

**COVER SHEET  
for  
SEC Form 17-Q**

SEC Registration Number

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**Company Name**

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**Principal Office (No./Street/Barangay/City/Town/Province)**

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Form Type

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Department requiring the report

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Secondary License Type, If Applicable

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**COMPANY INFORMATION**

Company's Email Address

corporate@rtdslaw.com.ph
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Company's Telephone Number/s

8687-9889
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Mobile Number

0935-9807539
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No. of Stockholders

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Annual Meeting  
Month/Day

March 31
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Fiscal Year  
Month/Day

December 31
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**CONTACT PERSON INFORMATION**

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

Name of Contact Person

ATTY. CHINO PAOLO Z. ROXAS
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Email Address

corporate@rtdslaw.com.ph
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Telephone Number/s

8687-9889
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Mobile Number

0935-9807539
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Contact Person's Address

12 <sup>TH</sup> FLR. STRATA 100 BLDG. F. ORTIGAS JR. ROAD, ORTIGAS CENTER, PASIG CITY
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**Note:** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designate

SECURITIES AND EXCHANGE COMMISSION

FORM 17-Q

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

1. For the quarterly period ended March 31, 2021
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 March 31, 2021 and December 31, 2020
- Consolidated Statements of Comprehensive Income for the quarters ended March 31, 2021 and 2020
- Consolidated Statements of Changes in Equity for the quarters ended March 31, 2021 and 2020
- Consolidated Statements of Cash Flows for the quarters ended March 31, 2021 and 2020
- Aging Schedule of Receivables as of March 31, 2021
- Notes to Consolidated Financial Statements

### Item 2. Management's Discussion and Analysis or Plan of Operations

Please see attached Annex "B".

## PART II – OTHER INFORMATION

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

### SIGNATURE

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 13, 2021  
Date

By:

  
ISABEL ROSE L. LAY  
Group Comptroller

**MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF FINANCIAL POSITION****AS OF MARCH 31, 2021 AND DECEMBER 31, 2020**

	UNAUDITED	AUDITED
	MARCH 2021	DECEMBER 2020
(In Philippine Peso)		
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 6)	<b>₱157,868,860</b>	₱182,152,945
Receivables (Note 7)	<b>167,461,410</b>	144,336,820
Inventories (Note 8)	<b>19,707,200</b>	19,654,982
Prepayments and other current assets (Note 9)	<b>107,660,419</b>	89,261,582
Total Current Assets	<b>452,697,889</b>	435,406,329
<b>Noncurrent Assets</b>		
Investments in and advances to associates and joint ventures (Note 10)	<b>684,916,966</b>	720,029,413
Property and equipment (Notes 11)	<b>755,486,301</b>	781,573,590
Investment properties (Notes 10 and 12)	<b>1,546,020,633</b>	1,557,254,982
Other noncurrent assets (Note 13)	<b>140,962,274</b>	167,434,320
Total Noncurrent Assets	<b>3,127,386,174</b>	3,226,292,305
	<b>₱3,580,084,063</b>	₱3,661,698,634
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Current portion of long-term loans and borrowings (Note 14)	<b>₱63,000,000</b>	₱63,000,000
Accounts payable and other liabilities (Notes 15)	<b>398,987,652</b>	378,305,631
Income tax payable	<b>29,345,641</b>	29,346,143
Due to related parties	<b>14,152,869</b>	14,152,869
Total Current Liabilities	<b>505,486,162</b>	484,804,643
<b>Noncurrent Liabilities</b>		
Long-term loans and borrowings - net of current portion (Note 14)	<b>107,250,000</b>	143,000,000
Deferred tax liabilities - net	<b>173,259,843</b>	173,259,467
Advances from third parties	<b>505,076,000</b>	505,076,000
Other non-current liabilities (Note 16)	<b>118,979,481</b>	118,130,417
Total Noncurrent Liabilities	<b>904,565,324</b>	939,465,884
	<b>1,410,051,486</b>	1,424,270,527
<b>Equity</b>		
Capital stock (Note 27)	<b>1,494,251,136</b>	1,494,251,136
Additional paid-in capital	<b>27,594,539</b>	27,594,539
Actuarial gains on accrued retirement benefits	<b>28,162,971</b>	28,162,971
Net cumulative changes in fair values of financial assets measured at FVOCI	<b>6,496,365</b>	6,496,365
Retained earnings (Note 31)	<b>558,130,557</b>	624,831,615
Treasury shares (Note 31)	<b>(7,096)</b>	(7,096)
Equity attributable to equity holders of the parent company	<b>2,114,628,472</b>	2,181,329,530
Non-controlling interests (Note 1)	<b>55,404,105</b>	56,098,577
Total Equity	<b>2,170,032,577</b>	2,237,428,107
	<b>₱3,580,084,063</b>	₱3,661,698,634

*See accompanying Notes to Consolidated Financial Statements.*

**MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE QUARTERS ENDED MARCH 31, 2021 AND 2020**

	UNAUDITED MARCH 2021	UNAUDITED MARCH 2020
	(In Philippine Peso)	
<b>REVENUES</b>		
Club races	P18,938,375	P21,440,149
Cockfighting	2,981,530	234,933,338
Real estate	8,581,855	-
Rent (Notes 11 and 12)	79,799,215	118,480,042
Food and beverages	1,147,159	6,300,447
Others	1,121,506	1,551,146
	<b>112,569,640</b>	<b>382,705,122</b>
<b>COST OF SALES AND SERVICES</b> (Note 17)		
Club races	55,996,992	36,967,497
Cockfighting	26,138,683	192,377,488
Real estate	519,777	-
Rent	31,777,726	35,910,947
Food and beverages	629,103	5,853,456
Others	4,956	2,986,489
	<b>115,067,237</b>	<b>274,095,877</b>
<b>GROSS INCOME</b>	<b>(2,497,597)</b>	<b>108,609,245</b>
General and administrative expenses (Note 18)	(25,316,440)	(77,216,068)
Selling expense (Note 8)	(789,902)	-
Interest income (Notes 6, 7 and 22)	1,747	140,215
Finance costs (Notes 14 and 23)	(2,991,756)	(3,904,466)
Equity in net earnings (losses) of associates and joint ventures (Note 10)	(35,112,447)	(21,107,499)
Other income - net (Note 24)	4,480,930	6,998,514
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	<b>(62,225,465)</b>	<b>13,519,941</b>
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b> (Note 25)		
Current	5,169,100	9,503,648
Deferred	-	-
Final	965	-
	<b>5,170,065</b>	<b>9,503,648</b>
<b>NET INCOME (LOSS)</b>	<b>(67,395,530)</b>	<b>4,016,293</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
<i>Items of other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods</i>		
Net changes in fair values of AFS financial assets	-	-
<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	-	-
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>(P67,395,530)</b>	<b>P4,016,293</b>

(Forward)

	<b>UNAUDITED MARCH 2021</b>	<b>UNAUDITED MARCH 2020</b>
	(In Philippine Peso)	
Net income attributable to:		
Equity holders of the parent company	<b>(P66,701,058)</b>	P4,874,984
Noncontrolling interests	<b>(694,472)</b>	(858,691)
	<b>(P67,395,530)</b>	P4,016,293
Total comprehensive income (loss) attributable to:		
Equity holders of the parent company	<b>(P66,701,058)</b>	P4,874,984
Noncontrolling interests	<b>(694,472)</b>	(858,691)
	<b>(P67,395,530)</b>	P4,016,293
<b>Basic/Diluted Earnings (Loss) Per Share</b> (Note 28)	<b>(P0.0446)</b>	P0.0033

*See accompanying Notes to Consolidated Financial Statements.*

**MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE PERIODS ENDED MARCH 31, 2021 AND 2020**

	UNAUDITED MARCH 2021	UNAUDITED MARCH 2020
	(In Philippine Peso)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income (Loss) before income tax	<b>(P62,225,465)</b>	P13,519,941
Adjustments for:		
Depreciation (Notes 11, 12 and 19)	<b>36,652,038</b>	35,261,690
Equity in net losses (earnings) of associates and joint ventures (Note 10)	<b>35,112,447</b>	21,107,499
Interest income (Note 22)	<b>(1,747)</b>	(140,215)
Finance costs (Note 23)	<b>2,991,756</b>	3,904,466
Amortization of franchise fee (Note 13)	<b>448,500</b>	448,500
Dividend Income	–	–
Impairment loss on VAT input	<b>27,509,053</b>	–
Operating income before working capital changes	<b>40,486,582</b>	74,101,881
Decrease (increase) in:		
Receivables	<b>(23,124,590)</b>	(30,269,611)
Inventories	<b>(52,218)</b>	(2,074,502)
Other current assets	<b>(9,585,824)</b>	(46,138,066)
Increase (decrease) in:		
Accounts payable and other liabilities	<b>(53,532,599)</b>	(225,421,461)
Other noncurrent liabilities	–	(308,100)
Accrued retirement benefits (Note 21)	<b>2,550,000</b>	(4,800,000)
Cash generated from operations	<b>(43,258,649)</b>	(234,909,859)
Income taxes paid, including creditable withholding and final taxes	<b>(5,170,570)</b>	(19,968)
Net cash provided (used) by operating activities	<b>(48,429,219)</b>	(234,929,827)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	<b>1,747</b>	140,215
Dividends received	–	–
Decrease (increase) in:		
Other noncurrent assets	<b>54,629,919</b>	43,006,846
Other noncurrent liabilities	<b>10,451,813</b>	–
Acquisitions of:		
Property and equipment (Note 11)	<b>(1,613,721)</b>	(17,305,218)
Investment property (Note 12)	–	(15,340,391)
Advances to an associate (Note 10)	–	–
Proceeds from sale of property and equipment	<b>1,186,000</b>	–
Net cash provided (used) by investing activities	<b>64,655,758</b>	10,501,452

(Forward)

	UNAUDITED MARCH 2021	UNAUDITED MARCH 2020
	(In Philippine Peso)	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments of loans and borrowings (Note 14)	<b>(P35,750,000)</b>	(P10,500,000)
Payment of lease liability	<b>(1,768,868)</b>	–
Interest paid	<b>(2,991,756)</b>	(3,904,466)
Net cash provided (used) in financing activities	<b>(40,510,624)</b>	(14,404,466)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(24,284,085)</b>	(238,832,841)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>182,152,945</b>	602,987,261
<b>CASH AND CASH EQUIVALENTS AT END OF QUARTER (Note 6)</b>	<b>P157,868,860</b>	P364,154,420

*See accompanying Notes to Consolidated Financial Statements.*



**MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE QUARTERS ENDED MARCH 31, 2021 AND 2020**

**MARCH 2021 (UNAUDITED)**

(In Philippine Peso)

	Capital Stock (Note 27)	Additional Paid-In Capital	Actuarial Gains on Accrued Retirement Benefits	Net Cumulative Changes in Fair Values of AFS Financial Assets	Retained Earnings - Unappropriated	Treasury Shares	Subtotal	Noncontrollin g Interests	Total
<b>BALANCES AT DECEMBER 31, 2020</b>	<b>₱1,494,251,136</b>	<b>₱27,594,539</b>	<b>₱28,162,971</b>	<b>₱6,496,365</b>	<b>₱624,831,615</b>	<b>(₱7,096)</b>	<b>₱2,181,329,530</b>	<b>₱56,098,577</b>	<b>₱2,237,428,107</b>
Total comprehensive income (loss)					(66,701,058)		(66,701,058)	(694,472)	(67,395,530)
<b>BALANCES AT MARCH 31, 2021</b>	<b>₱1,494,251,136</b>	<b>₱27,594,539</b>	<b>₱28,162,971</b>	<b>₱6,496,365</b>	<b>₱558,130,557</b>	<b>(₱7,096)</b>	<b>₱2,114,628,472</b>	<b>₱55,404,105</b>	<b>₱2,170,032,577</b>

*See accompanying Notes to Consolidated Financial Statements.*

**MARCH 2020 (UNAUDITED)**

(In Philippine Peso)

	Capital Stock (Note 27)	Additional Paid-In Capital	Actuarial Gains on Accrued Retirement Benefits	Net Cumulative Changes in Fair Values of AFS Financial Assets	Retained Earnings - Unappropriated	Treasury Shares	Subtotal	Noncontrollin g Interests	Total
<b>BALANCES AT DECEMBER 31, 2019</b>	<b>₱1,494,251,136</b>	<b>₱27,594,539</b>	<b>₱13,708,769</b>	<b>₱4,260,960</b>	<b>₱2,208,852,730</b>	<b>(₱7,096)</b>	<b>₱3,748,661,038</b>	<b>₱58,945,905</b>	<b>₱3,807,606,943</b>
Total comprehensive income (loss)					4,874,984		4,874,984	(858,691)	4,016,293
<b>BALANCES AT MARCH 31, 2020</b>	<b>₱1,494,251,136</b>	<b>₱27,594,539</b>	<b>₱13,708,769</b>	<b>₱4,260,960</b>	<b>₱2,213,727,714</b>	<b>(₱7,096)</b>	<b>₱3,753,536,022</b>	<b>₱58,087,214</b>	<b>₱3,811,623,236</b>

*See accompanying Notes to Consolidated Financial Statements.*

**MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES**  
**AGING SCHEDULE OF RECEIVABLES**  
**AS OF MARCH 31, 2021**

UNAUDITED  
(In Philippine Peso)

**A. AGING OF ACCOUNTS RECEIVABLE-NET**

	<b>TYPE OF RECEIVABLES</b>	<b>TOTAL</b>	<b>1-30 DAYS</b>	<b>31-60 DAYS</b>	<b>61-90 DAYS</b>	<b>91-120 DAYS</b>	<b>OVER 120 DAYS</b>
	Real estate receivables - net of current						
1	portion	<b>₱68,952,013</b>	₱40,961,519	₱–	₱–	₱–	₱27,990,494
2	Rent receivables	<b>97,928,722</b>	61,468,555	10,442,145	12,696,774	10,298,238	3,023,010
	Receivables from off-track/off-cockpit						
3	betting (OTB/OCB) operators	<b>8,630,078</b>	3,025,034	3,647,557	728,931	313,999	914,557
	Receivables from food and beverage						
4	operations	<b>2,248,022</b>	199,847	145,375	114,560	225,260	1,562,980
	Advances and loans to officers and						
5	employees	<b>18,054,174</b>	6,613,312	5,213,078	3,182,478	1,842,569	1,202,737
6	Advances to suppliers and contractor	<b>53,314,380</b>	13,315,746	16,874,253	9,436,218	8,875,213	4,812,950
7	Others	<b>849,960</b>	–	–	–	–	849,960
	<b>TOTAL</b>	<b>249,977,349</b>	<b>125,584,013</b>	<b>36,322,408</b>	<b>26,158,961</b>	<b>21,555,279</b>	<b>40,356,688</b>
	Less ECL/allowance for doubtful accounts	<b>82,515,939</b>					
	<b>RECEIVABLES - NET</b>	<b>₱167,461,410</b>	<b>₱125,584,013</b>	<b>₱36,322,408</b>	<b>₱26,158,961</b>	<b>₱21,555,279</b>	<b>₱40,356,688</b>

**B. ACCOUNTS DESCRIPTION**

	<b>TYPE OF RECEIVABLES</b>	<b>DESCRIPTION</b>	<b>COLLECTION PERIOD</b>
1	Real estate receivables - net of current portion	Sales on real estate operations	Monthly
2	Rent receivables	Receivables on leasing transactions from stables, building and other facilities	Semi-monthly/Monthly
3	Receivables from off-track/off-cockpit betting (OTB/OCB) operators	Receivables from racing and cockfighting operations	Monthly
4	Receivables from food and beverage operations	Receivable from sale of food and beverages	Daily/Monthly
5	Advances and loans to officers and employees	Advances granted to and loans availed by officers and employees	Daily/Monthly
6	Advances to suppliers and contractor	Advance payments to suppliers for goods and services yet to be received	Daily/Monthly
7	Others	Various deposits and advances	Daily/Semi-monthly/Monthly

**C. OPERATING CYCLE**

Calendar Year

# MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. Corporate Information

#### 1.1 General Corporate Information

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

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

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

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

#### 1.2 Subsidiaries, Joint Ventures and Associates

	Place of incorporation	Nature of business	Functional currency	Percentage of ownership			
				MAR 2021		DEC 2020	
				Direct	Indirect	Direct	Indirect
<b>Subsidiaries</b>							
Gametime Sports and Technologies, Inc. (GSTI)	Philippines	Gaming	Philippine Peso	100.00	—	100.00	—
Manilacockers Club, Inc. (MCI)	Philippines	Gaming	Philippine Peso	100.00	—	100.00	—
MJC Forex Corporation (MFC)	Philippines	Money changer	Philippine Peso	100.00	—	100.00	—
New Victor Technology, Ltd. (NVTL)	Hong Kong	Gaming	Philippine Peso	100.00	—	100.00	—
San Lazaro Resources and Development Corporation (SLRDC) <sup>(a)</sup>	Philippines	Real estate	Philippine Peso	100.00	—	100.00	—
SLLP Holdings, Inc. (SLLPHI) <sup>(a)</sup>	Philippines	Holdings	Philippine Peso	100.00	—	100.00	—
Hi-Tech Harvest Limited <sup>(a)</sup>	Hong Kong	Marketing Beach	Philippine Peso	100.00	—	100.00	—
Apo Reef World Resorts, Inc. (ARWRI) <sup>(a)</sup>	Philippines	Resorts Complex	Philippine Peso	56.87	—	56.87	—
Biohitech Philippines, Inc. (Biohitech) <sup>(a)</sup>	Philippines	Waste management	Philippine Peso	50.00	—	50.00	—
San Lazaro BPO Complex (SLBPO) <sup>(b, c)</sup>	Philippines	Real estate	Philippine Peso	90.00	10.00	90.00	10.00

<b>Joint Ventures</b>							
Gamespan, Inc. (Gamespan) <sup>(a)</sup>	Philippines	Gaming	Philippine Peso	<b>50.00</b>	–	50.00	–
<b>Associates</b>							
MJC Investments Corporation Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino (MIC)	Philippines	Gaming Information Technology	Philippine Peso Philippine Peso	<b>22.31</b> <b>33.33</b>	–	22.31 33.33	–
Techsystems, Inc. (Techsystems) <sup>(a)</sup>	Philippines						

<sup>(a)</sup> Not yet started commercial operation as of March 31, 2020

<sup>(b)</sup> Acquired in 2019

<sup>(c)</sup> Accounted for as investment in subsidiaries, associates and joint ventures in 2019.

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## 2. Basis of Preparation

### Basis of Preparation

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

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## 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 for the adoption of new accounting pronouncements effective as of January 1, 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new pronouncements did not have an impact on the consolidated financial statements of the Group.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

*The Group as Lessee.* Throughout the government-imposed community quarantine, the rent concession granted to the Group is not material. Adoption of these amendments for rent concessions on office and parking space has no significant impact for the year ended December 31, 2020.

*The Group as Lessor.* Throughout the government-imposed community quarantine, the Company waived rentals and other charges amounting to 4.2 million which significantly reduced rental

income and offered deferral of payments to certain tenants. The amendments do not have an impact for leases where the Group is the lessor.

The Group applied the practical expedient for the rent concession received during the year and recognized the waived rent as other income and the corresponding lease liability is reduced.

#### 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, 2021*

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

The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Group shall also disclose information about:

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

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

#### *Effective beginning on or after January 1, 2022*

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

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

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

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

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

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

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

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

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

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

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

- *Annual Improvements to PFRSs 2018-2020 Cycle*

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

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

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

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

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf.



An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

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

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

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

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted.

*Effective beginning on or after January 1, 2023*

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

The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification
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The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively.

- PFRS 17, *Insurance Contracts*

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

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

- A specific adaptation for contracts with direct participation features (the variable fee approach)

- A simplified approach (the premium allocation approach) mainly for short-duration contracts

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

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.

- *Deferral of PIC Q&A 2018-14 – Accounting for Cancellation of Real Estate Sales (as amended by PIC Q&A 2020-05)*

On June 27, 2018, PIC Q&A 2018-14 was issued providing guidance on accounting for cancellation of real estate sales. Under SEC Memorandum Circular No. 3, Series of 2019, the adoption of PIC Q&A No. 2018-14 was deferred until December 31, 2020. After the deferral period, real estate companies will adopt PIC Q&A No. 2018-14 and any subsequent amendments thereto retrospectively or as the SEC shall later prescribe.

On November 11, 2020, PIC Q&A 2020-05 was issued which supersedes PIC Q&A 2018-14. This PIC Q&A adds a new approach where the cancellation is accounted for as a modification of the contract (i.e., from non-cancellable to being cancellable). Under this approach, revenues and related costs previously recognized shall be reversed in the period of cancellation and the inventory shall be reinstated at cost. PIC Q&A 2020-05 shall have to be applied prospectively from the approval date of the Financial Reporting Standards Council which was November 11, 2020.

The Group availed of the SEC relief to defer the adoption of this PIC Q&A until December 31, 2020. The adoption of this PIC Q&A is not expected to have a significant impact on the consolidated financial statements. The Group has not yet recognized any sales cancellations, hence, the adoption of this PIC Q&A will not have a significant impact on the consolidated financial statements of the Group.

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#### **4. Summary of Significant Accounting and Financial Reporting Policies**

### Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at December 31, 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of the 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 2020 and 2019 that are not held by the Group and are presented separately in the consolidated statement of comprehensive income and consolidated statement 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 statement of comprehensive income.

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

If the business combination is achieved in stages, the previously held equity interest in the acquiree is remeasured at its acquisition date at fair value and any resulting gain or loss is recognized in the consolidated statement of comprehensive income.

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

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in consolidated profit or loss.

If the initial accounting for business combination can be determined only provisionally by the end of the period by which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the Group accounts for the combination using provisional values. Adjustments to these provisional values because of completing the initial accounting shall be made within 12 months from the acquisition date. The carrying amount of an identifiable asset, liability or contingent liability that is recognized as a result of completing the initial accounting shall be calculated as if the asset, liability or contingent liability's fair value at the acquisition date had been recognized from that date. Goodwill or any gain recognized shall be adjusted from the acquisition date by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted.

#### *Subsequent Measurement*

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or group of units. Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on the Group's format determined in accordance with PFRS 8, *Operating Segments*.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

When subsidiaries are sold, the difference between the selling price and the net assets and goodwill is recognized as gain or loss in the consolidated statement of comprehensive income.

#### Acquisition of Assets

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

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

#### Current versus Noncurrent Classification

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

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within 12 months after the reporting period or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within 12 months after the reporting period or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period

The Group classifies all other liabilities as noncurrent.

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

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 of input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level of 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 of input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

#### Cash and Cash Equivalents

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

#### Financial Instruments – Classification and Measurement

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

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

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

In making this assessment, the Group determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such

as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI on the principal amount outstanding.

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

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

*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 amortized cost includes cash on hand, cash in banks and receivables, excluding advances to suppliers and contractors.

*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, 2020 and 2019, the Group elected to classify irrevocably all debt instruments as financial assets at FVOCI.

*Equity instruments.* The Group may also make an irrevocable election to measure at FVOCI on initial recognition investments in equity instruments that are neither held for trading nor contingent



consideration recognized in a business combination in accordance with PFRS 3. Amounts recognized in OCI are not subsequently transferred to consolidated profit or loss. However, the Group may transfer the cumulative gain or loss within equity. Dividends on such investments are recognized in consolidated profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment.

As of March 31, 2021 and December 31, 2020, the Group elected to classify irrevocably all equity instruments as financial assets at FVOCI.

*Financial assets at FVPL (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 statement of comprehensive income as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the consolidated statement 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.

The Group's financial liabilities include short-term and long-term borrowings, accounts payable and other liabilities (excluding nonfinancial liabilities) and due to related parties.

### Reclassifications of Financial Instruments

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

### Impairment of Financial Assets

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 cash in banks, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and 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. To estimate the ECL, the Group uses the ratings published by a reputable rating agency.

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.

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

### Derecognition of Financial Assets and Liabilities

*Financial Assets.* A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either: a) has transferred substantially all the risks and rewards of ownership of the asset; or b) has neither transferred nor retained substantially all the risks and rewards of ownership of the asset but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through agreement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group’s continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of income. Otherwise, where the net present value of the cash flows under the new terms discounted using the effective interest rate of the original debt is less than 10 percent different from the discounted present value of the remaining cash flows of the original debt instrument, the financial liability is not derecognized.

### Write-off Policy

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

### Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to set off the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group has currently enforceable right when if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

### Inventories

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

### *Real estate inventories*

Real estate inventories include completed projects of the Group, and are stated at the lower of cost and NRV. Cost of real estate inventories pertains to the cost of land, plus costs incurred for the construction, development and improvement of condominium units. Real estate inventories include memorial lots for sale in the ordinary course of business. In few cases of buyer defaults, the Group can repossess the properties and hold it for sale in the ordinary course of business at the prevailing market price. The repossessed properties are included in the "Real Estate Inventories" account in the consolidated statement of financial position at its original cost. Costs incurred in bringing the repossessed assets to its marketable state are included in their carrying amounts unless these exceed the recoverable values.

### *Accounting for cancelled sales and repossessed inventories*

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

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

On February 7, 2019, upon request by the real estate industry to defer the implementation of the above PIC Q&A, the Securities and Exchange Commission (SEC) en banc decided to provide relief to the real estate industry by deferring the application of the above PIC Q&A for a period of three years. Effective January 1, 2021, real estate companies are required to adopt PIC Q&A no. 2018-14 retrospectively or as the SEC will later prescribe.

The Group availed the relief for the years ended December 31, 2020 and 2019. As a result, the Group recognized the repossessed inventory from cancelled sales at original cost. For the periods ended March 31, 2021 and 2020, losses on sales cancellation are disclosed in Note 24 to the consolidated financial statements. Should the Group recognize the repossessed inventory using the PIC Q&A, the loss recognized in profit and loss might be lower or even at an income.

### Investments in Associates and Joint Ventures

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

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

Under the equity method, the cost of investment in associates and a joint venture is carried in the consolidated balance sheet at cost plus post acquisition changes in the Group's share of net assets of the associates and the joint venture. Goodwill, if any, relating to associates or a joint venture is included in the carrying amount of the investment and is not amortized or separately tested for impairment. The consolidated statement 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 statement 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 losses of associates and joint ventures" in the consolidated statement 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 statement of comprehensive income.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Those parties are called joint operators.

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 statement 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 statement of comprehensive income of such period.

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

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

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

Right-of-use assets are amortized over the term of the lease.

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 statement of comprehensive income when the asset is derecognized.

Construction in progress is stated at cost, net of accumulated impairment losses, if any. This includes the 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.

The estimated useful life and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from the items of investment properties.

Investment properties are derecognized either when they have been disposed of or when they are permanently withdrawn from use 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 statement 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 profit or loss in the consolidated statement of comprehensive income.

#### 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 taking into consideration the impact of COVID-19 pandemic, 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 statement 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 the "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Parent Company, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

#### Retained Earnings

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

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

#### Dividend Distribution

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

#### Earnings Per Share (EPS)

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

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

number of common shares outstanding during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares into common shares.

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

#### Revenue Recognition

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).

#### Revenue from Contracts with Customer

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

#### *Commission income from cockfighting*

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

#### *Commission income from club races*

Revenue is recognized at a point in time based on a percentage of total wager funds from horse racing operations in accordance with the Parent Company's franchise agreement.

#### *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.

With respect to sale of completed condominium units, the Group satisfies the performance obligation at a point in time when the property is transferred to the customer. The real estate projects were already completed as of December 31, 2020 and 2019.

In case of sales cancellation due to the default of the buyers, the Group derecognizes the outstanding balance of contract asset or real estate receivables and recognize the repossessed property at its original cost, applying the relief provided by SEC.

#### *Cost recognition*

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

#### *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.

#### Rental income from stables, building and other facilities

Revenue from the lease of stables, building and other facilities is recognized in the consolidated statement 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 sales and services are recognized in the consolidated statement of comprehensive income at the date they are incurred.

General and administrative expenses constitute the cost of administering the business. Selling expenses 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 statement 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 statement of comprehensive income.

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

#### Retirement Benefits Cost

The Parent Company and MCI 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 expensed in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

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

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

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

#### Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

#### *The Group as a lessee (effective January 1, 2019 upon adoption of PFRS 16)*

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and ROU assets representing the right to use the underlying assets.

#### *Lease Modification*

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

In case of a lease modification, the lessor shall account for any such modification by recognizing a new lease from the effective date of the modification, considering any prepaid or accrued lease payments

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

#### *Right-of-use (ROU) assets*

Effective January 1, 2019, it is the Group's policy to classify ROU assets as part of "Property and Equipment" in the consolidated statement of financial position. Prior to that date, all of the Group's leases are accounted for as operating leases in accordance with PAS 17, hence, not recorded on the consolidated statement of financial position. The Group recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term as at January 1, 2019.

ROU assets are subject to impairment. Refer to the accounting policies in section impairment of non-financial assets.

#### *Lease liabilities*

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the IBR at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Lease liabilities that are expected to be settled for no more than 12 months after the reporting period are classified as current liabilities presented as Current portion of lease liabilities. Otherwise, these are classified as noncurrent liabilities.

#### *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date

and do not contain a purchase option). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

*The Group as a lessee (applicable until December 31, 2018 before adoption of PFRS 16)*

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

*The Group as a lessor*

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating lease. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Taxes

*Current tax*

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

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

*Deferred tax*

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

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

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

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

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

that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

Deferred tax relating to items recognized outside the consolidated statement of comprehensive income is recognized outside the consolidated statement 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 statement 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 statement 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 Group's consolidated statement 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 statement 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 statement 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 29 to the consolidated financial statements.

#### Events after the Reporting Date

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

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## **5. Significant Accounting Judgments, Estimates and Assumptions**

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

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

#### Judgments

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

#### *Assumption of Going Concern*

The use of the going concern assumption involves management making judgments, at a particular point in time, about the future outcome of events or conditions that are inherently uncertain. Management believes that it will be able to generate positive cash flow through cost savings measures and obtain



potential sources of financing. Accordingly, the consolidated financial statements are prepared on a going concern basis since management has concrete plans with regards to the Group.

*Determination of Acquisition of Group of Assets as a Business in Accordance with PFRS 3*

Management uses judgment in assessing if the group of assets and liabilities acquired would constitute a business. In accordance with PFRS 3, business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants.

The acquisition of Vertex One from ALI in 2019 qualified as an acquisition of a business in accordance with PFRS 3 and was accounted for under the purchase method.

*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.

*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 (until September 30, 2019) 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.

*Determination of joint venture or joint operation*

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

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

*Determination if significant influence exists in an associate*

Significant influence exists when an investor has the power to participate in the financial and operating policy decisions of the investee but is not control or joint control. Management has determined that the Group has significant influence in MIC and Techsystems since the Group has the power to appoint representatives to the BOD of MIC and Techsystems to participate in the financial and operating policy decision.

*Distinction between real estate inventories and investment properties*

The Group determines whether a property is classified as investment properties or real estate inventories as follows:

Investment properties comprises land and buildings (principally offices, commercial and retail property) which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. Transfers are made to investment properties when there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development.

Real estate inventories comprise property that is held for sale in the ordinary course of business. Principally, this is residential and industrial property that the Group develops and intends to sell before or on completion of construction.

In 2020 and 2019, the Group reclassified real estate inventories from (to) investment properties amounting to 12.0 million and (52.2 million), respectively.

*Classification of leases - Effective prior to January 1, 2019*

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

a. *Operating lease commitments - the Group as a lessor*

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

b. *Operating lease commitments - the Group as lessee*

The Group has entered into a lease agreement for the lease of office space and parking lots where it has determined that the risks and rewards related to the leased assets are retained by the lessor. i.e. ownership of the assets remains with the lessor at the end of the lease term. As such, the lease agreement was accounted for as an operating lease.

*Provisions and Contingencies*

The Group provides for present obligations (legal or constructive) where it is probable that there will be an outflow of resources embodying economic benefits that will be required to settle said obligations. An estimate of the provision is based on known information at the reporting date, net of any estimated amount that may be reimbursed to the Group. The Group's management and legal counsels believe that the eventual liabilities under these lawsuits or claims, if any, will not have material effect on the consolidated financial statements. Further, the Group's management, together with its tax counsel, has assessed that the findings on MCI have no legal or factual basis.

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*

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

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

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

The carrying amounts of receivables as of March 31, 2021 and December 31, 2020 are disclosed in Note 7 to the consolidated financial statements.

*Provision for ECL of financial assets not held at FVTPL*

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVTPL. 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 comprised 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 clear evidence of an increase in NRV because of change in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised NRV.

As of March 31, 2021 and December 31, 2020, the cost of the real estate inventories, the amount written down to NRV and the carrying value of the real estate inventories are disclosed in Note 8 to the consolidated financial statements.

*Estimation of impairment of financial assets at FVOCI*

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

The Group defines 'significant' generally as a reduction of 20% or more of the original cost. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equity securities and the future cash flows and the discount factors for unquoted equity securities.

As of March 31, 2021 and December 31, 2020, the carrying value of the Group's FVOCI financial assets is disclosed in Note 13 to the consolidated financial statements. No impairment loss was recognized in 2021 and 2020.

*Estimation of the useful lives of property and equipment and investment properties (excluding Land)*

The Group estimates the useful lives of property and equipment and investment properties based on the internal technical evaluation and experience with similar assets. Estimated useful lives of property and equipment and investment properties (the period over which the assets are expected to be available for its intended use) are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical and commercial obsolescence and other limits on the use of the assets.

There were no changes in the useful lives of property and equipment and investment properties in 2021, and 2020. As of March 31, 2021, and December 31, 2020, the carrying amount of depreciable property and equipment are disclosed in Note 11 to the consolidated financial statements. The carrying amount of depreciable investment properties as of March 31, 2021, and December 31, 2020 are disclosed in Note 12 to the consolidated financial statements.

*Leases - Estimating the IBR – Effective starting January 1, 2019*

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value

to the ROU assets in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the Parent Company's stand-alone credit rating).

The Group's lease liabilities amounted to 16.8 million and 27.2 million as at December 31, 2020 and 2019, respectively (see Note 30).

#### *Impairment of noncurrent nonfinancial assets*

The Group assesses at each reporting date whether there is any indication that its investment in and advances to in associates and joint ventures, property and equipment, investment properties and franchise fee may be impaired. Indication of impairment includes: (a) decline in the asset's market value that is significantly higher than would be expected from normal use; (b) evidence of obsolescence or physical damage; (c) internal reports indicate that the economic performance of the asset will be worse than expected; etc. If such indication exists, the entity shall estimate the recoverable amount of the asset, which is the higher of an asset's or CGU's fair value less costs to sell and its value in use. Based on management's assessment, there were indicators of impairment of investment in and advances to an associate in 2020 and property and equipment in 2020 and 2019.

In 2020 and 2019, due to continuous decline in revenues from club races, the Parent Company assessed that its property and equipment used in its racing activities may be impaired. These property and equipment related to the Parent Company's racing activities have a carrying amount of 408.9 million and 433.9 million as of December 31, 2020 and 2019, respectively, prior to impairment assessment. The recoverable amount of the CGU has been determined based on value in use calculations.

In 2019, management has determined that certain land improvements that were supposed to generate new cash inflow for the Group did not materialize, therefore, the Group will not be able to recover the costs of construction. As a result, the Group recognized a provision for impairment amounting to 14.6 million in 2019 (nil in 2020) [see Note 24].

In 2020, due to the continuing losses incurred by MIC, the Group performed impairment testing on its investment in and advances to MIC. The recoverable amount of investment in and advance to an associate is the greater of its fair value less costs of disposal and value-in-use. 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. Costs of disposal, other than those that have been recognized as liabilities, are deducted in measuring fair value less costs of disposals. Examples of such costs are legal costs, stamp duty and similar transaction taxes, cost of removing the asset, and other incremental costs to bring an asset into condition for its sale. The fair value of the investment in and advances to MIC includes the fair value of its underlying assets which includes property and equipment and investment properties. The fair value of the property and equipment and investment properties were determined based on the appraisal of an independent appraiser as of December 31, 2020. The calculation made by the independent appraiser depends on certain assumptions, such as sales and listing of comparable properties registered within the vicinity and adjustments to sales prices based on internal and external factors. Based on this, the recoverable amount of its investment in and advances to MIC as of December 31, 2020 amounted to ₱389 million. Therefore, the Group recognized impairment loss amounting to 1.2 billion in 2020 (see Note 10).

The carrying values of the Group's investments in and advances to associates and joint ventures, property and equipment, investment properties, and franchise fee as of March 31, 2021 and December 31, 2020 are disclosed in Notes 10, 11, 12 and 13 to the consolidated financial statements.

*Recognition of deferred tax assets*

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

*Estimation of retirement benefits cost and obligations*

The determination of the obligation and retirement benefits cost is dependent on management's selection of certain assumptions used by the actuary in calculating such amounts. Those assumptions are described in Note 21 and include among others, discount rates, expected rate of return on plan assets and expected rate of salary increase. Actual results that differ from the Group's assumptions are accumulated and amortized over the future periods and therefore generally affect the recognized expense and recorded obligation in such future period. While the Group believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's retirement and other retirement obligations.

As of March 31, 2021 and December 31, 2020, the carrying value of accrued retirement benefits are disclosed in Notes 16 and 21 to the consolidated financial statements. Retirement benefits cost in March 31, 2021 and December 31, 2020 are disclosed in Note 21 to the consolidated financial statements.

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## 6. Cash and Cash Equivalents

This account consists of:

	MAR 2021	DEC 2020
Cash on hand	<b>₱33,544,306</b>	₱10,114,673
Cash in banks	<b>124,324,554</b>	172,038,272
Cash equivalents	—	—
	<b>₱157,868,860</b>	₱182,152,945

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.

## 7. Receivables

This account consists of:

	MAR 2021	DEC 2020
Trade		
Rent receivables (Notes 11 and 12)	<b>₱97,928,722</b>	₱99,213,706
Real estate receivables - current portion	<b>68,952,013</b>	72,628,245
Receivables from off-track/off-cockpit betting (OTB/OCB) operators	<b>8,630,078</b>	6,050,566
Receivables from food and beverage operations	<b>2,248,022</b>	2,210,309
Non-trade		
Advances to suppliers and contractor	<b>25,055,077</b>	14,006,896
Advances and loans to officers and employees	<b>18,054,174</b>	17,001,835
Due from related parties (Note 26)	<b>5,036,049</b>	5,036,049
Receivable from third parties	<b>3,265,346</b>	3,265,346
Others	<b>20,807,868</b>	7,829,232
	<b>249,977,349</b>	228,806,472
Less Allowance for ECL	<b>82,515,939</b>	82,905,364
	<b>₱167,461,410</b>	₱160,909,800

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.

### Advances to Suppliers and Contractors

Advances to suppliers and contractors are noninterest-bearing payments, which is normally realizable within 12 months or within the normal operating cycle.

### Other Receivables

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

### Allowance for ECL

Movements in the allowance for doubtful accounts are summarized below:

	MAR 2021		Total
	Trade	Nontrade	
Balance at beginning of year	<b>₱62,512,959</b>	<b>₱20,392,405</b>	<b>₱82,905,364</b>
Provision during the year	-	-	-
Amounts written off during the year	-	-	-
Recovery of doubtful accounts	-	(389,425)	(389,425)
Balance at end of period	<b>₱62,512,959</b>	<b>₱20,002,980</b>	<b>₱82,515,939</b>

	DEC 2020		
	Trade	Nontrade	Total
Balance at beginning of year	₱46,552,996	₱18,559,434	₱65,112,430
Provision during the year	16,427,267	2,661,149	19,088,416
Amounts written off during the year	(347,793)	(828,178)	(1,175,971)
Recovery of doubtful accounts	(119,511)	–	(119,511)
Balance at end of year	₱62,512,959	₱20,392,405	₱82,905,364

## 8. Inventories

This account consists of:

	MAR 2021	DEC 2020
Real estate:		
Condominium units for sale - at cost	<b>₱9,620,200</b>	₱10,139,977
Memorial lots for sale - at cost	<b>6,489,904</b>	6,489,904
	<b>16,110,104</b>	16,629,881
Gamefowls - at cost	<b>2,385,000</b>	2,626,000
Food and beverages - at cost	<b>1,212,096</b>	399,101
	<b>₱19,707,200</b>	₱19,654,982

Condominium units for sale and residential units for sale pertain to the completed condominium and residential projects of the Parent Company.

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

	MAR 2021	DEC 2020
Balance at beginning of year	<b>₱16,629,881</b>	₱6,489,904
Repossessed real estate inventories	–	–
Transfers to investment property (Note 12)	–	11,953,133
Cost of real estate sold (Note 17)	<b>(519,777)</b>	(1,813,156)
Balance at end of period	<b>₱16,110,104</b>	₱16,629,881

### Condominium units for sale

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.

On February 26, 2005, the Parent Company entered into Joint Development Agreements (JDAs) with Avida and Alveo for the development of 5.2 hectares and 1.3 hectares (the “Project Areas”), respectively, of the Parent Company’s 11.6-hectare property located in Sta. Cruz, Manila, into a primary residential complex consisting of condominium buildings and townhouses (the “Project”). Under the JDAs, the Parent Company agreed and contributed its rights, title and interest in the Project and the Project Areas, while Avida and Alveo agreed and provided the necessary capital to finance the Project and expertise to develop the Project Areas. In return for their respective contributions to the



Project, the Parent Company, Avida and Alveo received their respective allocation as described in the JDAs.

Towers 1 to 5 of Avida and Towers 1 to 3 of Alveo are fully completed as of December 31, 2018.

Marketing expense, presented as “Selling expense” in the consolidated statements of comprehensive income, is the share of the Parent Company in the marketing cost pertaining to real estate operations. Marketing amounted to nil for the period ended March 31, 2020 and ₱0.8 million for the period ended March 31, 2021.

#### Gamefowls

The movements in the gamefowls inventory account are as follows:

	<b>MAR 2021</b>	<b>DEC 2020</b>
Balance at beginning of year	<b>₱2,626,000</b>	₱2,024,000
Purchases	–	17,549,830
Cost of gamefowls used (Note 17)	<b>(241,000)</b>	(16,947,830)
Balance at end of period	<b>₱2,385,000</b>	₱2,626,000

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#### **9. Prepayments and Other Current Assets**

This account consists of:

	<b>MAR 2021</b>	<b>DEC 2020</b>
Financial assets at FVOCI	<b>₱60,912,865</b>	₱60,912,865
Input VAT	<b>24,100,350</b>	19,687,497
Prepaid income tax	<b>8,764,831</b>	7,585,407
Prepaid expenses	<b>13,842,373</b>	893,636
Deposit	<b>40,000</b>	130,000
Others	–	52,177
	<b>₱107,660,419</b>	₱89,261,582

Prepaid expenses include prepayments made for insurance, licenses, employee’s health benefits and professional fees. Others include fuel and oil.

## 10. Investments in and Advances to Associates and Joint Ventures

This account consists of:

	MAR 2021	DEC 2020
<b>Cost</b>	<b>₱2,312,510,445</b>	<b>₱2,312,510,445</b>
<b>Equity in net losses of associates and joint ventures</b>		
Beginning balance	(1,913,714,678)	(601,336,998)
Equity in net losses during the period	(35,112,447)	(1,312,377,680)
Share on dividends declared		—
Derecognition of equity in joint venture		—
	<b>(1,948,827,125)</b>	<b>(1,913,714,678)</b>
	<b>363,683,320</b>	<b>398,795,767</b>
<b>Advances to an associate</b>	<b>321,233,646</b>	<b>321,233,646</b>
	<b>₱684,916,966</b>	<b>₱720,029,413</b>

	MAR 2021	DEC 2020
<b>Investment in associates</b>		
MIC	₱353,891,159	₱389,003,606
Techsystems	—	—
	<b>353,891,159</b>	<b>389,003,606</b>
<b>Investment in joint ventures</b>		
Gamespan	9,792,161	9,792,161
	<b>9,792,161</b>	<b>9,792,161</b>
	<b>363,683,320</b>	<b>398,795,767</b>
<b>Advances to an associate</b>	<b>321,233,646</b>	<b>321,233,646</b>
	<b>₱684,916,966</b>	<b>₱720,029,413</b>

### Investment in and Advances to Associates

MIC. Investment in MIC pertains to the Group's 22.31% interest in MIC as of March 31, 2021 and December 31, 2020. MIC started its commercial operations on January 6, 2016. The movements and details of the accounts are as follows:

	MAR 2021	DEC 2020
Investment in associate	₱389,003,606	₱1,701,381,286
Equity in net losses of the associate	(35,112,447)	(1,312,377,680)
	<b>353,891,159</b>	<b>389,003,606</b>
Advances to an associate	<b>321,233,646</b>	<b>321,233,646</b>
	<b>₱675,124,805</b>	<b>₱710,237,252</b>

Advances to MIC pertains to deposits for future stock subscriptions.

The summarized financial information of MIC is as follows:

	<b>MAR 2021</b>	DEC 2020
Current assets	<b>₱352,976,200</b>	₱370,344,596
Noncurrent assets	<b>5,212,255,944</b>	5,295,544,382
Current liabilities	<b>917,042,413</b>	793,731,299
Noncurrent liabilities	<b>4,988,243,427</b>	5,055,046,531
Equity	<b>(340,053,696)</b>	(182,888,852)
Income	<b>48,597,008</b>	223,943,208
Expenses	<b>205,761,851</b>	812,922,433
Net loss	<b>157,164,842</b>	588,979,225
Other comprehensive income (loss)	<b>230,571</b>	7,712,363

The difference between the carrying values of investment in MIC against the share in net assets of MIC as of March 31, 2021 and December 31, 2020 represents goodwill amounting to 389.0 million.

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) right 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 right share, if paid in full upon submission of the application to subscribe and 2.00 per right share, if paid on installment basis. As of the date of issuance of the consolidated financial statements, the stock rights offering is still pending for approval of the SEC.

#### Status of Operations

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

#### *Gaming Operations*

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

community quarantine until August 5, 2021 hence, the casino can operate for 24 hours. On July 29, 2021, the IATF again placed Metro Manila on enhanced community quarantine from August 6 to 20, 2021.

#### *Hotel Operations*

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

As of the date of the auditor's report, MIC has not yet resumed its full operation of the casino as a result of the PAGCOR and IATF memorandum.

#### 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 (P.D) 519 and Letter of Instruction 1176 within 60 calendar days from the date of receipt or possession of the gaming equipment and gaming paraphernalia.

For income tax purposes, 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, 2016, MIC was granted by PAGCOR the right to operate a traditional bingo operation at Winford Hotel and Casino. The terms of the bingo operation shall be coterminous with the term of the PTO. Under the agreement, MIC shall remit monthly to PAGCOR 15% of the total gross receipt from sale of bingo tickets and cards, including electronically stored bingo cards played through an electronic device, instant game tickets and bingo game variant cards.

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

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

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

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

TSLC shall also deposit to PAGCOR the following:

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

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

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

The contract with TSLC with PAGCOR was terminated in 2019.

*Techsystems.* The investment in associate, Techsystems, pertains to the acquisition cost of 1.0 million representing 33.33% ownership of the Parent Company. Techsystems undertakes to

facilitate the short message service betting or online betting for the races conducted by the Parent Company. The investment in Techsystems is fully provided with allowance. As of March 31, 2021 Techsystems has not yet started commercial operations.

The summarized financial information of Techsystems is as follows:

	<b>MAR 2021</b>	DEC 2020
Total liabilities	<b>₱5,184,317</b>	₱5,184,317
Capital deficiency	<b>(5,184,317)</b>	(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 March 31, 2021, 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 follows:

	<b>MAR 2021</b>	DEC 2020
Current assets	<b>₱20,184,979</b>	₱20,184,979
Noncurrent assets	<b>29,167</b>	29,167
Current liabilities	<b>(629,824)</b>	(629,824)
Equity	<b>19,584,322</b>	19,584,322
Percentage of ownership	<b>50%</b>	50%
	<b>₱9,792,161</b>	₱9,792,161

Equity investment in joint venture in Gamespan amounted to 9.8 million as of March 31, 2021 and December 31, 2020. Equity in net earnings amounted to nil for periods ending March 31, 2021 and 2020.

*SLBPO.* On December 12, 2008, the Parent Company entered into a Joint Venture Agreement (JVA) with ALI to create SLBPO, an unincorporated entity, for the purpose of leasing, managing and administering the developed office units and retail development area in the building complex at the Sta. Cruz property (the Building Complex). The Building Complex was also constructed and developed under a JDA with ALI. The Building Complex was thereafter named “Vertex One.”

In September 2019, the Parent Company acquired from ALI, developed office units and parking lots and ALI’s equity interest in SLBPO for a total consideration of 511.7 million, excluding applicable taxes. This resulted in the Parent Company owning 100% of Vertex One. In connection with acquisition, ALI assigned, transferred and conveyed all its rights, interest and obligations in certain lease and service contracts which it has entered into with certain office tenants and service providers in connection with its obligation under the JVA with respect to the management and leasing operation of the building.

On the same date, ALI, with the conformity of the Parent Company, assigned its rights under the JVA in favor of SLP MC, including, the right (i) to manage, market and lease the developed office units, retail units, and parking slots, of Vertex One, and (ii) to manage the funds of SLBPO.

The Parent Company and SLP MC, as assignee-in-interest ALI to SLBPO, agreed to continue the unincorporated joint venture. SLP MC shall act as property manager of Vertex One. On the same date, the Parent Company and SLP MC amended the division of net rental income from leasing the developed office units in Vertex One by SLBPO for a more equitable distribution of net income of the JV, proportionate to and taking into account SLP MC's contribution. The net rental income from leasing out the developed office units by SLBPO shall be divided between the Parent Company and SLP MC as dividends, on the basis of the following percentages: Parent Company – 90%, SLP MC – 10%. (see Note 1)

Effective October 1, 2019, SLBPO is a wholly owned subsidiary of the Group.

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

	MAR 2021	MAR 2020
MIC	(P35,112,447)	(P21,107,499)
SLBPO	-	-
	<b>(P35,112,447)</b>	<b>(P21,107,499)</b>

## 11. Property and Equipment

Movements in this account are as follows:

MAR 2021

	January 1	Additions	Retirement/ Disposals	Reclassification s and adjustments	December 31
<b>Cost</b>					
Land	P304,869,383	P-	P-	P-	P304,869,383
Land improvements	364,844,233	-	-	-	364,844,233
Building and improvements	701,593,618	821,429	-	-	702,415,047
Machinery and equipment	618,628,719	391,693	(1,097,321)	-	617,923,091
Transportation equipment	81,451,198	400,599	(1,186,000)	-	80,665,797
Furniture and fixtures	34,578,896	-	-	-	34,578,896
ROU assets	36,417,492	-	-	-	36,417,492
	<b>2,142,383,539</b>	<b>1,613,721</b>	<b>(2,283,321)</b>	<b>-</b>	<b>2,141,713,939</b>
<b>Accumulated depreciation</b>					
Land improvements	P245,178,147	P4,383,545	P-	P-	P249,561,692
Building and improvements	456,599,611	9,097,807	-	-	465,697,418
Machinery and equipment	564,431,479	8,459,105	-	-	572,890,584
Transportation equipment	48,929,155	1,360,307	-	-	50,289,462
Furniture and fixtures	30,966,005	420,710	-	-	31,386,715
ROU assets	22,659,302	1,696,215	-	-	24,355,517
	<b>1,368,763,699</b>	<b>25,417,689</b>	<b>-</b>	<b>-</b>	<b>1,394,181,388</b>
Net book value	773,619,840	(23,803,968)	(2,283,321)	-	747,532,551
Construction in progress	22,591,131	-	-	-	22,591,131
	<b>796,210,971</b>	<b>(23,803,968)</b>	<b>(2,283,321)</b>	<b>-</b>	<b>770,123,682</b>
Allowance for impairment	(14,637,381)	-	-	-	(14,637,381)
	<b>P781,573,590</b>	<b>(P23,803,968)</b>	<b>(2,283,321)</b>	<b>-</b>	<b>P755,486,301</b>

DEC 2020

	January 1	Additions	Retirement/ Disposals	Reclassification and adjustments	December 31
<b>Cost</b>					
Land	₱304,869,383	₱–	₱–	₱–	₱304,869,383
Land improvements	363,389,437	48,857	–	1,405,939	364,844,233
Building and improvements	683,012,552	18,581,066	–	–	701,593,618
Machinery and equipment	612,236,260	6,460,949	(68,490)	–	618,628,719
Transportation equipment	74,815,266	10,292,182	(3,656,250)	–	81,451,198
Furniture and fixtures	33,743,390	835,506	–	–	34,578,896
ROU assets	36,417,492	–	–	–	36,417,492
	2,108,483,780	36,218,560	(3,724,740)	1,405,939	2,142,383,539
<b>Accumulated depreciation</b>					
Land improvements	₱228,133,126	₱17,045,021	₱–	₱–	₱245,178,147
Building and improvements	427,118,713	29,480,898	–	–	456,599,611
Machinery and equipment	537,085,331	27,414,638	(68,490)	–	564,431,479
Transportation equipment	39,911,118	11,517,538	(2,499,501)	–	48,929,155
Furniture and fixtures	29,314,764	1,651,241	–	–	30,966,005
ROU assets	11,343,354	11,315,948	–	–	22,659,302
	1,272,906,406	98,425,284	(2,567,991)	–	1,368,763,699
<b>Net book value</b>	835,577,374	(62,206,724)	(1,156,749)	1,405,939	773,619,840
Construction in progress	19,426,750	6,370,320	(1,800,000)	(1,405,939)	22,591,131
	855,004,124	(55,836,404)	(2,956,749)	–	796,210,971
Allowance for impairment	(14,637,381)	–	–	–	(14,637,381)
	₱840,366,743	(₱55,836,404)	(₱2,956,749)	–	₱781,573,590

### Depreciation Charges

The amount of depreciation is allocated as follows:

	MAR 2021	MAR 2020
Cost of sales and services (Notes 17)	<b>₱21,505,220</b>	₱14,744,332
General and administrative expenses (Notes 19)	<b>3,912,469</b>	9,917,531
	<b>₱25,417,689</b>	₱24,661,863

### Capitalized Borrowing Costs

No interest on loans was capitalized on March 31, 2021 and December 31, 2020.

### 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 2021 and 2020. The outstanding balance of 89.9 million as of March 31, 2021 and December 31, 2020 is included under “Accounts payable and other liabilities” in the consolidated statements of financial position (see Note 15).

### Assets Under Operating Lease – the Parent Company as Lessor

The Parent Company has various operating lease agreements for its building improvements, specifically, cluster stables, with horse owners. The lease agreements provide for fixed monthly payments which are subject to rental escalations and renewal options. The carrying value of the cluster stables that are leased out on these operating leases amounted to 19.1 million and 19.6 million as of March 31, 2021 and December 31, 2020, respectively. Rent income from stable rentals for periods ended March 31, 2021 and 2020 amounted to 1.0 million and 9.3 million, respectively.



The Parent Company has various operating lease agreements with concessionaires to lease certain areas within the Turf Club. The lease shall be for a period of two to five years. Rent income from concessionaires amounted to 0.1 million for periods ended March 31, 2021 and 2020.

#### Impairment

In 2020 and 2019, due to continuous decline in revenues from club races, the Parent Company assessed that its property and equipment used in its racing activities may be impaired. These property and equipment related to the Parent Company's racing activities have a carrying amount of 408.9 million and 433.9 million as of December 31, 2020 and 2019, respectively, prior to impairment assessment.

The recoverable amount of the CGU has been determined based on value in use calculations. Value in use calculations use pre-tax cash flow projections based on the prospective financial information until the end of the Group's horse racing franchise which is in November 2022. These pre-tax cash flow projections were approved by management. The cash flow projections assumed that the Group will sell the land it uses in its racing activities after the expiration of its horse racing franchise at a price equivalent to its fair value. The fair value of the land was determined by an independent appraiser as of December 31, 2020. Management determined that the key assumptions underlying the said prospective financial information are based on reasonable estimates after considering historical performance and its expectations on prospects and development within the forecast period.

Accordingly, the Parent Company recognized no impairment loss on the property and equipment used in its racing activities in 2020 and 2019.

In 2019, the management of the Group has determined that certain land improvements, that was supposed to generate new cash inflow for the Group did not materialize, therefore, the Group will not be able to recover the costs of construction and recognized a provision for impairment amounting to 14.6 million. No additional allowance was recognized in 2020 and March 31, 2021.

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## **12. Investment Properties**

This account consists of:

	<b>MAR 2021</b>	DEC 2020
Land:		
Sta. Cruz property held for capital appreciation	<b>₱397,821,478</b>	₱397,821,478
Sta. Cruz property held for lease	<b>238,168,692</b>	238,168,692
Mamburao property	<b>136,435,767</b>	136,435,767
Carmona property held for capital appreciation	<b>111,783,131</b>	111,783,131
Undivided interest in a parcel of land in Batangas	<b>56,723,976</b>	56,723,976
	<b>940,933,044</b>	940,933,044
Building:		
Developed office units	<b>574,785,200</b>	585,519,164
Retail development area	<b>25,496,298</b>	25,996,683
Condominium units	<b>4,806,091</b>	4,806,091
	<b>605,087,589</b>	616,321,938
	<b>₱1,546,020,633</b>	₱1,557,254,982

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

	<b>MAR 2021</b>		
	<b>Land</b>	<b>Building</b>	<b>Total</b>
<b>Cost</b>			
Balance at beginning of year	₱940,933,044	₱792,671,084	₱1,733,604,128
Additions	-	-	-
Transfers from inventory	-	-	-
<b>Balance at end of year</b>	<b>940,933,044</b>	<b>792,671,084</b>	<b>1,733,604,128</b>
<b>Accumulated Depreciation</b>			
Balance at beginning of year	-	176,349,146	176,349,146
Depreciation	-	11,234,349	11,234,349
<b>Balance at end of period</b>	<b>-</b>	<b>187,583,495</b>	<b>187,583,495</b>
<b>Net Book Value</b>	<b>₱940,933,044</b>	<b>₱605,087,589</b>	<b>₱1,546,020,633</b>

	<b>DEC 2020</b>		
	<b>Land</b>	<b>Building</b>	<b>Total</b>
<b>Cost</b>			
Balance at beginning of year	₱940,933,044	₱804,016,873	₱1,744,949,917
Additions	-	647,321	647,321
Transfers to inventories	-	(11,993,110)	(11,993,110)
<b>Balance at end of year</b>	<b>940,933,044</b>	<b>792,671,084</b>	<b>1,733,604,128</b>
<b>Accumulated Depreciation</b>			
Balance at beginning of year	-	134,808,894	134,808,894
Depreciation	-	41,580,229	41,580,229
Transfers to inventories	-	(39,977)	(39,977)
<b>Balance at end of year</b>	<b>-</b>	<b>176,349,146</b>	<b>176,349,146</b>
<b>Net Book Value</b>	<b>₱940,933,044</b>	<b>₱616,321,938</b>	<b>₱1,557,254,982</b>

Depreciation amounting to ₱11.2 million and ₱41.5 million for the period ended March 31, 2021 and December 31, 2020, are included as part of “Cost of sales and services”.

In 2019, the Parent Company acquired a long-term loan amounting to ₱315.0 million. The loan is secured by land and building of Vertex One located in Sta. Cruz, Manila with a fair value of ₱1.7 billion as of March 31, 2020 and December 31, 2021, respectively. As of March 31, 2021 and December 31, 2020, the remaining balance of the long-term loan amounted to ₱107.2 million and ₱206.0 million, respectively.

#### Fair Market Values

As at December 31, 2020, the aggregate fair value of the Parent Company’s investment properties amounted to ₱5.9 billion. Fair values of the Carmona property as of December 3, 2020 and Sta. Cruz properties and the building as of December 1, 2020 have been determined based on valuation performed by a Philippine SEC-accredited and independent professional appraisers using market data approach for land and cost approach for buildings. This means that valuations performed by qualified independent appraisers are a depreciated replacement cost which is based on the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction. An estimate in calculating the direct cost of reproducing or replacing the improvement, deducting accrued depreciation from all sources and adding the indirect costs attributed to the improvement has been made. The market data approach is based upon prices paid in actual market transactions and current listings, the former fixing the lower limit of value in a static or advancing

market, and fixing the higher limit of value in a declining market; and the latter fixing the higher limit in any market.

Management has assessed that there are no material changes in fair value on these investment properties as of December 31, 2020 from the most recent revaluations performed by independent appraisers.

As of December 31, 2020, the fair value of the Mamburao property amounted to ₱175.6 million. Fair values of the land as of July 25, 2019 have been determined based on valuation performed by Philippine SEC-accredited and independent professional appraisers using replacement cost approach method and market data approach method. Management has assessed that there are no material changes in fair value on these investment properties as of December 31, 2020 from the most recent revaluations performed by independent appraisers.

Investment properties were classified as Level 3 in 2020 and 2019, respectively, as to the qualification of fair value hierarchy.

### 13. Other Noncurrent Assets

This account consists of:

	MAR 2021	DEC 2020
Financial assets at FVOCI:		
Debt securities	<b>₱45,152,782</b>	₱45,152,782
Equity securities	<b>18,341,969</b>	18,341,969
Input VAT - noncurrent portion	<b>47,641,088</b>	47,289,013
Advances to lot owners	<b>16,230,570</b>	16,230,570
Deposits	<b>13,513,530</b>	13,488,530
Advances to contractors	<b>23,107,621</b>	23,107,621
Franchise fee	<b>3,172,339</b>	3,620,839
Software	<b>1,075,000</b>	1,075,000
Others	<b>236,428</b>	236,427
	<b>168,471,327</b>	168,542,751
Less allowance for impairment of VAT input	<b>27,509,053</b>	1,108,431
	<b>₱140,962,274</b>	₱167,434,320

#### Financial Assets at FVOCI

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

	MAR 2021	DEC 2020
Current portion	<b>₱60,912,865</b>	₱60,912,865
Noncurrent portion	<b>63,494,751</b>	63,494,751
Balance at end of year	<b>₱124,407,616</b>	₱124,407,616

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

	MAR 2021	DEC 2020
Balance at beginning of year	<b>₱6,496,365</b>	₱4,260,960
Disposal during the period	-	(545,462)
Unrealized market-to-market gains (losses) during the period	-	2,780,867
Balance at end of period	<b>₱6,496,365</b>	₱6,496,365

Franchise Fee

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

	<b>MAR 2021</b>	DEC 2020
Acquisition cost	<b>₱44,850,000</b>	₱44,850,000
Accumulated amortization:		
Balance at beginning of year	<b>41,229,161</b>	39,435,161
Amortization for the year	<b>448,500</b>	1,794,000
Balance at end of period	<b>41,677,661</b>	41,229,161
	<b>₱3,172,339</b>	₱3,620,839

Franchise fee has remaining amortization period of less than two (2) years as of March 31, 2021.

Software

Movements in the carrying amount of the software are shown below:

	<b>MAR 2021</b>	DEC 2020
Acquisition cost:	<b>₱3,225,000</b>	₱3,225,000
Accumulated amortization		
Balance at beginning of the year	<b>2,150,000</b>	1,075,000
Amortization for the period	-	1,075,000
Balance as at end of period	<b>2,150,000</b>	2,150,000
	<b>₱1,075,000</b>	₱1,075,000

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#### **14. Short-term and Long-term Loans and Borrowings**

Long-term Loan

In 2019, the Parent Company acquired a five (5) year long-term loan amounting to 315.0 million maturing in September 2024. This loan is payable in equal monthly installments. The Parent Company has an option to shift from a floating rate every quarter to a fixed interest rate within two years from the avallment date of the loan. The loan is secured by land and building of Vertex One located in Sta. Cruz, Manila with a carrying value of ₱170.3 million and fair value of ₱1.7 billion as of March 31, 2021.

The movements in long-term loans and borrowing are as follows:

	<b>MAR 2021</b>	DEC 2020
Balance at beginning of year	<b>₱206,000,000</b>	₱299,250,000
Payment during the period	<b>(35,750,000)</b>	(93,250,000)
	<b>170,250,000</b>	206,000,000
Less current portion	<b>63,000,000</b>	63,000,000
Noncurrent portion	<b>₱107,250,000</b>	₱143,000,000

On March 19, 2020, the Parent Company exercised the option to fix the interest rate at 6.02% until September 2020. The long-term loan has an average interest rate of 5.71% and 6.02% in 2020 and 2019, respectively.

Interest expense on long-term loan amounted to ₱3.0 for the period ended March 31, 2021 and ₱3.4 million for the same period in 2020.

#### Short-term Loans

As of March 31, 2021 and December 31, 2020, outstanding balance of short-term loans and borrowings amounted to nil.

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### **15. Accounts Payable and Other Liabilities**

This account consists of:

	<b>MAR 2021</b>	<b>DEC 2020</b>
Accounts payable	<b>₱156,206,058</b>	₱124,904,268
Due to RALI (Note 11)	<b>89,900,000</b>	89,900,000
Accrued expenses	<b>29,002,509</b>	21,955,097
Cash bond on OTB/OCB operators	<b>25,041,504</b>	26,810,617
Payable to BIR	<b>21,856,293</b>	21,856,293
Rental deposits	<b>16,011,806</b>	15,618,600
Unclaimed winnings	<b>15,704,174</b>	19,960,671
Documentary stamps payable	<b>12,695,461</b>	14,073,615
Lease liabilities - current portion	<b>6,528,538</b>	6,528,538
Dividends payable	<b>5,974,351</b>	5,974,351
Unrealized income - stable	<b>5,297,078</b>	5,253,517
Due to winning horse owners	<b>4,149,035</b>	3,099,091
Retention payable	<b>2,167,811</b>	2,167,811
Due to contractors	<b>1,683,538</b>	1,683,538
Due to OTB/OCB operators	<b>1,130,883</b>	255,780
Withholding taxes payable	<b>758,788</b>	1,765,810
Taxes on winnings	<b>626,003</b>	1,805,398
Percentage tax payable	<b>536,675</b>	-
Others	<b>3,717,147</b>	14,692,636
	<b>₱398,987,652</b>	₱378,305,631

Accounts payable and other liabilities are noninterest-bearing and are normally settled within the next financial year. Due to OTB/OCB operators are unpaid commissions to the operators that are settled within the next operating cycle.

Cash bond on OTB operators serves as security deposits received by the Group from OTB operators at the inception of the OTB operations. These are refunded to OTB operators upon termination of the operations.

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### **16. Other Noncurrent Liabilities**

This account consists of:

	<b>MAR 2021</b>	<b>DEC 2020</b>
Accrued retirement benefits (Note 21)	<b>₱50,905,619</b>	₱48,355,619
Security deposit	<b>59,524,882</b>	59,456,949
Lease liabilities - net of current portion	<b>8,548,980</b>	10,317,849
	<b>₱118,979,481</b>	₱118,130,417

Security deposit pertains to the security deposit from tenants of the Group's leased properties.

## 17. Cost of Sales and Services

Cost of club races consists of:

	MAR 2021	MAR 2020
Depreciation	<b>₱22,968,571</b>	₱10,149,449
Personnel costs	<b>17,754,307</b>	13,647,855
Utilities	<b>6,980,339</b>	3,422,757
Security services	<b>2,026,435</b>	677,565
Contracted services	<b>1,688,496</b>	1,213,540
Taxes and licenses	<b>1,308,744</b>	655,569
Repairs and maintenance	<b>1,305,421</b>	427,316
Software license	<b>872,755</b>	190,050
Amortization of franchise fee	<b>448,500</b>	448,500
Gas, fuel and oil	<b>176,930</b>	13,061
Meetings and conferences	<b>85,931</b>	150,471
Supplies	<b>52,288</b>	1,116,951
Rent	-	927,603
Transportation and travel	-	1,116,230
Commission	-	1,446,503
Prizes and winnings	-	300,000
Others	<b>328,275</b>	1,064,077
	<b>₱55,996,992</b>	₱36,967,497

Cost of cockfighting consists of:

	MAR 2021	MAR 2020
Taxes and licenses	<b>₱6,479,295</b>	₱39,051,379
Breeder's subsidy	<b>5,238,625</b>	38,011,605
Personnel costs	<b>2,602,165</b>	118,124
Depreciation	<b>2,357,074</b>	2,124,501
Professional fees	<b>1,410,333</b>	598,977
Meetings and conferences	<b>972,655</b>	1,571,813
Service fee	<b>932,322</b>	1,110,579
Percentage tax	<b>536,675</b>	39,258,968
Supplies	<b>419,013</b>	2,260,852
Gas, fuel and oil	<b>355,274</b>	195,543
Gamefowls	<b>241,000</b>	16,068,330
Teller allowances	<b>202,241</b>	5,543,342
Communication	<b>166,346</b>	2,366,416
Repairs and maintenance	<b>130,302</b>	568,143
Transportation and travel	<b>118,511</b>	953,907
Utilities	<b>35,988</b>	304,178
Rent	<b>5,856</b>	4,196,020
Commission	-	29,489,575
Contracted services	-	5,687,273
Security services	-	1,224,869
Others	<b>3,935,008</b>	1,673,094
	<b>₱26,138,683</b>	₱192,377,488

Cost of rental services consists of:

	MAR 2021	MAR 2020
Utilities	<b>₱9,758,492</b>	₱13,168,547
Depreciation	<b>7,355,661</b>	13,000,948
Taxes and licenses	<b>6,071,813</b>	714,473
Repairs and maintenance	<b>3,497,675</b>	2,252,289
Security services	<b>1,558,051</b>	2,608,119
Contracted services	<b>997,624</b>	1,074,100
Rent	<b>962,027</b>	180,178
Meetings and conferences	<b>261,752</b>	37,074
Franchise tax – gaming	<b>47,111</b>	150,602
Personnel costs	–	910,198
Advertising	–	264,278
Software license	–	46,800
Others	<b>1,267,520</b>	1,503,341
	<b>₱31,777,726</b>	₱35,910,947

Cost of food and beverages consists of:

	MAR 2021	MAR 2020
Purchased stocks	<b>₱507,603</b>	₱3,368,096
Depreciation	<b>58,264</b>	69,261
Meetings and conferences	<b>37,120</b>	188,853
Personnel costs	–	1,041,157
Utilities	–	823,627
Communication	–	48,826
Supplies	–	48,388
Repairs and maintenance	–	19,855
Contracted services	–	–
Others	<b>26,116</b>	245,393
	<b>₱629,103</b>	₱5,853,456

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## 18. General and Administrative Expenses

This account consists of:

	MAR 2020	MAR 2020
Personnel costs	<b>₱4,276,918</b>	₱31,233,044
Depreciation	<b>3,912,469</b>	9,917,531
Advertising	<b>3,635,540</b>	383,650
Service fee	<b>1,432,582</b>	2,176,674
Professional fees	<b>1,415,395</b>	3,085,793
Utilities	<b>1,168,524</b>	5,093,733
Transportation and travel	<b>1,120,256</b>	981,831
Director's fee	<b>607,513</b>	1,764,932
Taxes and licenses	<b>483,396</b>	5,199,600
Contracted services	<b>310,104</b>	1,535,237
Supplies	<b>250,044</b>	544,456

	<b>MAR 2020</b>	MAR 2020
Repairs and maintenance	<b>237,258</b>	3,790,970
Security services	<b>191,194</b>	3,255,049
Meetings and conferences	<b>171,088</b>	1,585,757
Insurance	<b>166,701</b>	218,393
Gas, fuel and oil	<b>127,438</b>	634,731
Membership dues	<b>44,784</b>	331,180
Rent	<b>40,000</b>	2,969,008
Semi-expendable equipment	<b>15,796</b>	36,019
Seminars and trainings	<b>5,474</b>	35,373
Others	<b>5,703,966</b>	2,443,107
	<b>₱25,316,440</b>	₱77,216,068

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### 19. Depreciation and amortization

This account consists of:

	<b>MAR 2021</b>	MAR 2020
Cost of sales and services (Notes 11, 12, and 17)	<b>₱32,739,569</b>	₱25,612,909
General and administrative expenses (Notes 18)	<b>3,912,469</b>	9,917,531
	<b>₱36,652,038</b>	₱35,530,440

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### 20. Personnel Costs

This account consists of:

	<b>MAR 2020</b>	MAR 2020
Salaries and wages	<b>₱18,054,929</b>	₱35,240,119
Retirement benefits costs (Note 21)	<b>4,050,000</b>	7,537,132
Other employee benefits	<b>2,528,461</b>	4,173,127
	<b>₱24,633,390</b>	₱46,950,378

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### 21. Retirement Benefits Costs

The Group has five tax-qualified, funded, noncontributory retirement plans covering both regular permanent and race day operation employees. The retirement plans provide for benefits on retirement, death and disability equivalent to a certain percentage of salary for every year of service based on the final monthly salary of the employee at the time of retirement, death or disability. An independent actuary, using the projected unit credit method, conducted the actuarial valuation of the fund. The latest actuarial valuation report is as of December 31, 2020.



The details of the retirement benefits costs are as follows:

	MAR 2021	DEC 2020
Balance at beginning of year	P48,355,619	P64,128,767
Net retirement benefits costs for the period	4,050,000	9,926,615
Contributions during the period	P1,500,000	(P3,900,000)
Defined benefit income recognized in OCI	-	(20,648,861)
Benefits paid from book reserves	-	(1,150,902)
Balance at end of period	P53,905,619	P48,355,619

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## 22. Interest Income

Interest income related to:

	MAR 2021	MAR 2020
Cash and cash equivalents (Note 6)	P1,747	P106,912
Real estate receivables (Note 7)	-	-
Advances and loans to officers and employees (Note 7)	-	33,304
	P1,747	P140,215

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## 23. Finance Costs

This account consists of:

	MAR 2021	MAR 2020
Interest expense on short-term loans	P-	P-
Interest expense on long-term loans	2,991,756	3,409,066
Interest expense on lease liabilities	-	489,523
Bank charges and others	-	5,877
	P2,991,756	P3,904,466

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## 24. Other Income (Charges) - net

	MAR 2021	MAR 2020
Income from:		
Income from use of property and facilities	P-	P2,103,018
Tenant reimbursements	1,325,690	1,821,454
Parking fees	1,201,136	988,571
Income from sale of agricultural property	-	716,000
Income from advertising	-	662,314
Income from subscriptions	-	234,090

	<b>MAR 2021</b>	MAR 2020
Entrance fee	–	84,995
Income due to cancellations	–	–
Foreign exchange gain (loss)	–	40,728
Others - net	<b>1,954,104</b>	47,343
	<b>₱4,480,930</b>	₱6,998,514

Others include various individually insignificant items of income and expenses.

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## 25. Income Taxes

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

	<b>MAR 2020</b>	MAR 2020
RCIT	<b>₱5,168,724</b>	₱8,757,966
MCIT	<b>376</b>	725,045
Final tax on interest income	<b>965</b>	20,637
	<b>₱5,170,065</b>	₱9,503,648

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## 26. Related Party Transactions

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprises and their key management personnel, directors or its stockholders. Outstanding balances are settled through cash.

The Group adopted the materiality threshold of ten percent (10%) or higher of its total consolidated assets based on its latest audited financial statements. A threshold lower than ten percent (10%) may be set by the Board of Directors upon its determination of the risk of the material related party transactions to cause damage to the Parent Company and its shareholders. The threshold shall apply to material related party transactions entered between the Parent Company, its subsidiary or affiliate or any related party.

The following are the transactions with related parties:

	Nature	Amount		Receivable/(Payable)		Terms	Conditions
		MAR 2021	DEC 2020	MAR 2021	DEC 2020		
<b>Affiliates:</b>							
Arco Management Development Corporation (AMDC)	Lease of office spaces and parking lots <sup>(a)</sup>	<b>1,696,215</b>	13,020,088	<b>(15,077,519)</b>	(16,846,387)	Noninterest-bearing	Unsecured
Advances from shareholders	Advances	-	-	-	(13,734,482)	Noninterest-bearing	Unsecured
<b>Associates:</b>							
MIC	Payable <sup>(b)</sup>	-	418,387	-	(418,387)	Noninterest-bearing	Unsecured, impairment
MIC	Advances <sup>(b)</sup>	-	-	<b>4,982,104</b>	4,982,104	Noninterest-bearing	Unsecured, impairment
Techsystems	Advances <sup>(b)</sup>	-	8,934	<b>53,945</b>	53,945	Noninterest-bearing	Unsecured, impairment

<sup>(a)</sup>The Parent Company has a lease agreement with AMDC, an affiliate under common control, in the lease of office space and four parking lots.

<sup>(b)</sup>Included in the "Receivables" account.

Outstanding balances at year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

## 27. Equity

### Capital Stock

The details of the Parent Company's capital stock as of March 31, 2021 and December 31, 2020 are as follows:

	MAR 2021		DEC 2020	
	Number of Shares	Amount	Number of Shares	Amount
Common shares - 1 par value				
Authorized - 2,000,000,000 shares in 2020 and 2019				
Issued and outstanding (held by 959 equity holders in 2019, with 9,462 shares in treasury)	<b>1,494,251,136</b>	<b>1,494,251,136</b>	1,494,251,136	1,494,251,136
	<b>1,494,251,136</b>	<b>1,494,251,136</b>	1,494,251,136	1,494,251,136

	MAR 2021	DEC 2020
Common shares issued and outstanding:		
Balance at beginning of year	<b>1,494,251,136</b>	1,494,251,136
Issuance	-	-
Balance at end of period	<b>1,494,251,136</b>	1,494,251,136

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

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

On May 3, 2019, the SEC approved the increase in the authorized capital stock and the declaration of the 50% stock dividends or issuance of 1 share for every 2 shares owned by shareholders amounting to 498.1 million.

#### Retained Earnings

In accordance with SEC Memorandum Circular No. 11 issued in December 2008, the Parent Company's retained earnings available for dividend declaration as of December 31, 2020 and 2019 amounted to 281.0 and 632.9 million, respectively. The consolidated retained earnings include the earnings of the subsidiaries and/or associates and joint ventures which are not available for dividend declaration.

Retained earnings account is restricted for the payment of dividends to the extent of the cost of shares held in treasury and deemed cost adjustment totaling 427.0 million and 428.1 million as of December 31, 2020 and 2019, respectively.

#### Declaration of Dividends

The following are the details of the dividends declared in 2018 (nil in 2020 and 2019):

Type of Dividend	Date of Declaration	Date of Record	Dividends per Share
Cash	April 12, 2018	May 28, 2018	0.05
Stock	December 7, 2018	May 17, 2019	50.00%

As at March 31, 2021 and December 31, 2020, outstanding dividends payable amounted to 6.0 million.

During the special stockholders' meeting held on December 7, 2018, the stockholders approved the declaration of 50% stock dividends from the Parent Company's unrestricted retained earnings for the period ended December 31, 2017, to be taken from an increase in the Parent Company's authorized capital stock. On May 3, 2019, the SEC approved the declaration of the 50% stock dividends amounting to 498.1 million.

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## 28. Basic/Diluted EPS

Basic/diluted loss per share were computed as follows:

	MAR 2021	DEC 2020
Net income (loss) attributable to equity holders of the Parent Company	(P66,701,060)	(P1,570,488,772)
Divided by weighted average number of outstanding common shares	1,494,241,674	1,494,241,674
Basic/diluted income (loss) per share	(P0.0446)	(P1.0510)
Common shares outstanding at beginning of the year	1,494,241,674	1,494,241,674
Effect of stock dividends in 2019	-	-
Number of outstanding common shares	1,494,241,674	1,494,241,674

The Parent Company does not have potential dilutive common shares as of March 31, 2021 and December 31, 2020. Therefore, the basic and diluted loss per share are the same as of those dates.

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## 29. Operating Segment Information

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

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

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

### Segment Revenue and Expenses

The segment results for periods ended March 31, 2021 and 2020 are as follows:

	MAR 2021						
	Club Races	Cockfighting	Real Estate	Rent	Food and Beverage	Unallocated	Total
Segment revenue	₱ 18,938,375	₱ 2,981,530	₱ 8,581,855	₱ 80,650,412	₱ 1,147,159	₱ 4,752,986	₱ 117,052,317
Cost and expenses	(55,996,991)	(26,138,683)	(789,902)	(31,777,726)	(629,103)	(63,425,599)	(179,277,781)
Income (loss) before income tax	(37,058,616)	(23,157,153)	7,791,953	48,872,686	518,056	(58,672,613)	(62,225,464)
Provision for income tax	-	-	-	-	-	(5,170,068)	(5,170,068)
Net income (loss)	(₱37,058,616)	(₱23,157,153)	₱7,791,953	₱48,872,686	₱518,056	(63,842,681)	(67,395,532)
	MAR 2020						
	Club Races	Cockfighting	Real Estate	Rent	Food and Beverage	Unallocated	Total
Segment revenue	₱21,440,149	₱234,933,338	₱-	₱115,467,997	₱6,300,447	₱11,701,920	₱389,843,851
Cost and expenses	(36,967,497)	(192,377,488)	-	(35,910,947)	(5,853,456)	(105,214,522)	(376,323,910)
Income (loss) before income tax	(15,527,348)	42,555,850	-	79,557,050	446,991	(93,512,602)	13,519,941
Provision for income tax	-	-	-	-	-	(9,503,648)	(9,503,648)
Net income (loss)	(₱15,527,348)	₱42,555,850	₱-	₱79,557,050	₱446,991	(₱103,016,250)	₱4,016,293

Finance costs, other income - net and provision for income taxes are not allocated to individual segments as the underlying instruments are managed on a group basis and are not provided to the chief operating decision maker at the operating segment level in 2020, 2019 and 2018. Equity in net losses of associates and joint ventures amounting to 35.1 million and 1.3 billion in March 31, 2021 and December 31, 2020, respectively, are included in the segment revenue of operating segment "Unallocated." Pre-operating costs of certain subsidiaries are also included in the cost and expense of the operating segment "Unallocated."

## **30. Commitments and Contingencies**

### Commitments

The following are the significant commitments of the Group:

a. Right-of-Use Assets and Lease Liabilities/Operating Lease

#### *The Group as Lessee*

The Group has lease contracts for the office space and parking lots. Leases of property generally have lease terms of 5 years. The Parent Company's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Parent Company is restricted from assigning and subleasing the leased assets and some contracts require the Parent Company to maintain certain financial ratios.

*The Group as Lessee - Operating Lease*

On December 31, 2017, the Parent Company renewed its lease agreement with AMDC, an affiliate under common control, for the lease of office space and four parking lots. The lease is for a period of five years starting January 1, 2018 to December 31, 2022. The monthly rate of the lease amounted to 545,671 subject to an annual escalation rate of 5.0%.

On January 1, 2011, the Parent Company entered into another lease agreement with AMDC for another office space. The lease is for the period of five years starting 2011 and has ended on December 31, 2015. The contract was renewed for another five years from January 1, 2016 to December 31, 2020. The monthly rate of the lease for 2020 is 384,676 subject to an annual escalation rate of 5.0%.

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

In 2013, the Parent Company entered into a lease contract for three years commencing July 10, 2013 with PAGCOR to lease an area of 189.231 sqm. for a monthly fixed rental of ₱587.08 per sqm. for its casino and related activities. The agreement expired on June 30, 2016. In January 2019, the Parent Company renewed the lease agreement for a period of three (3) years.

Rent income from PAGCOR amounted to ₱0.3 million and ₱0.2 million for the period ended March 31, 2021 and 2020.

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 June 30, 2023.

Income from lease agreement with PAGCOR amounted to 0.8 million and 3.0 million for the period ended March 31, 2021 and 2020, respectively.

d. In April 2018, the Parent Company entered into an agreement with Jade Entertainment and Gaming Technologies, Inc., where the latter shall supply, install, commission, conduct and provide marketing for Casino, including but not limited to, food and beverages, entertainment, promotions, consumables for membership stations.. In addition, the latter shall provide and maintain the floor management system to the machines. The Parent Company shall pay USD\$1.00 per day per machine for all machines connected to the system.

e. On May 1, 2018, the Parent Company entered into a lease agreement with Datem Inc. to lease an area of 16,719 sqm. in Sta. Cruz, Manila for a monthly fixed rental of 150,000, exclusive of VAT. On January 1, 2019, the lease agreement was renewed for another nine (9) months. The lease agreement was no longer renewed. In 2019, rent income from these lease agreements with Datem amounted to 1.4 million.

f. In 2018, the Parent Company entered into various lease agreements for one year to lease condominium units in Alveo and Avida for a monthly fixed rental of 24,000 - 25,000 inclusive of VAT. The lease agreements are renewable for another one (1) year upon mutual agreements of both parties. For the periods ended March 31, 2021 and 2020, rent income from these lease agreements amounted to 0.3 million and 0.2 million, respectively.

g. Memorandum of Agreement with AKL Properties, Inc. (AKL)

On July 16, 2019, a memorandum of agreement was executed between the Parent Company and AKL Properties, Inc. (AKL) to purchase the Parent Company's land properties located in Carmona, Cavite with 608,712 sqm., for the purpose of developing it into a mixed-use township project with complementary uses. This excludes the MJC Turf Club Building with 36,000 sqm. where the Parent Company shall retain its ownership. The Parent Company agrees to vacate the land properties no later than three (3) years from the signing of the agreement or the expiration of the congressional franchise on November 23, 2022 whichever is later, subject to a phase-out plan acceptable to AKL. If the agreement is terminated, the advances shall be paid within 90 days from the termination date.

On December 13, 2019, the Parent Company received advances from AKL amounting to 500.0 million and is presented as part of "Advances from third parties" account in the consolidated statement of financial position. As of August 9, 2021, the Parent Company is still in the process of collecting the original owner's duplicate copy of the certification of titles covering the said properties.

h. Memorandum of Agreement with Wisem Global Inc. (WGI) and SymVerse Inc. (SVI)

On October 29, 2019, a memorandum of agreement has been executed between the WGI, SVI, the Parent Company and MCI to deliver to WGI and SVI the content in accordance with their specifications and in such format as agreed between the parties, to enable WGI and SVI to create, develop and deliver a betting platform on or before the delivery date. In accordance with the contract, the Parent Company and MCI will share in the revenue derived from the use of the betting platform.

The Parent Company received advances from WGI and SVI amounting to US\$100.0 thousand (5.1 million) and are presented as part of "Advances from third parties" account in the consolidated statement of financial position. The deposits shall thereafter be deducted from the revenue share of the Parent Company upon commencement of operations, which is expected to be in 2021. As at December 31, 2020, both parties are still in the development stage.

Contingencies

Under PR58D of the *Rules and Regulations on Horse Racing* promulgated by the Philippine Racing Commission (PHILRACOM), the latter claims control over the disposition of unclaimed dividends.

The Parent Company disputed the legality of PR58D in its letters to PHILRACOM dated June 14, 2012 and July 13, 2012. The Parent Company maintained that there is no law authorizing PHILRACOM to determine the proper use or disposition of the unclaimed dividends and PHILRACOM exceed its rule-making authority in issuing PR58D. The Parent Company likewise contended that unclaimed dividends are private funds as these funds are not included in the amounts that are supposed to be remitted to or held by the Parent Company for the government under its charter.

Furthermore, a *Notice* appears in the dorsal portion of the Parent Company's betting tickets which state that winning tickets must be claimed within thirty days from date of purchase, otherwise, the prize shall be forfeited in favor of the Parent Company. This provision is a valid agreement between the Parent Company and the bettor under the principle of autonomy of contracts.



As part of its audit of the PHILRACOM, the Commission on Audit (COA) issued an *Independent Auditor's Report* dated March 27, 2013 wherein COA opined that unclaimed dividends of winning bettors should be forfeited in favor of the government and should form part of the National Treasury. However, in the same report, COA acknowledged the absence of any legislative mandate as regards the disposition of unclaimed dividends. Thus, COA required the PHILRACOM to request for a Declaratory Relief from the Department of Justice to resolve the issue on the nature of unclaimed dividends.

To resolve the foregoing issue, the Parent Company filed a *Petition for Declaratory Relief* on November 6, 2013.

On July 27, 2016, the Regional Trial Court of Bacoor, Cavite granted the petition in favor of the Parent Company. On January 17, 2017, PHILRACOM and Games and Amusement Board (GAB) filed a Petition for Review on Certiorari before the Supreme Court. As of August 9, 2021, the case is still pending before the Supreme Court.

#### *Claims and Legal Actions*

As of December 31, 2020 and 2019, 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.

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### **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:

	<b>MAR 2020</b>	DEC 2020
Capital stock	<b>₱1,494,251,136</b>	₱1,494,251,136
Additional paid-in capital	<b>27,594,539</b>	27,594,539
Net cumulative changes in fair values of financial assets measured at FVOCI	<b>6,496,365</b>	6,496,365
Remeasurement on retirement benefits	<b>28,162,971</b>	28,162,971
Retained earnings	<b>558,130,556</b>	624,831,615
Treasury shares	<b>(7,096)</b>	(7,096)
Noncontrolling interest	<b>55,404,105</b>	56,098,577
	<b>₱2,170,032,576</b>	₱2,237,428,107

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

## **MANAGEMENT DISCUSSION & ANALYSIS OR PLAN OF OPERATIONS**

### **Discussion on Operating Results for the Periods Ended March 31, 2021 and 2020**

#### **Revenues**

Income from club races decreased by ₱2.5 million from ₱21.4 million for the period ended March 31, 2020 to ₱18.9 million for the same period in 2021. There were twenty (20) racing days from January to March 2020 compared to thirteen (13) racing days covering the same period in 2021. The Parent Company operated for only two (2) racing days in March 2020 as operations had been disrupted by the COVID-19 outbreak.

Income from cockfighting operations for the period March 31, 2020 amounted to ₱234.9 million and ₱3.0 million for the same period in 2021 or a decrease of ₱231.9 million. Fights/derbies were down from 3,299 in the first quarter of 2020 to 878 for the same period in 2021. There were fifty (50) cockfighting days in 2020 compared to ten (10) days in 2021.

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 real estate revenue for the period ended March 31, 2021 amounting to ₱8.6 million. In 2020, there were no sale nor cancellation of real estate units.

Rental revenue from the leasing of stables, buildings and other facilities amounted to ₱118.5 million and ₱79.8 million for the periods ended March 31, 2020 and 2021, respectively.

Revenue from sale of food and beverages decreased by ₱4.8 million from ₱5.9 million for the period ended March 31, 2020 to ₱1.1 million covering the same period in 2021.

Other revenues decreased by ₱0.5 million from ₱1.6 million for the period ended March 31, 2020 to ₱1.1 million for the same period in 2021.

#### ***Other Income***

For the period ended March 31, 2020, equity in net losses of associates and joint ventures amounted to ₱21.1 million and ₱35.1 million for the same period in 2021. The losses recognized is due to the equity share in the net losses of MJC Investments Corporation (MIC).

Other income (charges) – net decreased by 1 million from 7.0 million for the period ended March 31, 2020 to 4.5 million for the same period in 2021. The decrease came primarily from rental parking charges.

#### **Expenses**

##### **Cost of Sale and Services**

Cost of racing services increased by 19 million from ₱37.0 million for the period ended March 31, 2020 to ₱56.0 million for the same period in 2021. Utilities, repairs and maintenance, personnel costs and rental expenses, among others, increased in 2021.

Direct costs from cockfighting decreased by ₱166.2 million from ₱192.3 million for the period ended March 31, 2020 compared to ₱26.1 million for the same period in 2021. The lesser number of operating days is directly related to the incurrence of these expenses.

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 period ended March 31, 2020, cost of real estate is zero, and ₱.5 million as of March 31, 2021. There were no units sold nor cancelled in 2020.

Rental cost of services decreased by 4.1 million from ₱35.9 million for the period ended March 31, 2020 to ₱31.8 million for the same period in 2021. These expenses come from utilities and depreciation expense from the leasing operations of the Vertex One building.

Cost of food and beverage amounted to ₱5.9 million for the period ended March 31, 2020 and ₱0.6 million for the same period in 2021. The decrease amounting to ₱5.3 million came primarily from disrupted operations by the COVID-19 outbreak.

The cost of sales for “Others” amounted to ₱3.0 million and ₱5.0 thousand for the periods ended March 31, 2020 and 2021.

### **General Operating Expenses**

General and administrative expenses constitute costs of administering the business. For the period ended March 31, 2020, general and administrative expenses amounted to ₱77.2 million compared to ₱25.3 million for the same period in 2021. It decreased by ₱51.9 million. Significant decreases in general and administrative expenses include taxes and licenses, professional fees and contracted services.

Selling expenses pertain to marketing fees related to the sale of real estate properties. It amounted to nil for the period ended March 31, 2020 and ₱0.8 million for the period ended March 31, 2021.

Finance costs pertain to interest expenses on bank loans availed for working capital requirements. It amounted to ₱3.9 million for the period March 31, 2020 and ₱3.0 million for the same period in 2021. The decrease of ₱0.9 million is due to the decrease in outstanding principal balances of bank loans as of the end of year 2020.

## **CHANGES IN FINANCIAL CONDITION**

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

*Total assets increased due to the following:*

1. For the period ended March 31, 2021, cash and cash equivalents amounted to ₱157.9 million from ₱182.2 million as of December 31, 2020. The decrease of ₱24.3 million can be attributed to the payment of matured payables to suppliers, principal and interest payments on loans, acquisition of property and equipment as well as investment property.
2. Receivables, including real estate receivables-net of current portion increased by ₱23.2 million from ₱144.3 million as of December 31, 2020 to ₱167.5 million as of March 31, 2021. Receivable from off-track betting operators and advances to officers and employees increased in the current period.

3. Inventories for the periods ended December 31, 2020 and March 31, 2021 amounted to ₱19.7 million.
4. Prepayments and other current assets increased by ₱18.3 million from ₱89.3 million as of December 31, 2020 to ₱107.6 million as of March 31, 2021. The increase came primarily from the prepaid expenses.
5. Investments in and advances to associates and joint ventures amounted to ₱685.0 million and ₱720.0 million as of March 31, 2021 and December 31, 2020, respectively. This account was decreased by the equity share in the net losses of MIC for the current period amounting to ₱35.0 million.
6. Property and equipment decreased from ₱781.5 million as of December 31, 2020 to ₱755.5 million as of March 31, 2021. The decrease in property and equipment amounting to ₱26.1 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 ₱11.3 million from ₱1,557.3 million as of December 31, 2020 to ₱1,546.0 million as of March 31, 2021. The net decrease is the result of reclassification of investment properties back to inventories.
8. Other noncurrent assets decreased by ₱26.9 million from ₱167.4 million as of December 31, 2020 to ₱140.9 million as of March 31, 2021. The decrease is due primarily to the reclass of Input VAT from noncurrent to current.

*Total Current Liabilities increased due to the following:*

9. Accounts payable and other liabilities increased by ₱20.6 million from ₱378.3 million as of December 31, 2020 to ₱399.0 million as of March 31, 2021. Accounts payable, and accrued expenses increased.

*Total Noncurrent Liabilities decreased due to the following:*

10. Noncurrent portion of the long-term loans and borrowings decreased by ₱35.8 million as a result of the monthly payment of the principal balance.

*Total Equity increased due to the following:*

11. Retained earnings decreased by ₱66.7 million from ₱624.8 as of December 31, 2020 to ₱558.1 million as of March 31, 2021. The decrease pertains to the equity share in net losses covering the first quarter of 2021.
12. Non-controlling interest decreased by ₱0.7 million in the current period which represents primarily the 56.87% share of minority interest in the net losses of Apo Reef World Resorts, Inc. (ARWRI) for the period ended March 31, 2021.

**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:

	<b>MAR 2021</b>	<b>DEC 2020</b>
Current Ratio	<b>0.90</b>	0.90
Asset to Liability Ratio	<b>2.54</b>	2.57
	<b>MAR 2020</b>	<b>MAR 2019</b>
Sales to Revenue Ratio	<b>(0.60)</b>	0.78
Sales to Expenses Ratio	<b>0.13</b>	0.06
Earnings Per Share	<b>₱0.0446</b>	₱0.0033

Current ratio or working capital ratio is a measure of a company's liquidity or its ability to meet maturing obligations. It is computed by dividing current assets over current liabilities. Total current assets as of March 31, 2021 and December 31, 2020 amounted to ₱452.7 million and ₱435.4 million, respectively. As of March 31, 2021, and December 31, 2020, total current liabilities amounted to ₱505.5 million and ₱484.8 million, respectively. The Group's current ratio of 0.90 shows that it has ₱0.90 current assets to support ₱1.00 current liabilities.

The asset to liability ratio or solvency ratio exhibits the relationship of total assets with total liabilities. It is computed by dividing total assets over total liabilities. As of March 31, 2021, and December 31, 2020, total assets amounted to ₱3,580.0 million and ₱3,662.0 million, respectively while total liabilities as of March 31, 2021 amounted to ₱1,410.0 million and ₱1,424.3 million as of December 31, 2020. The Group's asset to liability ratio of 2.54 shows that for every ₱1.00 liability, it has a ₱2.54 asset to support it.

Sales to revenue ratio is computed by dividing the income from horse racing over total operating revenue. Income from club races for the periods ended March 31, 2021 and 2020 amounted to ₱18.9 million and ₱21.4 million, respectively. Total operating revenue (loss) for the period ended March 31, 2021 amounted to (₱31.6) million and ₱382.7 million for the same period in 2020.

Sales to expenses ratio is computed by dividing income from horse racing over total expenses which include cost of sales and services, general and administrative expenses, selling expenses and finance costs. Income from club races for the periods ended March 31, 2021 and 2020 amounted to ₱18.9 million and ₱21.4 million, respectively, while total expenses amounted to ₱144.1 million for the period ended March 31, 2021 and ₱355.2 million for the same period in 2020.

Earnings per share is computed by dividing net income (loss) attributable to equity holders of the parent company over the weighted average number of outstanding common shares. Net income attributable to equity holders of the parent company for the period ended March 31, 2021 amounted to (₱66.7) million and ₱4.9 million for the same period in 2020. The weighted average number of outstanding common shares as of March 31, 2021 and 2020 is 1,494.3 million.