAS 39 *Financial Instruments: Recognition and Measurement*, is measured at fair value with the changes in fair value recognized in the statements of profit or loss in accordance with PAS 39. Other contingent consideration that is not within the scope of PAS 39 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-

assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment

still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in consolidated profit or loss.

If the initial accounting for business combination can be determined only provisionally by the end of the period by which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the Group accounts for the combination using provisional values.

Adjustments to these provisional values because of completing the initial accounting shall be made within 12 months from the acquisition date. The carrying amount of an identifiable asset, liability or contingent liability that is recognized as a result of completing the initial accounting shall be calculated as if the asset, liability or contingent liability's fair value at the acquisition date had been recognized from that date. Goodwill or any gain recognized shall be adjusted from the acquisition date by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted.

Subsequent Measurement

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 or group of 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.

Acquisition of Assets

When assets are acquired, through corporate acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents an acquisition of a business.

When such an acquisition is not adjudged to be an acquisition of a business, it is not treated as a business combination. Rather, the cost to acquire the entity is allocated between the identified assets and liabilities of the entity based on their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred tax arises.

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statements of financial position based on current or noncurrent classification. An asset is current when it is:

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

All other assets are classified as noncurrent.

A liability is current when:

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

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities. Fair Value Measurement

The Group measures financial instruments and non-financial assets at fair value at each reporting date. Additional fair value related disclosures including fair values of financial instruments measured at amortized cost are disclosed in Note 30.

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

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

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

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

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

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

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

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

For assets and liabilities that are recognized in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and are subject to an insignificant risk of change in value.

Financial Instruments – Classification and Measurement (applicable starting January 1, 2018 upon the adoption of PFRS 9)

Classification of financial assets. Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Group's business model for managing the financial assets. The Group classifies its financial assets into the following measurement categories:

- financial assets measured at AC
- financial assets measured at FVTPL
- financial assets measured at FVOCI, where cumulative gains or losses previously recognized are reclassified to profit or loss
- financial assets measured at FVOCI, where cumulative gains or losses previously recognized are not reclassified to profit or loss

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

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

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

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

Financial assets at amortized cost

A financial asset is measured at amortized cost if (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the EIR method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in 'Interest income' in the statement of income and is calculated by applying the EIR to the gross carrying amount of the financial asset, except for (i) purchased or originated credit-impaired financial assets and (ii) financial assets that have subsequently become credit-impaired, where, in both cases, the EIR is applied to the amortized cost of the financial asset.

The Group's financial assets at AC includes cash in banks, receivables, and deposits. Financial assets at fair value through other comprehensive income

(FVOCI)

Debt instruments. A debt financial asset is measured at FVOCI if (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment losses or reversals, interest income and foreign exchange gains and losses are recognized in consolidated profit and loss until the financial asset is derecognized. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. This reflects the gain or loss that would have been recognized in consolidated profit or loss upon derecognition if the financial asset had been measured at amortized cost. Impairment is measured based on the ECL model.

As of December 31, 2018, the Group elected to classify irrevocably all debt instruments as financial assets at FVOCI.

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

As of December 31, 2018, the Group elected to classify irrevocably all equity instruments as financial asset at FVOCI.

Financial assets at fair value through profit or loss (FVTPL)

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

comprehensive income.

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

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

The Group does not have financial assets at FVTPL.

Classification of financial liabilities

Financial liabilities are measured at AC, except for the following:

- financial liabilities measured at FVTPL;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the Group retains continuing involvement;
- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate; and
- contingent consideration recognized by an acquirer in accordance with PFRS 3.

A financial liability may be designated at FVTPL if it eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) or:

- if a host contract contains one or more embedded derivatives; or
- if a group of financial liabilities or financial assets and liabilities is managed and its performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Where a financial liability is designated at FVTPL, the movement in fair value attributable to changes in the Group's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income.

Reclassifications of financial instruments (applicable starting January 1, 2018 upon the adoption of PFRS 9)

The Group reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Group and any previously recognized gains, losses or interest shall not be restated. The Group does not reclassify its financial liabilities.

Impairment of Financial Assets (applicable starting January 1, 2018 upon the adoption of PFRS 9)

PFRS 9 introduces a single, forward-looking "expected loss" impairment model, replacing the "incurred loss" impairment model under PAS 39.

The Group recognizes ECL for the following financial assets that are not measured at FVTPL:

- debt instruments that are measured at AC and FVOCI;
- contract assets;
- trade receivables;
- loan commitments; and
- financial guarantee contracts.

No ECL is recognized on equity investments.

ECLs are measured in a way that reflects the following:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

Stage 1: 12-month ECL. For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date are recognized.

Stage 2: Lifetime ECL – not credit-impaired. For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.

Stage 3: Lifetime ECL – credit-impaired. Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.

Loss allowance

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

For all debt financial assets other than trade receivables, ECLs are recognized using the general approach wherein the Group tracks changes in credit risk and recognizes a loss allowance based on either a 12-month or lifetime ECLs at each reporting date.

Loss allowances are recognized based on 12-month ECL for debt investment securities that are assessed to have low credit risk at the reporting date. A financial asset is considered to have low credit risk if:

- the financial instrument has a low risk of default
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers certain debt investment securities to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Determining the stage for impairment. At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

Exposures that have not deteriorated significantly since origination, or where the deterioration remains within the Group's investment grade criteria are considered to have a low credit risk. The provision for credit losses for these financial assets is based on a 12-month ECL. The low credit risk exemption has been applied on debt investments that meet the investment grade criteria of the Group from the time of origination.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

Write-off policy

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through agreement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

Financial liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts of a financial liability or part of a financial liability extinguished or transferred to another party and

the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statements of comprehensive income. Otherwise, where the net present value of the cash flows under the new terms discounted using the effective interest rate of the original debt is less than 10 percent different from the discounted present value of the remaining cashflows of the original debt instrument, the financial liability is not derecognized.

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

Offsetting of Financial Instruments

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

Inventories

Inventories include real estate inventories, food and beverages inventory, and gamefowls, which are valued at the lower of cost and net realizable value (NRV).

Real Estate Inventories

Real estate inventories include completed projects of the Group, and are stated at the lower of cost and net realizable value. Cost of real estate inventories pertains to the cost of land. Real estate inventories include properties held for development, completed condominium units for sale and memorial lots 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

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Group’s investment in its associate and joint venture are accounted using the equity method.

Under the equity method, the cost of investment in associates and a joint venture is carried in the consolidated balance sheet at cost plus post acquisition changes in the Group’s share of net assets of the associates and the joint venture. Goodwill, if any, relating to associates or a joint venture is included in the carrying amount of the investment and is not amortized or separately tested for impairment. The consolidated statements of comprehensive income reflects the share of the results of operations of the associates and joint venture. Where there has been a

change recognized directly in the equity of the associates and the joint venture, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statements of changes in equity. Unrealized profits or losses resulting from transactions between the Group and the associates and joint venture are eliminated to the extent of the interest in the associates and joint venture.

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

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associates or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associates or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates or joint venture and its carrying value, and then recognizes the loss as "Equity in net earnings (losses) of associates and joint ventures" in the consolidated statements of comprehensive income.

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

For interest in joint operation, the Group accounts for each assets, liabilities, revenue, share in revenue and expense separately. The Group would recognize in relation to its interest its:

- Assets which include real estate inventories, developed office units and retail development units presented under "Investment Properties" account.
- Liabilities, including its share of any liabilities jointly incurred, recorded as "Accrued Expenses"
- Revenue from the sale of its share of the real estate inventories, recorded as "Real Estate Revenue"
- Share of the revenue from services rendered jointly, recorded as part of the "Rental Income"
- Expenses, including its share of expenses incurred jointly, recorded as part of "Selling Expenses"

These joint operations do not involve the establishment of a corporation, partnership or other entity, or a financial structure that is separate from the operators themselves. Each operator has control over its share of future economic benefits through its share of the results of the joint operation.

Property and Equipment

Property and equipment, except land, is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Land is stated at cost less any impairment in value.

The initial cost of property and equipment comprise of its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Such cost also includes the cost of replacing part of the property and equipment and borrowing cost for long-term construction projects if the recognition criteria are met, and any obligation related to the retirement of the asset. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance and overhaul costs, are generally recognized in the consolidated statements of comprehensive income in accordance with the accounting policy. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be

obtained from the use of an item of property and equipment. When significant parts of property and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. When assets are sold or retired, their costs and accumulated depreciation, amortization and impairment losses, if any, are eliminated from the accounts and any gain or loss resulting from their disposal is included in the consolidated statements of comprehensive income of such period.

Depreciation commences when an asset is in its location and in a condition capable of being operated in the manner intended by the management. Depreciation ceases at the earlier of the date that the asset is classified as held for sale in accordance with PFRS 5, *Non-current Asset held for Sale and Discontinued Operations*, and the date the asset is derecognized.

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

	No. of Years
Land improvements	5 to 25
Building and improvements	5 to 25
Machinery and equipment	3 to 10
Transportation equipment	5 to 10
Furniture and fixtures	5

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

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation and amortization is charged to current operations.

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

Construction in progress is stated at cost, net of accumulated impairment losses, if any. This includes cost of construction and other direct costs. Construction in progress is not depreciated until such time as the relevant assets are completed and are available for use.

Borrowing Costs

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

Investment Properties

The Group's investment properties consist of land that is not used in operations and land and building held for lease. Investment properties are measured initially at cost, including transaction costs. The revalued amount of the land is taken as its deemed cost in accordance with PFRS 1 as of the date of adoption.

Investment properties, except land, are subsequently measured at cost less accumulated depreciation and any accumulated impairment in value. Land is subsequently carried at cost less any impairment in value.

Depreciation of investment properties commences once they become available for use and is calculated on a straight-line method over the estimated useful life of 25 years.

Depreciation ceases at the earlier of the date that the asset is classified as held for sale in accordance with PFRS 5 and the date the asset is derecognized. The estimated useful life and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from the items of investment property.

Investment properties are derecognized either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in consolidated profit or loss in the period of derecognition.

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

Franchise Fee

The franchise fee, presented as part of "Other noncurrent assets" in the consolidated statements of financial position, is accounted for at cost less accumulated amortization and any accumulated impairment in value. Costs incurred for the renewal of the Parent Company's franchise for another 25 years starting November 23, 1997 have been capitalized and are amortized over the period covered by the new franchise. The carrying value of the franchise is reviewed for impairment when there are indicators of impairment and any impairment loss is recognized in the consolidated profit or loss.

Impairment of Nonfinancial Assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognized in the consolidated statements of comprehensive income categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognized in OCI up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying value of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the profit or loss. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Capital Stock and Additional Paid-in Capital

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

When the shares are sold at a premium, the difference between the proceeds and the par value is credited to "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Parent Company, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Retained Earnings

Retained earnings are the result of Group's accumulated profits or losses, declaration of dividends and the effects of retrospective application or retrospective restatement recognized in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

Unappropriated retained earnings represent the portion which is free and can be declared as dividends to stockholders, after adjustments for any unrealized items, which are considered not available for dividend declaration.

Dividend Distribution

Dividends are recognized as a liability and deducted from equity when declared by the BOD of the Company. Dividends for the year that are declared after the reporting date are dealt with as a non-adjusting event after the reporting date.

Earnings per Share (EPS)

Basic EPS is computed by dividing the net income for the year attributable to equity holders of the Parent Company by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year, if any.

Diluted EPS is calculated by dividing the net income attributable to equity holders of the Parent Company (after adjusting for interest on the convertible preference shares) by the weighted average number of common shares outstanding during the year plus the weighted

average number of common shares that would be issued on conversion of all the dilutive potential common shares into common shares.

The Parent Company currently does not have potential dilutive common shares.

Revenue Recognition (applicable starting January 1, 2018 upon the adoption of PFRS 15) Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when payment is being made.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment, excluding incentives, output tax, and other sales taxes or duties.

The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as an agent in its club racing and cockfighting operations and as principal in all other arrangements (i.e., real estate sales and rental services).

Commission income from club races

Revenue is recognized at a point in time based on a percentage of 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 at a point in time based on a percentage of gross receipts from ticket sales of cockfighting operations.

Revenue from food and beverages

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

Real estate sales

The Parent Company derives its real estate revenue from sale of condominium units and memorial lots. Revenue from sales of real estate projects from the joint venture are recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, the Parent Company's performance does not create an asset with an alternative use and the Parent Company has an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the Parent Company uses the output method. The Parent Company recognizes revenue on the basis of direct measurements of the value to customers of the goods or services transferred to date, relative to the remaining goods or services promised under the contract. Progress is measured using survey of performance completed to date. This is based on the monthly project accomplishment report prepared by the third-party surveyor as approved by the construction manager which integrates the surveys of performance to date of the construction activities for both sub-contracted and those that are fulfilled by the developer itself.

Any excess of progress of work over the right to an amount of consideration that is unconditional, recognized as residential and office development receivables, under trade receivables, is included in the "contract asset" account in the asset section of the consolidated statement of financial position.

Any excess of collections over the total of recognized trade receivables and contract assets is included in the "contract liabilities" account in the liabilities section of the consolidated

statement of financial position.

The real estate projects were already completed as of December 31, 2018.

Cost recognition

The Group recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets such as land. These costs are allocated to the saleable area, with the portion allocable to the sold area being recognized as costs of sales while the portion allocable to the unsold area being recognized as part of real estate inventories.

Rental income from stables, building and other facilities

Revenue from the lease of stables, building and other facilities is recognized in the consolidated statements of comprehensive income on a straight-line basis over the lease term.

Interest income

Revenue is recognized as the interest accrues taking into account the effective yield on the asset.

Dividend income

Revenue is recognized when the Parent Company's right to receive the payment is established, which is generally when the shareholders approves the dividend.

Cost of Sales and Services and Expenses

Cost of club races, cost of cockfighting, cost of rental services and expenses are recognized in the consolidated statements of comprehensive income at the date they are incurred.

General and administrative expenses constitute cost of administering the business. Selling expense pertains to the marketing fees related to the real estate sales.

Other Comprehensive Income (OCI)

Items of income and expense (including items previously presented under the consolidated statements of changes in equity) that are not recognized in the profit or loss for the year are recognized as OCI and are presented as OCI in the consolidated statements of comprehensive income.

The OCI of the Group pertains to gains and losses on remeasuring AFS financial assets/financial assets at FVOCI and actuarial gains (losses) on remeasurement of retirement plan.

Retirement Benefits Cost

The Parent Company has noncontributory funded defined benefit plans, administered by trustees, covering substantially all of its regular employees.

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

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

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

periodically by independent qualified actuaries.

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

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

Plan assets are assets that are held by a long-term employee benefit fund 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 an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease. Operating lease payments are recognized as an operating expense in the consolidated statements of comprehensive income on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as an operating lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as revenue in the period in which they are earned.

Taxes

Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

For income tax purposes, full revenue recognition on real estate sales is applied when more than 25% of the contract price has been collected in the year of sale; otherwise, the installment method is applied, where real estate sales are recognized based on collection multiplied by the gross profit rates of the individual sales contracts.

Deferred tax

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

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

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

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

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

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

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

Deferred tax relating to items recognized outside consolidated statements of comprehensive income is recognized outside consolidated statements of comprehensive income. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax

assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Value Added Tax (VAT)

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

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

Foreign Currency Denominated Transactions and Translations

Transactions denominated in foreign currency are recorded using the exchange rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rate at reporting date. All foreign exchange gains and losses are recognized in the consolidated statements of comprehensive income.

Provisions

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

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

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are in the notes to consolidated financial statements disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on the Group's operating segments is presented in Note 28 to the consolidated financial statements.

Events after the Reporting Date

Events after the reporting date that provide additional information about the Group's financial position at the reporting date (adjusting events), if any, are reflected in the consolidated financial statements. Events after the reporting date that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

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 and Techsystems since the Group has the power to appoint representatives to the BOD of MIC and Techsystems to participate in the financial and operating policy decision (see Note 1).

Determination of joint venture or joint operation

A joint operation is a joint arrangement whereby the parties that have joint control of the

arrangement (i.e., joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e., joint venturers) have rights to the net assets of the arrangement.

Management has determined that arrangement for ventures with Avida Land Corporation (Avida), Alveo Land Corporation (Alveo) and Century Communities Corporation (CCC) are classified as joint operations since the Group have rights to the assets and obligations for the liabilities relating to the arrangement and not to the net assets of the arrangement.

Determination 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 (see Notes 1 and 12).

Classification of leases

Management exercises judgment in determining whether substantially all the significant risks and rewards of ownership of the leased assets are transferred to the Group. Lease agreements which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased items are accounted for as finance leases. Otherwise, these are considered as operating leases.

a. Operating lease commitments - the Group as a lessor

The Group has entered into lease agreements on certain items of its property and equipment and investment properties. The Group has determined that it retains all the significant risks and rewards of ownership of these properties. i.e. ownership of the assets remains with the Group at the end of the lease terms. Accordingly, the lease agreements are accounted for as operating leases (see Notes 12 and 29).

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 (see Note 29).

Impairment of noncurrent nonfinancial assets

The Group assesses at each reporting date whether there is any indication that its interest in associates and joint ventures, advances to an associate, property and equipment, investment properties and franchise fee may be impaired. Indication of impairment includes: (a) decline in the asset's market value that is significantly higher than would be expected from normal use; (b) evidence of obsolescence or physical damage; (c) internal reports indicate that the economic performance of the asset will be worse than expected; etc. If such indication exists, the entity shall estimate the recoverable amount of the asset, which is the higher of an asset's or CGU's fair value less costs to sell and its value in use.

Transfer of inventories to investment property

The Parent Company treats condominium units held as inventory transferred to investment property on the commencement of an operating lease with a third party. The inventory will be transferred to investment property when, and only when, there is a change in use evidenced by commencement of an operating lease to another party.

During 2018, the Parent Company reclassified the condominium units previously recognized as inventory to investment property amounting to ₱5.5 million.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation and uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Provision for ECL of financial assets (applicable starting January 1, 2018 upon the adoption of PFRS 9)

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for its receivables from real estate.

The provision matrix is initially based on the Group's historical observed default rates. The Group shall calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward- looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of actual default in the future.

Provision for ECL of financial assets not held at FVPL (applicable starting January 1, 2018 upon the adoption of PFRS 9)

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

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

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has

been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group's debt instruments at fair value through OCI comprise solely of quoted bonds that are graded in the top investment category, a reputable credit rating agency and, therefore, are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from a reputable credit rating agency both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

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

Determination of NRV of real estate inventories

The Group's estimates of the NRVs of real estate inventories are based on the most reliable evidence available at the time the estimates are made of the amount that the inventories are expected to be realized. These estimates consider the fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. A new assessment is made of the NRV in each subsequent period. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is a clear evidence of an increase in NRV because of change in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised NRV.

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.

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 2019 and 2018. As of June 30, 2019, and December 31, 2018 the carrying amount of depreciable property and equipment are disclosed in Note 11 to the consolidated financial statements. The carrying amount of depreciable investment property as of June 30, 2019 and December 31, 2018 are disclosed in Note 12 to the consolidated financial statements.

Provisions

The Group provides for present obligations (legal or constructive) where it is probable that there will be an outflow of resources embodying economic benefits that will be required to settle said obligations. An estimate of the provision is based on known information at the reporting date, net of any estimated amount that may be reimbursed to the Group.

No provisions were recognized as of June 30, 2019 and December 31, 2018.

Recognition of deferred tax assets

The Group reviews the carrying amount of the deferred tax assets at each reporting date and adjusts to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

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 20 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, 2019, and December 31, 2018, the carrying value of accrued retirement benefits are disclosed in Note 20 to the consolidated financial statements.

6. Cash and Cash Equivalents

This account consists of:

	JUN 2019	DEC 2018
Cash on hand	₱27,694,765	₱26,183,225
Cash in banks	360,482,674	296,163,811
Cash equivalents	10,000,000	10,000,000
	₱398,177,439	₱332,347,036

Cash in banks generally earns interest at the respective bank deposit rates. Cash equivalents are short-term deposits made for varying periods of up to three months and earn interest at the respective short-term deposit rates. Interest income earned amounted to ₱0.3 million and ₱0.9 million for the periods ended June 30, 2019 and 2018, respectively (see Note 21).

7. Receivables

This account consists of:

	JUN 2019	DEC 2018
Trade		
Real estate receivables - current portion	₱66,376,549	₱66,479,721
Rent receivables (Notes 11, 12 and 29)	17,275,447	17,358,859
Receivables from off-track/off-cockpit betting (OTB/OCB) operators	7,366,171	4,442,505
Receivables from food and beverage operations	4,176,377	4,423,786

Non-trade

Advances and loans to officers and employees (Note 25)	20,004,318	24,754,227
Receivable from third parties	6,060,590	20,428,691
Due from related parties (Note 25)	5,027,071	5,018,137
Dividends receivable (Note 10)	4,247,397	4,739,449
Receivable from contractors	1,778,413	5,803,672
Advances to suppliers	895,267	16,011,079
Others	2,383,870	7,138,738
	135,591,470	176,598,864
Less ECL/allowance for doubtful accounts	35,350,908	35,350,908
	₱100,240,562	₱141,247,956

Real Estate Receivables

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

	JUN 2019	DEC 2018
Current	₱66,376,549	₱66,479,721
Noncurrent	40,898,785	61,541,708
	₱107,275,334	₱128,021,429

Real estate receivables, which are collectible in monthly installments, represent noninterest-bearing receivables with average term ranging from two to three years. Titles to condominium properties are not transferred to the buyers until full payment is made.

Interest income from accretion of real estate receivables amounted to ₱2.6 million and ₱8.0 million for the periods ended June 30, 2019 and 2018, respectively (see Note 21).

Advances and Loans to Officers and Employees

The Parent Company grants salary loans and advances to its officers. The loans bear an average interest rate of 9% per annum. Interest income earned on advances and loans to officers and employees amounted to ₱0.4 million for the periods ended June 30, 2019 and 2018 (see Note 21).

Advances to Suppliers

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

Receivable from Third Parties

Receivable from third parties bear an interest of 12% per annum and are generally settled within 30-90 day term.

Other Receivables

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

ECL/Allowance for Doubtful Accounts

Movements in the allowance for doubtful accounts are summarized below:

	JUN 2019		
	Trade	Nontrade	Total
Balance at beginning of year	₱24,020,769	₱12,373,195	₱36,393,964
Provision during the year (Note 17)	12,544,700	1,861,909	14,406,609
Amounts written off during the year	(15,443,165)	–	(15,443,165)
Recovery of doubtful accounts	–	(6,500)	(6,500)
Balance at end of period	₱21,122,304	₱14,228,604	₱35,350,908

	DEC 2018		
	Trade	Nontrade	Total
Balance at beginning of year	₱24,020,769	₱12,373,195	₱36,393,964
Provision during the year (Note 17)	12,544,700	1,861,909	14,406,609
Amounts written off during the year	(15,443,165)	–	(15,443,165)
Recovery of doubtful accounts	–	(6,500)	(6,500)
Balance at end of year	₱21,122,304	₱14,228,604	₱35,350,908

8. Inventories

This account consists of:

	JUN 2019	DEC 2018
Real estate:		
Land held for development - at cost	₱38,189,898	₱38,189,898
Memorial lots for sale - at net realizable value	6,489,904	6,489,908
Condominium units for sale - at cost	3,880,628	3,880,628
Residential units for sale - at cost	2,960,551	2,783,562
	51,520,981	51,343,992
Gamefowls - at cost	1,223,492	2,448,000
Food and beverages - at cost	636,077	781,227
	₱53,380,550	₱54,573,219

Condominium units for sale and residential units for sale pertain to the completed condominium and residential projects of the Parent Company. In 2019 and 2018, revenue from real estate pertains to sale of completed condominium units and memorial lots.

The movements in the real estate inventories account are as follows:

	JUN 2019	DEC 2018
Balance at beginning of year	₱51,343,992	₱51,343,992
Cost of real estate sold (Note 16)	176,989	(11,162,675)
Reclassification (Note 12)	–	(5,540,316)
Balance at end of period	₱51,520,981	₱51,343,992

In 2019 and 2018, no impairment loss was recognized.

The Parent Company entered into agreements with certain real estate developers to develop their properties located in Sta. Cruz, Manila and Carmona, Cavite into condominium units and residential complexes. Significant provisions of the agreements are discussed below.

Condominium units for sale

On February 26, 2005, the Parent Company entered into Joint Development Agreements (JDAs) with Avida and Alveo for the development of 5.2 hectares and 1.3 hectares (the "Project Areas"), respectively, of the Parent Company's 11.6-hectare property located in Sta. Cruz, Manila, into a primary residential complex consisting of condominium buildings and townhouses (the "Project").

Under the JDAs, the Parent Company agreed and contributed its rights, title and interest in the

Project and the Project Areas, while Avida and Alveo agreed and provided the necessary capital to finance the Project and expertise to develop the Project Areas. In return for their respective contributions to the Project, the Parent Company, Avida and Alveo received their respective allocation as described in the JDAs.

Towers 1 to 5 of Avida and Towers 1 and 2 of Alveo are fully completed as of December 31, 2018. The construction of Tower 3 of Alveo is 100.00% complete as of December 31, 2018.

Residential units for sale

On February 24, 2004, the Parent Company entered into an agreement with CCC for the development of 17.09 hectares of the Parent Company's 33-hectare property in Carmona, Cavite into an exclusive residential subdivision with some commercial areas. As of December 31, 2018, the project is 100% complete.

Marketing expense, presented as "Selling expense" in the consolidated statements of comprehensive income, is the share of the Parent Company in the marketing cost pertaining to real estate operations. The amount of marketing cost for the periods ended June 30, 2019 and 2018 amounted to nil and ₱1.5 million, respectively (see Note 16).

Gamefowls

The movements in the gamefowl inventory account are as follows:

	JUN 2019	DEC 2018
Balance at beginning of year	₱2,448,00	₱2,651,000
Purchases	49,699,153	39,976,555
Cost of gamefowls used (Note 16)	(50,923,661)	(40,179,555)
Balance at end of period	₱1,223,492	₱2,448,000

There were no write-down of inventories in 2019 and 2018.

9. Other Current Assets

This account consists of:

	JUN 2019	DEC 2018
Prepaid expenses	₱8,694,136	₱5,195,100
Prepaid income tax	5,756,537	79,347
Input VAT	4,386,590	2,865,044
Deposit	224,206	174,206
Deferred Input VAT	-	698,818
Others	19,995	798,752
	₱19,081,463	₱9,811,267

Prepaid expenses include prepayments made for insurance and licenses. Others include fuel and oil and rental deposit.

10. Investments in and Advances to Associates and Joint Ventures

This account consists of:

	JUN 2019	DEC 2018
Cost	₱2,312,510,445	₱2,312,510,445
Equity in net losses of associates and joint ventures		
Beginning balance	(417,690,108)	(260,468,835)
Equity in net losses during the period	(50,816,289)	(133,821,849)
Share on dividends declared	(10,960,900)	(23,399,424)
	(479,467,297)	(417,690,108)
Advances to an associate	291,233,646	1,894,820,337
	₱2,124,276,794	₱2,132,053,983

	JUN 2019	DEC 2018
Investment in associates		
MIC	₱1,778,402,735	₱1,844,622,146
Techsystems	-	-
	1,778,402,735	1,844,622,146
Investment in joint ventures		
Gamespan	9,792,161	9,792,161
SLBPO	44,848,251	40,406,030
	54,640,412	50,198,191
Advances to an associate	291,233,646	1,894,820,337
	₱2,124,276,794	₱2,132,053,983

Investment in and Advances to Associates

MIC. Investment in MIC pertains to the Group's 22.31% interest in MIC as of June 30, 2019 and December 31, 2018. MIC started its commercial operations on January 6, 2016. The movements and details of the accounts are as follows:

	JUN 2019	DEC 2018
Investment in associate	₱2,081,855,792	₱2,011,056,348
Equity in net losses of the associate	(66,219,411)	(166,434,202)
	1,778,402,735	1,844,622,146
Advances to an associate	291,233,646	237,233,646
	₱2,069,636,381	₱2,081,855,792

Advances to MIC pertains to deposit for future stock subscriptions. The summarized financial information of MIC is as follows:

	JUN 2019	DEC 2018
Current assets	₱374,097,521	₱758,436,370

Noncurrent assets	5,751,650,614	5,942,138,475
Current liabilities	1,229,901,812	1,415,410,010
Noncurrent liabilities	4,149,702,734	4,242,646,586
Equity	746,143,589	1,042,518,249
Income	346,309,993	623,563,695
Expenses	643,145,795	1,369,623,942
Net loss	296,835,802	746,060,247

On April 12, 2018, the BOD of MIC approved the conduct of a stock rights offering in order to raise additional capital. The total number of shares to be issued is 1,587,202,910 common shares and the stock offer price shall be ₱1.00 per share. The entitlement ratio shall be one (1) rights share for every two (2) common shares held as of record date.

On September 17, 2018, the BOD approved the offer price for the rights shall be ₱1.00 per rights share, if paid in full upon submission of the application to subscribe and ₱2.00 per right share, if paid on installment basis.

Significant Contracts between MIC and PAGCOR

The following are the significant contracts between MIC, an associate, and PAGCOR:

a) Permit to Operate granted to MIC

On March 18, 2010, MIC was granted a Permit to Operate (PTO) by PAGCOR for the establishment, maintenance and operation of PAGCOR San Lazaro. The PTO shall be for a period of fifteen (15) years commencing on January 6, 2016, the date of actual operation of PAGCOR San Lazaro. MIC's management assessed that MIC is the operator of PAGCOR San Lazaro, in accordance with the provision of the PTO.

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

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

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

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

b) Traditional Bingo Operation

On January 19, 2015, MIC was granted by PAGCOR the right to operate a traditional bingo operation at Winford Hotel and Casino. The terms of the bingo operation shall be

coterminous with the term of the PTO. Under the agreement, MIC shall remit monthly to PAGCOR 15% of the total gross receipt from sale of bingo tickets and cards, including electronically stored bingo cards played through an electronic device, instant game tickets and bingo game variant cards.

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

- c) Junket Agreement granted to Trafalgar Square and Leisure Corp. (a wholly owned subsidiary of MIC) (TSLC)

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

In consideration of the grant by PAGCOR, TSLC shall pay PAGCOR higher of (a) a monthly Minimum Guarantee Fee of US\$10 thousand per table or (b) ten percent (10%) of the monthly gross winnings generated from the junket gaming operations. In addition to the monthly fee, TSLC shall remit five percent (5%) of the Monthly Gross Winnings of the Junket Gaming Operations to PAGCOR as Franchise Tax.

TSLC shall also deposit to PAGCOR the following:

- a) an amount equivalent to six (6) months of the Minimum Guarantee Fee of the Table Gaming Mix in the Junket Gaming Operation prior to the actual operation of the junket tables.
- b) an Administrative Charge Deposit in the amount equivalent to six months manpower cost of PAGCOR's Monitoring Team for the Junket Gaming Operation prior to the actual operation, which shall be made to cover TSLC's share in the cost of salaries and benefits of PAGCOR personnel assigned at the junket area in case the junket operations are suspended for reasons other than force majeure or fortuitous event.
- c) a cash bond in the amount of ₱1.0 million upon execution of the Junket Agreement in favor of PAGCOR to ensure and secure TSLC's compliance with the terms and conditions of the agreement and PAGCOR's pre-operating requirements.

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

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

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, 2019, and December 31, 2018, investment in Techsystems is fully provided with allowance. Techsystems has not yet started commercial operations as of June 30, 2019.

The summarized financial information of Techsystems is as follows:

	JUN 2019	DEC 2018
Total liabilities	₱5,184,317	₱5,184,317
Capital deficiency	(5,184,317)	(5,184,317)

Investment in Joint Ventures

Gamespan. Gamespan was incorporated on June 20, 2012 to operate and manage the totalizator hardware and software owned by the Parent Company, set-up new media infrastructure for offering and taking bets in horse racing and other sports. It shall also have the exclusive broadcast rights to all the races and other games operated by the Parent Company which it may distribute to different broadcasters to maximize viewership and participation. As of June 30, 2019, Gamespan has not yet started its commercial operations.

Reconciliation of the summarized financial information to the carrying amount of the interest in the joint venture recognized in the consolidated financial statements is as follow:

	JUN 2019	DEC 2018
Current assets	₱20,184,979	₱20,184,979
Noncurrent assets	29,167	29,167
Current liabilities	(629,824)	(629,824)
Equity	19,584,322	19,584,322
Percentage of ownership	50%	50%
	₱9,792,161	₱9,792,161

Equity investment in joint venture in Gamespan amounted to ₱9.8 million in 2019 and 2018. Equity in net earnings amounted to nil for the periods ended June 30, 2019 and 2018.

SLBPO. On December 12, 2008, the Parent Company entered into a Joint Venture Agreement (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 (see Note 12).

The movement of the equity in joint venture of the San Lazaro JV as of June 30, 2019 and December 31, 2018 is as follows:

	JUN 2019	DEC 2018
Balance at beginning of year	₱40,406,030	₱40,406,030
Equity in net earnings for the period	15,403,121	32,612,353
Share on dividends declared	(10,960,900)	(23,399,424)
Balance at end of period	₱44,848,251	₱40,406,030

Dividends receivable from the JV amounted to ₱4.2 million and ₱4.7 million as of June 30, 2019 and December 31, 2018, respectively.

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

	JUN 2019	DEC 2018
Current assets	₱317,593,749	₱300,750,720
Noncurrent assets	19,971,778	16,452,036
Current liabilities	118,341,181	113,460,146
Noncurrent liabilities	54,626,478	53,952,149

Equity	164,597,868	149,790,461
Dividends	36,536,331	77,998,078
Income	87,143,353	183,319,154
Expenses	35,799,615	74,611,310
Net income	51,343,737	108,707,844

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

	JUN 2019	DEC 2018
MIC	(P66,219,411)	(P166,434,202)
SLBPO	15,403,121	32,612,353
Gamespan	-	-
	(P50,816,289)	(P133,821,849)

As of June 30, 2019, and December 31, 2018, the Group has no share in any contingent liabilities or capital commitments.

11. Property and Equipment

Movements in this account are as follows:

JUN 2019

	January 1	Additions	Disposals	Reclassifications and adjustments	June 30
Cost					
Land	P304,869,383	P-	P-	P-	P304,869,383
Land improvements	349,904,869	-	-	-	349,904,869
Building and improvements	672,282,229	-	-	-	672,282,229
Machinery and equipment	581,148,687	6,434,585	-	-	587,583,272
Transportation equipment	45,034,816	14,887,396	-	-	59,922,212
Furniture and fixtures	33,198,923	221,200	-	-	33,420,123
	1,986,438,907	21,543,181	-	-	2,007,982,088
Accumulated depreciation					
Land improvements	212,920,601	7,606,263	-	-	220,526,864
Building and improvements	399,801,330	13,378,983	-	-	413,180,313
Machinery and equipment	511,291,037	11,969,540	-	(22,570)	523,238,007
Transportation equipment	33,336,500	2,728,673	-	-	36,065,173
Furniture and fixtures	27,352,759	1,052,861	-	-	28,405,620
	1,184,702,227	36,736,319	-	(22,570)	1,221,415,976
Net book value	801,736,680	(15,193,138)	-	-	786,566,112
Construction in progress	30,045,780	1,301,964	-	-	31,347,744
	P831,782,460	P13,891,174)	(P-)	P22,570)	P817,913,856

DEC 2018

	January 1	Additions	Disposals	Reclassifications and adjustments	December 31
Cost					
Land	P304,869,383	P-	P-	P-	C
Land improvements	347,422,587	12,946	-	2,469,336	349,904,869
Building and improvements	672,002,701	-	-	279,528	672,282,229
Machinery and equipment	558,027,885	23,180,110	(59,308)	-	581,148,687
Transportation equipment	42,243,675	2,891,964	(100,823)	-	45,034,816
Furniture and fixtures	31,390,116	1,808,807	-	-	33,198,923
	1,955,956,347	27,893,827	(160,131)	2,748,864	1,986,438,907
Accumulated depreciation					
Land improvements	196,229,945	16,690,656	-	-	212,920,601
Building and improvements	366,433,337	33,367,993	-	-	399,801,330
Machinery and equipment	488,474,113	22,855,652	(38,728)	-	511,291,037
Transportation equipment	29,627,711	3,790,520	(81,731)	-	33,336,500
Furniture and fixtures	25,205,852	2,146,907	-	-	27,352,759
	1,105,970,958	78,851,728	(120,459)	-	1,184,702,227

Net book value	849,985,389	(50,957,901)	(39,672)	2,748,864	801,736,680
Construction in progress	30,621,527	3,835,507	(1,662,390)	(2,748,864)	30,045,780
	₱880,606,916	(₱47,122,394)	(₱1,702,062)	₱-	₱831,782,460

Depreciation Charges

The amount of depreciation is allocated as follows:

	JUN 2019	JUN 2018
Cost of club races (Notes 16 and 18)	₱20,354,893	₱20,175,226
Cost of rental services (Notes 16 and 18)	9,946,948	9,237,721
General and administrative expenses (Notes 17 and 18)	4,230,511	4,205,466
Cost of cockfighting (Notes 16 and 18)	2,070,705	1,580,047
Cost of food and beverages (Notes 16 and 18)	133,262	185,134
	₱36,736,319	₱35,383,594

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 2019 and 2018. Undepreciated capitalized interest relating to land improvements, building and improvements and machinery and equipment as of June 30, 2019 and December 31, 2018 amounted to ₱29.8 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 2019 and 2018. The outstanding balance of ₱89.9 million as of June 30, 2019 and December 31, 2018 is included under "Accounts payable and other liabilities" in the consolidated statements of financial position.

In 2018, the Parent Company acquired new short-term loans amounting to ₱124.0 million. Certain loans are secured by real estate mortgages on the land in Carmona property. Short term loans and borrowings amounted to ₱253.0 million as of June 30, 2019 and of ₱288.6 million as of December 31, 2018.

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 ₱22.2 million and ₱23.1 million as of June 30, 2019 and December 31, 2018, respectively. Rent income from stable rentals for the periods ended June 30, 2019 and 2018 amounted to ₱21.3 million 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, 2019 and 2018.

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. In February 2017, the Parent Company renewed the lease agreement for a period of three (3) years.

Rent income from PAGCOR amounted to ₱0.7 million and ₱0.6 million for the periods ended June 30, 2019 and 2018, respectively.

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 expired on 2017. In May 2018, the Parent Company renewed the lease agreement with PAGCOR for five (5) years until May 2023.

Income from the lease agreement with PAGCOR amounted to ₱5.6 million and ₱6.9 million for the periods ended June 30, 2019 and 2018, respectively.

Impairment

The Parent Company recognized no impairment loss on the property and equipment used in its racing activities in 2019 and 2018.

12. Investment Properties

This account consists of:

	JUN 2019	DEC 2018
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	109,750,785	109,750,785
Mamburao property (Note 1)	128,430,457	128,430,457
Undivided interest in a parcel of land in Batangas	56,723,976	56,723,976
	892,705,490	892,705,490
Building:		
Developed office units (Note 10)	166,727,309	172,050,657
Retail development area (Note 10)	28,998,996	29,999,766
	195,726,304	202,050,423
	₱1,088,431,794	₱1,094,755,913

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

	JUN 2019		
	Land	Building	Total
Cost			
Balance at beginning of year	₱892,705,490	₱316,205,945	₱1,208,911,435
Additions	-	-	-
Balance at end of period	892,705,490	316,205,945	1,208,911,435
Accumulated Depreciation			
Balance at beginning of year	-	114,155,522	114,155,522
Depreciation (Notes 16 and 18)	-	6,324,119	6,324,119
Balance at end of period	-	120,479,641	120,479,641
Net Book Value	₱892,705,490	₱195,726,304	₱1,088,431,794

	DEC 2018		
	Land	Building	Total
Cost			
Balance at beginning of year	₱888,147,764	₱310,665,629	₱1,198,813,393
Additions	4,557,726	-	4,557,726
Condominium units held for lease (Note 8)	-	5,540,316	5,540,316
Balance at end of year	892,705,490	316,205,945	1,208,911,435
Accumulated Depreciation			
Balance at beginning of year	-	101,437,897	101,437,897
Depreciation (Notes 16 and 18)	-	12,717,625	12,717,625
Balance at end of year	-	114,155,522	114,155,522
Net Book Value	₱892,705,490	₱202,050,423	₱1,094,755,913

Depreciation amounting to ₱1.0 million for the periods ended June 30, 2019 and 2018 are included as part of "Cost of rental services".

Philippine Economic Zone Authority (PEZA) zones

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.

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 - 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.

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.

As of June 30, 2019, and December 31, 2018, 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.

For the periods ended June 30, 2019 and 2018, rental income amounted to ₱8.3 million and ₱8.1 million, respectively.

Undepreciated capitalized interest relating to the Building Complex as of June 30, 2019 and December 31, 2018 amounted to ₱5.3 million.

Fair Market Values

Management has assessed that there are no material changes in fair value of the Parent Company's investment properties aggregating to ₱5.2 billion as of December 31, 2018 based from the most recent revaluations performed by independent appraisers

Management also assessed that there are no material changes in fair value on the Mamburao property which approximates its carrying value of ₱128.4 million as of December 31, 2018 base from the most recent revaluations performed by independent appraisers.

Investment property was classified as Level 3 in as to the qualification of fair value hierarchy.

13. Other Noncurrent Assets

This account consists of:

	JUN 2019	DEC 2018
Financial assets at FVOCI / AFS financial assets		
Debt securities	₱25,083,403	₱25,083,403
Quoted equity securities	9,201,393	9,201,393
Deferred input VAT	13,890,275	13,538,829
Deposits	10,842,984	10,465,503
Franchise fee (Note 1)	6,311,839	7,208,839

Others	236,428	236,428
	₱65,566,321	₱65,734,395

Financial Assets at FVOCI / AFS Financial Assets

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

	JUN 2019	DEC 2018
Balance at beginning of year	₱34,284,796	₱35,199,339
Additions during the period	-	25,000,000
Disposal during the period	-	(27,265,460)
Unrealized mark-to-market losses during the period	-	1,350,917
Balance at end of period	₱34,284,796	₱34,284,796

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

	JUN 2019	DEC 2018
Balance at beginning of year	₱6,035,605	₱4,950,148
Impairment loss reclassified to profit or loss (Note 23)	-	-
Disposal during the period	-	(265,460)
Unrealized market-to-market gains (losses) during the period	-	1,350,917
Balance at end of period	₱6,035,605	₱6,035,605

Dividend income from these investments for the period ended June 30, 2019 and 2018 amounted to ₱0.05 million and ₱0.18 million, respectively.

Franchise Fee

Movements in the carrying amounts of franchise fee are shown below:

	JUN 2019	DEC 2018
Acquisition cost	₱44,850,000	₱44,850,000
Accumulated amortization:		
Balance at beginning of year	37,641,161	35,847,161
Amortization for the period (Note 16)	897,000	1,794,000
Balance at end of period	38,538,161	37,641,161
	₱6,311,839	₱7,208,839

Franchise fee has remaining amortization period of four (4) years as of December 31, 2018.

14. Short-term Loans and Borrowings

As of March 31, 2019, and December 31, 2018, outstanding balance of short-term loans and borrowings amounted to ₱271.0 million and ₱288.6 million, respectively. These loans bear average interest of 4.3% in 2019 and 2018. The promissory notes covering these loans have terms of one year or less and are renewed upon maturity.

The movements in the short-term loans and borrowings are as follows:

	JUN 2019	DEC 2018
Balance at beginning of year	₱288,636,040	₱234,000,000
Additions	-	124,000,000

Payments	(35,636,040)	(69,363,960)
Balance at end of period	₱253,000,000	₱288,636,040

In 2018, the Parent Company acquired new short-term loans amounting to ₱124.0 million. Certain loans are secured by real estate mortgages on the land in Carmona property with carrying value of ₱216.0 million as of December 31, 2018.

Interest expense on short-term loans amounted to ₱8.6 million and ₱4.2 million for the periods ended June 30, 2019 and 2018, respectively (see Note 22).

15. Accounts Payable and Other Liabilities

This account consists of:

	JUN 2019	DEC 2018
Accounts payable	₱73,524,248	₱92,012,605
Due to RALI (Note 11)	89,900,000	89,900,000
Percentage tax payable	57,788,722	45,923,182
Cash bond on OTB/OCB operators	37,234,772	34,130,421
Unclaimed winnings	27,282,249	21,206,678
Documentary stamps payable	22,626,236	25,262,379
Accrued expenses	18,621,856	22,636,407
Rental deposits	13,734,897	11,245,137
VAT payable	6,817,804	1,646,342
Dividends payable (Note 26)	5,974,351	5,974,351
Withholding taxes payable	3,301,172	4,474,568
Retention payable	1,978,343	1,978,343
Taxes on winnings	1,876,445	6,360,050
Due to contractors	1,683,538	1,683,538
Due to OTB operators	821,569	1,179,942
Due to winning horse owners	93,184	1,415,052
Others	12,522,057	19,120,753
	₱375,781,444	₱386,149,748

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

Cash bond on OTB/OCB operators serves as security deposits received by the Group from OTB/OCB operators at the inception of the operation. These are refunded to OTB/OCB operators upon termination of the OTB/OCB operations. Due to OTB/OCB operators are unpaid commissions to the operators that are settled within the next operating cycle.

In 2018, the Parent Company recognized gain on reversal of due to contractors amounting to ₱5.4 million.

16. Cost of Sales and Services

Cost of club races consists of:

	JUN 2019	JUN 2018
Personnel costs (Notes 19 and 20)	₱29,042,139	₱26,179,843
Depreciation (Notes 11 and 18)	20,354,893	20,175,226

Utilities	10,007,636	8,654,465
Commission	4,517,780	8,014,550
Taxes and licenses	460,551	6,429,666
Prizes and winnings	1,400,000	3,940,851
Contracted services	2,556,549	2,428,723
Rent (Note 29)	2,106,484	2,595,075
Transportation and travel	1,040,421	2,543,136
Repairs and maintenance	2,235,249	2,959,146
Meetings and conferences	957,453	2,135,741
Security services	1,331,204	1,025,893
Supplies	2,477,112	955,574
Gas, fuel and oil	321,988	785,185
Amortization of franchise fee (Note 13)	897,000	897,000
Software license	389,325	586,125
Others	2,229,356	3,195,813
	₱82,325,140	₱93,502,012

Cost of real estate sold amounted to (₱0.2) million and ₱6.6 million for the periods ended June 30, 2019 and 2018, respectively.

Cost of cockfighting consists of:

	JUN 2019	JUN 2018
Percentage tax	₱ 116,242,742	₱ 37,030,096
Breeders' subsidy	63,916,849	28,729,329
Commission	60,864,997	19,059,740
Gamefowls (Note 8)	50,923,661	8,618,500
Tellers allowances	13,610,220	4,682,363
Service costs	12,714,596	5,170,065
Rent	11,390,802	76,037
Professional fees	5,003,074	3,174,605
Communication	4,989,481	4,432,663
Supplies	5,346,327	2,307,148
Transportation and travel	3,328,002	2,015,814
Security services	2,542,289	962,955
Depreciation (Notes 11 and 18)	2,070,705	1,580,047
Taxes and licenses	1,656,892	1,018,303
Repairs and maintenance	1,634,797	311,546
Meetings and conferences	1,529,217	101,348
Fuel and oil	1,086,709	310,989
Others	6,945,402	3,379,533
	₱365,796,762	₱122,961,080

Cost of rental services consists of:

	JUN 2019	JUN 2018
Depreciation (Notes 11, 12 and 18)	₱10,947,718	₱10,238,492
Utilities	6,133,724	6,496,449
Personnel costs (Notes 19 and 20)	1,997,085	2,090,056
Contracted services	1,580,786	1,706,558
Security services	1,059,812	824,972
Software license	875,523	-
Repairs and maintenance	869,233	879,532
Franchise tax – gaming	278,776	358,664

Rent	301,523	435,075
Meetings and conferences	119,164	672,113
Others	653,670	703,015
	₱24,817,015	₱24,404,926

Cost of food and beverages consists of:

	JUN 2019	JUN 2018
Purchased stocks	₱7,735,492	₱7,756,950
Utilities	2,935,689	2,771,351
Personnel cost (Notes 19 and 20)	1,463,779	1,283,995
Contracted services	1,242,799	1,887,786
Meetings and conferences	416,376	377,371
Depreciation (Notes 11 and 18)	133,262	185,134
Supplies	102,124	23,559
Repairs and maintenance	73,534	104,590
Rent	5,287	245,730
Others	267,882	695,834
	₱14,376,223	₱15,332,300

17. General and Administrative Expenses

This account consists of:

	JUN 2019	JUN 2018
Personnel costs (Notes 19 and 20)	₱49,618,837	₱39,601,813
Taxes and licenses	27,471,743	11,360,546
Professional fees	12,094,032	9,190,375
Contracted services	9,780,423	9,959,176
Depreciation (Notes 11 and 18)	9,553,859	9,418,009
Rent (Note 29)	6,247,411	5,442,746
Utilities	5,759,191	6,025,705
Service fee	5,500,417	2,636,405
Repairs and maintenance	3,453,690	4,957,429
Directors' fee	4,525,286	791,000
Security services	5,149,437	4,089,427
Meetings and conferences	3,155,179	7,065,851
Gas, fuel and oil	1,639,740	2,292,887
Supplies	1,282,629	1,094,698
Transportation and travel	1,118,747	2,086,389
Advertising	937,588	1,076,649
Insurance	427,953	883,142
Membership dues	445,803	488,433
Semi-expendable equipment	339,221	181,938
Seminars and trainings	135,643	-
Tenants' reimbursements	2,376,868	7,913,331
Others	1,395,869	6,054,471
	₱152,409,567	₱132,610,420

18. Depreciation

This account consists of:

	JUN 2019	JUN 2018
Cost of club races (Notes 11 and 16)	₱20,354,893	₱20,175,226
Cost of rental services (Notes 11, 12 and 16)	10,947,718	10,238,492
General and administrative expense (Notes 11 and 17)	9,553,859	9,418,009
Cost of cockfighting (Notes 11 and 16)	2,070,705	1,580,047
Cost of food and beverages (Notes 11 and 16)	133,262	185,134
	₱43,060,437	₱41,596,908

19. Personnel Costs

This account consists of:

	JUN 2019	JUN 2018
Salaries and wages	₱66,389,384	₱57,500,342
Retirement benefits costs (Note 20)	6,835,480	4,250,365
Other employee benefits	8,918,356	7,405,000
	₱82,143,220	₱69,155,707

20. Retirement Benefits Costs

The Group 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 report as of December 31, 2018.

Movements in the accrued retirement benefits are as follows:

	JUN 2019	DEC 2018
Balance at beginning of year	₱55,944,377	₱39,858,117
Net retirement benefits costs for the period	6,600,000	9,861,125
Contributions for the period	(9,733,578)	(8,284,606)
Defined benefit income recognized in OCI	-	14,605,624
Benefits paid from book reserves	-	(95,883)
Balance at end of period	₱52,810,799	₱55,944,377

21. Interest Income

Interest income related to:

	JUN 2019	JUN 2018
Real estate receivables (Note 7)	₱2,574,638	₱7,975,274
Advances and loans to officers and employees (Note 7)	426,319	417,300
Cash and cash equivalents (Note 6)	285,376	866,617
	₱3,286,333	₱9,259,191

22. Finance Costs

Interest expense related to:

	JUN 2019	JUN 2018
Short-term loans (Note 14)	₱8,578,533	₱4,183,309
Bank charges and others	18,178	41,484
	₱8,596,711	₱4,224,793

23. Other Income - net

	JUN 2019	JUN 2018
Income from advertising campaign	₱6,136,446	₱3,001,160
Parking fees, venue rentals & other F&B service fees	3,274,286	578,822
Tenants' reimbursements	2,376,868	2,885,521
Income from subscriptions	1,033,031	495,278
Income from third parties	539,777	350,000
Entrance fee	190,161	217,143
Dividend income from financial asset at FVOCI/AFS financial assets (Note 13)	54,000	181,375
Foreign exchange loss -net	(6,675)	10,994
Income due to cancellations	-	123,899
Income from unclaimed winnings	-	814,205
Others - net	2,832,991	332,772
	₱16,430,884	₱ 8,991,169

Income from advertising campaign pertains to advertising placement rights granted by the Group to third parties. Others include various individually insignificant items of income and expenses.

24. Income Taxes

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

	JUN 2019	JUN 2018
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RCIT	₱36,198,591	₱9,293,290
MCIT	2,353,564	-
Final tax on interest income	56,405	172,483
	₱38,608,561	₱9,465,773

Biohitech and SLLPHI have no provision for income tax in 2019 and 2018.

25. 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 2019	DEC 2018	JUN 2019	DEC 2018		
Affiliates:							
Arco Management Development Corporation (AMDC)	Lease of office space ^(a)	₱6,409,169	₱13,177,504	₱3,696,019	₱-	Noninterest-bearing	Unsecured, unguaranteed
Advances from shareholders	Advances	-	-	(13,734,482)	(13,734,482)	Noninterest-bearing	Unsecured, unguaranteed
Associates:							
MIC	Advances ^(b)	-	-	4,982,104	4,982,104	Noninterest-bearing	Unsecured, no impairment
Techsystems	Advances ^(b)	8,833	8,833	44,967	36,033	Noninterest-bearing	Unsecured, no impairment

^(a)The Parent Company has a lease agreement with AMDC, an affiliate under common control, in the lease of office space and four parking lots (see Note 29).

^(b)Included in the "Receivables" account (see Note 7)

26. Equity

Capital Stock

The details of the Parent Company's capital stock as of June 30, 2019 and December 31, 2018 are as follows:

	Number of Shares	Amount
Common shares - ₱1 par value		
Authorized - 1,000,000,000 shares		
Issued and outstanding (held by 962 equity holders in 2018)	1,494,251,391	₱996,170,748
	1,494,251,391	₱996,170,748

On September 11, 2018, the BOD approved the increase of the Parent Company's authorized capital stock from ₱1.0 billion divided into one billion share with a par value of ₱1.00 per share to ₱2.0 billion divided into two billion shares with a par value of ₱1.00 per share.

Retained Earnings

In accordance with SEC Memorandum Circular No. 11 issued in December 2008, the Parent Company's retained earnings available for dividend declaration as of December 31, 2018 amounted to ₱1.1 billion.

Retained earnings account is restricted for the payment of dividends to the extent of the cost of shares

The deemed cost adjustment will be realized through sales for both real estate inventories

and land under investment properties. The amount of the deemed cost adjustment and undistributed earnings included in the balance of the unappropriated retained earnings are restricted and not available for dividend declaration.

On April 12, 2018, the BOD of the Parent Company approved the appropriations of the following:

- declaration of cash dividends of ₱0.05 per share or ₱49.8 million;
- payment for the subscription to Stock Rights Offering of its affiliate, MIC, amounting to ₱201.8 million; and
- payment for the subscription to the increase in the authorized capital stock of its subsidiary, MCI, amounting to ₱30.6 million.

As of December 31, 2018, appropriated retained earnings amounted to ₱282.2 million.

As of April 3, 2019, the BOD approved the reversal of appropriation of retained earnings amounting to 282.2 million.

Declaration of Dividends

The following are the details of the dividends declared in 2018 and 2017:

Type of Dividend	Date of Declaration	Date of Record	Dividends per Share
Cash	April 12, 2018	May 28, 2018	₱0.05
	June 30, 2017	July 18, 2017	0.05
Stock	December 7, 2018	May 17, 2019	50%

As of June 30, 2019, and December 31, 2018, outstanding dividends payable amounted to ₱6.0 million.

During the special stockholders' meeting held on December 7, 2018, the stockholders approved the declaration of 50% stock dividends from the Company's unrestricted retained earnings for the period ended December 31, 2017, to be taken from an increase in the Company's authorized capital stock. SEC approved the increase in capital stock on April 17, 2019.

27. Basic/Diluted EPS

Basic/diluted loss per share were computed as follows:

	JUN 2019	DEC 2018
Net income attributable to equity holders of the Parent Company	₱29,510,708	(₱133,765,093)
Divided by weighted average number of outstanding common shares	1,494,251,391	996,170,748
Basic/diluted earnings per share	₱0.0197	(₱0.1343)

The Parent Company does not have potential dilutive common shares as of March 31, 2019 and December 31, 2018. Therefore, the basic and diluted loss per share are the same as of those dates.

28. Operating Segment Information

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided. The Group's five reportable operating segments are the operation and maintenance of race tracks and holding of horse races, cockfighting operations, the development and sale of real estate properties, rental of stables, building and other facilities, and the food and beverage services provided in its casino and restaurant. No operating segments were aggregated to form these reportable operating segments. There have been no inter-segment sales and transfers. All sales and rendering of services are made to external customers and the Group does not have any major customers.

Management monitors the operating results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net income or loss and is measured consistently with the total comprehensive income in the consolidated financial statements.

As of June 30, 2019, and December 31, 2018, the Group has no transactions between reportable segments. The Group measures the segment net income or loss, segment assets and segment liabilities for each reportable segment in a manner similar to the measurement of the Group's total comprehensive income.

The Group's asset-producing revenues are located in the Philippines (i.e., one geographical location). Therefore, geographical segment information is no longer presented.

Segment Revenue and Expenses

The segment results for the periods ended June 30, 2019 and December 31, 2018 are as follows:

	JUN 2019						
	Club Races	Cockfighting	Real Estate	Rent	Food and Beverage	Unallocated	Total
Segment revenue	61,308,664	₱ 645,793,011	₱ 1,781,163	₱ 37,588,873	₱ 2,743,934	₱ 32,688,409	₱ 726,527,236
Cost and expenses	(82,325,140)	(365,796,762)	176,989	(24,817,015)	(14,376,223)	(172,348,058)	(659,486,209)
Income (loss) before income tax	(21,016,476)	279,996,249	1,958,152	12,771,858	(1,632,289)	(205,036,467)	67,041,027
Provision for income tax		(36,164,334)	-	-	-	(2,444,227)	(38,608,561)
Net income (loss)	(₱ 21,016,476)	₱ 243,831,915	₱ 1,958,152	₱ 12,771,858	(₱ 1,632,289)	(₱ 207,480,694)	₱ 28,432,466

	DEC 2018						
	Club Races	Cockfighting	Real Estate	Rent	Food and Beverage	Unallocated	Total
Segment revenue	₱ 141,697,231	₱ 593,872,171	₱ 118,744,266	₱ 77,720,936	₱ 25,984,620	₱ 21,252,785	₱ 979,272,009
Cost and expenses	(179,702,888)	(366,212,756)	(21,671,625)	(54,726,627)	(30,540,261)	(449,131,456)	(1,101,985,613)
Income (loss) before income tax	(38,005,657)	227,659,415	97,072,641	22,994,309	(4,555,641)	(427,878,671)	(122,713,604)
Provision for income tax	-	-	-	-	-	(16,322,791)	(16,322,791)
Net income (loss)	(₱ 38,005,657)	₱ 227,659,415	₱ 97,072,641	₱ 22,994,309	(₱ 4,555,641)	(₱ 444,201,462)	(139,036,395)

Finance costs, other income - net and income taxes are not allocated to individual segments as the underlying instruments are managed on a group basis and are not provided to the chief operating decision maker at the operating segment level. Equity in net earnings (losses) of associate and joint ventures are included in the segment revenue of operating segment "Unallocated." Pre-operating cost of certain subsidiaries are also included in cost and expense of operating segment "Unallocated".

29. 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%,

which expired on December 31, 2017. As of December 31, 2018, the lease contract is still under renewal.

On January 1, 2011, the Company entered into another lease agreement with AMDC for another office space. The lease is for the period of five years starting 2011 and has ended on

December 31, 2015. The contract was renewed for another five years from January 1, 2016 to December 31, 2020. The monthly rate of the lease for 2018 is ₱332,297, subject to an annual escalation rate of 5.0%.

b. Operating Lease Commitment with PAGCOR - the Parent Company as Lessor

In 2013, the Parent Company entered into a lease contract for three years commencing July 10, 2013 with PAGCOR to lease an area of 189.231 square meters (sqm.) for a monthly fixed rental of ₱510.51 per sqm. for its casino and related activities. The agreement expired on June 30, 2016. In February 2017, the Parent Company renewed the lease agreement for a period of three (3) years.

Rent income from PAGCOR for the periods ended June 30, 2019 and 2018 amounted to ₱0.7 million and ₱0.6 million, respectively.

c. In October 2013, the Parent Company entered into a lease agreement with PAGCOR to lease 1,427 sqm. property, with modern slot machines, including the rights to a proprietary system of linking and networking the said slot machines in Turf Club Bldg., San Lazaro Leisure Park, Carmona, Cavite. The Parent Company shall receive monthly variable rent equivalent to thirty- five percent (35%) of revenues less winnings/prizes and five (5%) franchise tax. The agreement expired on June 30, 2016. In May 2018, the Parent Company renewed the lease agreement with PAGCOR for five (5) years until May 2023.

Income from lease agreement with PAGCOR amounted to ₱5.6 million and ₱6.7 million for the periods ended June 30, 2019 and 2018, respectively.

d. In 2018, the Parent Company entered into a lease agreement with Datem Inc. for eight (8) months to lease an area of 16,719 sqm. in Sta. Cruz, Manila for a monthly fixed rental of ₱150,000, exclusive of VAT.

For the period ended June 30, 2019, income from this lease amounted to ₱0.9 million.

- e. In 2018, the Parent Company entered into various lease agreements for one year to lease condominium units in Alveo and Avida for a monthly fixed rental of ₱24,000 - ₱25,000 inclusive of VAT. The lease agreements are renewable for another one (1) year upon mutual agreements of both parties.

For the period ended June 30, 2019, income from this lease transaction amounted to ₱0.5 million.

f. Claims and Legal Actions

As of June 30, 2019, and December 31, 2018, there are pending claims and legal actions against or in favor of the Parent Company arising from the normal course of business, in addition to the matters already mentioned elsewhere in these consolidated financial statements. In the opinion of the Parent Company's management and its legal counsel, liabilities arising from these claims, if any, would not have any material effect on the Parent Company and any liability or loss arising therefrom would be taken up when the final resolution of the claims and actions are determined.

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. On January 17, 2017, PHILRACOM and Games and Amusement Board (GAB) filed a Petition for Review on Certiorari before the Supreme Court. As of June 30, 2019, the status is still pending before the Supreme Court.

30. Financial Risk Management Objectives and Policies

The Group's financial instruments comprise cash and cash equivalents (except cash on hand), receivables, financial assets at FVOCI/AFS financial assets, deposits, accounts payable and other liabilities, 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 (see Note 15).

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 financial assets at FVOCI.

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.

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.

31. Capital Management

The Group considers the total equity as its capital. The Group maintains a capital base to cover risks inherent in the business. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payments to shareholders, return capital to shareholders or issue capital securities.

The following table summarizes the total capital considered by the Group:

	JUN 2019	DEC 2018
Capital stock	₱ 1,494,251,391	₱996,170,748
Additional paid-in capital	27,594,539	27,594,539
Net cumulative changes in fair values of AFS		
financial assets	4,620,965	4,620,965
Remeasurement on retirement benefits	17,413,770	17,413,770
Retained earnings	2,201,954,149	2,670,524,084
Treasury shares	(7,096)	(7,096)
Noncontrolling interest	60,297,169	61,375,411
	₱3,806,124,887	₱3,777,692,421

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

32. Other Matters

On April 2, 2018, MCI was informed of the filing of House Bill No. 7368, *"An Act Granting Manila Cockers Club, Inc., a Franchise to Construct, Operate and Maintain Cockpit Arenas in the Provinces of Cavite, Laguna or Batangas; and To Establish, Operate, Maintain Off-Cockpit Betting Stations Throughout the Philippines" (the "Franchise Bill")*.

As of May 15, 2019, the bill is still pending before the House of Representatives under its Committee of Legislative Franchises.

MANAGEMENT DISCUSSION & ANALYSIS OF PLAN OF OPERATIONS**Discussion on Operating Results for the Periods Ended June 30, 2019 and 2018****Revenues**

Income from club races decreased by ₱17.5 million from ₱78.8 million for the period ended June 30, 2018 to ₱61.3 million for the same period in 2019. There were fifty (50) racing days from January to June 2019 compared to fifty-four (54) for the same period in 2018.

Income from cockfighting operations for the period June 30, 2019 amounted to ₱645.8 million and ₱205.7 million for the same period in 2018 or an increase of ₱440.1 million. The cockfighting operation has become fully operational and revenue is increasing as a result of increase in the number of cockfights or derbies as well as cockfighting days. Fights were up from 3,399 for the first six months of 2018 to 7,401 fights for the same period in 2019. There were also 125 cockfighting days in 2019 compared to only 111 days in 2018.

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 negative revenue for the period ended June 30, 2019 amounting to ₱0.8 million. For the same period in 2018, the Parent Company recognized a revenue amounting to ₱52.7 million. There were fifteen (15) new sales in 2018 while only one (1) in 2019. The three (3) real estate units that were cancelled in 2019 also contributed to the negative revenue. No cancellations were recorded in 2018.

Rental revenue from the leasing of stables, buildings and other facilities decreased by ₱3.3 million from ₱40.9 million for the period ended June 30, 2018 to ₱37.6 million for the same period in 2019. The decrease relates primarily to the decline in the income generated from the lease agreement with PAGCOR. Leasing from stables likewise decreased in 2019 as lesser number of stalls were occupied in the current period.

Revenue from sale of food and beverages increased by ₱1.5 million from ₱11.2 million for the period ended June 30, 2018 to ₱12.7 million covering the same period in 2019. Sales from food and beverages increased in 2019 as it has a direct effect on the greater number of cockfighting days compared to 2018.

Other revenues amounted to ₱1.0 million for the period ended June 30, 2018 to ₱0.9 million for the same period in 2019.

Other Income

For the period ended June 30, 2019 and 2018, equity in net losses of associates and joint venture amounted to ₱50.8 million and ₱65.8 million, respectively. The losses recognized in the current period is due to the equity share in the net losses of MIC amounting to ₱66.2 million. These are tapered by the equity share in net earnings of SLBPO amounting to ₱15.4 million for the same period in 2019.

Interest income relates to real estate receivables, cash and cash equivalents and advances and loans to officers and employees. Interest income for the period ended June 30, 2019 amounted to ₱3.3 million compared to ₱9.3 million for the same period in 2018 or a decrease of ₱6.0 million. The decrease came primarily from the interest income from accretion of real estate receivables due to the cancellation of previously sold real estate units.

Other income – net increased by ₱7.4 million from ₱9.0 million for the period ended June 30, 2018 to ₱16.4 million for the same period in 2019. Income from advertising campaigns as well as parking fees,

venue rentals and other food and beverage service fees increased in 2019. Income from subscriptions was also recognized in 2019 while there was nil in 2018.

Expenses

Cost of Sale and Services

Cost of racing services decreased by ₱11.2 million from ₱93.5 million for the period ended June 30, 2018 to ₱82.3 million for the same period in 2019. Taxes and licenses decreased by ₱5.9 million. No documentary stamp tax (DST) is recognized in 2019 as expense as it is properly recorded and remitted during the period compared to 2018 that the DST was not deducted from the total racing sales before dividends were paid to winning bettors. Commission paid to OTB operators also decreased as racing sales in 2019 declined. Commission given to OTB operators depends on the racing sales generated by the OTB station.

Direct costs from cockfighting increased by ₱242.8 million from ₱123.0 million for the period ended June 30, 2018 compared to ₱365.8 million for the same period in 2019. The increase in generated revenue for the current period directly increased expenses relating percentage taxes and commission, among others. The increase in the number of fights and cockfighting days also directly increased expenses such as the cost of gamefowls, allowances of tellers, professional fees, service costs, rent as well as taxes and licenses.

Cost of real estate pertains to the cost of real estate property recognized under the percentage of completion method, if the criteria of full accrual method are not satisfied. For the periods ended June 30, 2019 and 2018, cost of real estate amounted to (₱0.2) million and ₱6.6 million, respectively. The decrease of ₱6.8 million is due to lesser number of real estate units sold in 2019 doubled by the reversal to inventory account of the cost of previously sold real estate units.

Rental cost of services increased by ₱0.4 million from ₱24.4 million for the period ended June 30, 2018 to ₱24.8 million for the same period in 2019. Software license from gaming operations is recognized as expense in 2019.

Cost of food and beverage amounted to ₱14.4 million and ₱15.3 million for the periods ended June 30, 2019 and 2018, respectively. The decrease amounting to ₱0.9 million came primarily from contracted personnel costs, rental charges and depreciation expenses.

The cost of sales for "Others" amounted to ₱11.3 million and ₱5.1 million for the periods ended June 30, 2019 and 2018, respectively. It increased by ₱6.2 million in 2019.

General Operating Expenses

General and administrative expenses constitute costs of administering the business. For the period ended June 30, 2019, general and administrative expenses amounted to ₱152.4 million compared to ₱132.6 million for the same period in 2018. It increased by ₱19.8 million. Significant increases in general and administrative expenses include taxes and licenses for local business taxes; professional fees like legal and audit fees; personnel costs and directors' fees.

Selling expenses pertain to marketing fees related to the sale of real estate properties. It amounted from ₱5.8 million for the period ended June 30, 2018 to nil for the same period in 2019.

Finance costs pertain to interest expenses on bank loans availed for working capital requirements. It amounted to ₱8.6 million and ₱4.2 million for the periods ended June 30, 2019 and 2018, respectively, or an increase of 4.4 million which is due to the increase in outstanding principal balances of bank loans as of the end of year 2018.

CHANGES IN FINANCIAL CONDITION

Discussion on some Significant Changes in Financial Condition as of June 30, 2019 and December 31, 2018

Total assets decreased due to the following:

1. For the period ended June 30, 2019, cash and cash equivalents amounted to ₱398.2 million from ₱332.3 million as of December 31, 2018. The increase can be attributed to collections brought about by the increase in revenue generated from cockfighting operations due to the increasing number of fights and cockfighting days.
2. Receivables, including real estate receivables-net of current portion decreased by ₱41.0 million from ₱141.3 million as of December 31, 2018 to ₱100.2 million as of June 30, 2019. Significant portion of the receivable from third parties was collected during the current period. The receivable from contractors, advances from suppliers and the advances and loans to officers and employees accounts likewise decreased in the current period.
3. Inventories decreased by ₱1.2 million in the current period from ₱54.6 million as of December 31, 2018 to ₱53.4 million as of June 30, 2019. The decrease came from the inventory on gamefowls.
4. Other current assets increased by ₱9.3 million from ₱9.8 million as of December 31, 2018 to ₱19.1 million as of June 30, 2019. The increase came from prepaid income taxes on creditable withholding taxes, prepayments on insurance and software licenses and input VAT on purchases.
5. Investments in and advances to associates and joint ventures amounted to ₱2,124.3 million and ₱2,132.1 million as of June 30, 2019 and December 31, 2018, respectively. This account was decreased by the equity share in the net losses of MIC for the current period amounting to ₱66.2 million. It is also decreased by the dividends declared by SLBPO for the Parent Company amounting to ₱11.0 million. These decreases were tapered by the equity share of the Parent Company from the net earnings of SLBPO amounting to ₱15.4 million and the additional advances made by the Parent Company to MIC during the current period totaling to ₱54.0 million. The net effect of the decreases and increases amounted to ₱7.8 million.
6. Property and equipment decreased from ₱831.8 million as of December 31, 2018 to ₱817.9 million as of June 30, 2019. The decrease in property and equipment amounting to ₱13.9 million in the current period is the net effect of the depreciation charges recognized and the acquisitions of property and equipment during the period.
7. Investment properties decreased by ₱6.3 million from ₱1,094.8 million as of December 31, 2018 to ₱1,088.4 million as of June 30, 2019. The decrease is due to the depreciation charges recognized during the period for the Vertex One building.
8. Other noncurrent assets decreased by ₱0.1 million from ₱65.7 million as of December 31, 2018 to ₱65.6 million as of June 30, 2019. The variance is the net effect of the increase in deferred input VAT and deposits and the decrease in franchise fee.

Total Current Liabilities decreased due to the following:

9. Short-term loans and borrowings decreased by ₱35.6 million in the current period from ₱288.6 million as of December 31, 2018 to ₱253.0 million as of June 30, 2019. The decrease refers to the repayments made during the period.
10. Accounts payable and other liabilities decreased by ₱10.3 million from ₱386.1 million as of December 31, 2018 to ₱375.8 million as of June 30, 2019. The decrease came from taxes from winnings, documentary stamp tax and withholding taxes payable. There was also a decrease in accounts payable and accrued expenses due to payments made during the current period. Due to winning horse owners and OTB operators also decreased in 2019.
11. Income tax payable increased by ₱4.8 million from ₱14.6 million as of December 31, 2018 to ₱19.4 million as of June 30, 2019. The increase is the net effect of remittances made during the period amounting to ₱33.8 million and the provision made for income tax covering the first and second quarters of 2019 amounting to ₱38.6 million.
12. Due to related parties amounted to ₱13.7 million as of June 30, 2019 and December 31, 2018.

Total Noncurrent Liabilities decreased due to the following:

13. Accrued retirement benefits as of December 31, 2018 amounted to ₱55.9 million and ₱52.8 million as of June 30, 2019. The decrease amounting to ₱3.1 million is the net effect of the contributions made to the retirement fund during the current period amounting to ₱9.7 million and the retirement expense recognized amounting to ₱6.6 million.

Total Equity increased due to the following:

14. Retained earnings decreased by ₱468.5 million from ₱2,670.5 as of December 31, 2018 to ₱2,202.0 million as of June 30, 2019. Retained earnings was decreased by the declaration of stock dividends amounting to ₱498.1 million but increased by the recognition of net income amounting to ₱29.5 million covering the first half of 2019.
15. Non-controlling interest decreased by ₱1.1 million in the current period which represents primarily the 56.87% share of minority interest in the net losses of ARWRI for the period ended June 30, 2019.

OTHERS

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

TOP FIVE (5) KEY PERFORMANCE INDICATORS:

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

	JUN 2019	DEC 2018
Current Ratio	0.86	0.77
Asset to Liability Ratio	5.21	4.99
	JUN 2019	JUN 2018
Sales to Revenue Ratio	0.04	0.11

	JUN 2019	JUN 2018
Sales to Expenses Ratio	0.08	0.20
Earnings Per Share	₱0.0197	(₱0.0771)

Current ratio or working capital ratio is a measure of a company's liquidity or its ability to meet maturing obligations. It is computed by dividing current assets over current liabilities. Total current assets as of June 30, 2019 and December 31, 2018 amounted to ₱570.9 million and ₱538.0 million, respectively. As of June 30, 2019, and December 31, 2018, total current liabilities amounted to ₱661.9 million and ₱703.1 million, respectively. The Group's current ratio of 0.86 shows that it has ₱0.86 current assets to support ₱1.00 current liabilities.

The asset to liability ratio or solvency ratio exhibits the relationship of total assets with total liabilities. It is computed by dividing total assets over total liabilities. As of June 30, 2019, and December 31, 2018, total assets amounted to ₱4,709.8 million and ₱4,725.7 million, respectively while total liabilities as of June 30, 2019 amounted to ₱903.7 million and ₱948.0 million as of December 31, 2018. The Group's asset to liability ratio of 5.21 shows that for every ₱1.00 liability, it has a ₱5.21 asset to support it.

Sales to revenue ratio is computed by dividing the income from horse racing over total operating revenue. Income from club races for the periods ended June 30, 2019 and 2018 amounted to ₱61.3 million and ₱78.8 million, respectively. Total operating revenue for the period ended June 30, 2019 amounted to ₱757.6 million and ₱390.3 million for the same period in 2018.

Sales to expenses ratio is computed by dividing income from horse racing over total expenses which include cost of sales and services, general and administrative expenses, selling expenses and finance costs. Income from club races for the periods ended June 30, 2019 and 2018 amounted to ₱61.3 million and ₱78.8 million, respectively, while total expenses amounted to ₱659.5 million for the period ended June 30, 2019 and ₱410.5 million for the same period in 2018.

Earnings per share is computed by dividing net income (loss) attributable to equity holders of the parent company over the weighted average number of outstanding common shares. Net income attributable to equity holders of the parent company for the period ended June 30, 2019 amounted to ₱29.5 million while there was a net loss attributable to the equity holders of the parent company for the period ended June 30, 2018 amounting to ₱76.8 million. The weighted average number of outstanding common shares as of June 30, 2019 is 1,494.3 million and 2018 and 996.2 million as of June 30, 2018.

Analysis of plan of operations

For the year 2018, 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 Manilacockers Club, Inc. ("MCI") and Gametime Sports and Technologies, Inc. ("Gametime").

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

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 2018, 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. MCI is renting from MJC 136 stable units converted into cock houses.

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

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

The Group 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 Group.

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 Group with unsolicited entities or other persons created during the fiscal year.