

MANILA JOCKEY CLUB, INC.
Schedule H. Capital Stock
As of December 31, 2013

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding As Shown Under Related Balance Sheet Caption	Number of Shares Reserved for Options, Warrants, Conversion, and Other Rights	Number of Shares Held By		Treasury
				Related Parties	Directors, Officers and Employees	
Common Stock	1,000,000.000	948,725,436	-	-	173,298,316	9,462

MANILA JOCKEY CLUB, INC.

Schedule I. Amounts Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements
As of December 31, 2013

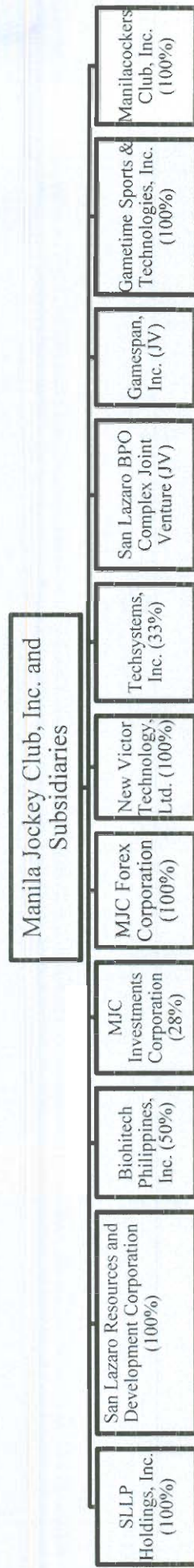
Name and Designation of Creditor	Beginning Balance of Period	Additions	Deductions		Current	Not current	Balance at End of Period
			Amounts Paid	Others			

Not Applicable

MANILA JOCKEY CLUB, INC.
Schedule J. Parent Company Retained Earnings Available for Dividend Declaration
As at and for the year ended December 31, 2013

Unappropriated retained earnings, beginning as previously reported	₱1,229,770,623
Effect of closing revaluation increment in real estate properties to retained earnings	-
Unappropriated retained earnings, beginning as restated	1,229,770,623
Add: Net income actually earned/realized during the year:	
Net income during the year closed to retained earnings	31,543,997
Less: Deemed cost adjustment on real estate properties realized through sale, net of deferred income tax	41,289,304
Unrecognized actuarial gain	-
Treasury shares	(7,096)
Unappropriated retained earnings, as adjusted to amount available for dividend declaration	1,302,596,828
Less: Cash dividends declared during the year	(129,371,696)
Effects of prior period adjustments	(81,150)
Unappropriated retained earnings available for dividend declaration, end	₱1,173,143,982

MANILA JOCKEY CLUB, INC.
Schedule K. Map of Subsidiaries
December 31, 2013



MANILA JOCKEY CLUB, INC.
**Schedule L. List of Effective Standards and Interpretations
As of December 31, 2013**

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Borrowing Costs			✓
	Amendments to PFRS 1: Meaning of Effective PFRS	Not early adopted		
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Definition of Vesting Conditions	Not early adopted		
PFRS 3 (Revised)	Business Combinations			✓
	Amendments to PFRS 3: Accounting for Contingent Consideration in a Business Combination	Not early adopted		
	Amendments to PFRS 3: Scope Exceptions for Joint Arrangements	Not early adopted		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets		Not early adopted	
PFRS 9	Financial Instruments		Not early adopted	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		Not early adopted	
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Investment Entities		Not early adopted	
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 11: Investment Entities		Not early adopted	
PFRS 12	Disclosure of Interests in Other Entities			✓
PFRS 13	Fair Value Measurement (2013 Version)	✓		
	Amendments to PFRS 13: Short-term Receivables and Payables	✓		
	Amendments to PFRS 13: Portfolio Exception		Not early adopted	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of the Requirements for Comparative Presentation	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of Servicing Equipment			✓
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation		Not early adopted	
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions		Not early adopted	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	Not early adopted		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PAS 27: Investment Entities	Not early adopted		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendment to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
	Amendment to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	Not early adopted		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization	Not early adopted		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39:			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
	Embedded Derivatives			
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	Not early adopted		
PAS 40	Investment Property	✓		
	Amendment to PAS 40: Investment Property	Not early adopted		
PAS 41	Agriculture			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	<i>Determining Whether an Arrangement Contains a Lease</i>			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	<i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>			✓
IFRIC 7	<i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>			✓
IFRIC 8	<i>Scope of PFRS 2</i>			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	<i>Interim Financial Reporting and Impairment</i>			✓
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	Not early adopted		
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

MANILA JOCKEY CLUB, INC.
Schedule M. Financial Soundness Indicators

	As of and for the Year Ended December 31		
	2013	2012	2011
Liquidity ratios			
Current ratio ^(a)	1.20	1.45	1.66
Interest rate coverage ratio ^(b)	500.15	25.39	8.23
Solvency ratios			
Debt to equity ratio ^(c)	0.03	0.05	0.07
Asset to equity ratio ^(d)	1.19	1.36	1.38
Profitability ratio			
EBITDA margin ^(e)	4.46	0.26	0.20

^(a) Current assets over current liabilities

^(b) EBITDA over interest expense and financing charges on borrowings

^(c) Interest-bearing debts over total equity

^(d) Total assets over total equity

^(e) EBITDA over gross revenues from operations



Manila Jockey Club

INCORPORATED

THOROUGHBRED RACING SINCE 1867

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Manila Jockey Club, Inc.** is responsible for the preparation and fair presentation of the financial statements as of and for the years ended **December 31, 2013 and 2012**, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements and submits the same to the stockholders or members.

SyCip Gorres Velayo & Co., CPAs, the independent auditors, appointed by the stockholders has examined the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such examination.

Atty. Alfonso R. Reyno Jr.
Chairman of the Board and CEO

Nestor N. Ubalde
Chief Finance Officer

Signed this _____ day of _____, 2014.



Manila Jockey Club

INCORPORATED

THOROUGHBRED RACING SINCE 1867

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

Management of **Manila Jockey Club, Inc.** is responsible for all information and representations contained in the Annual Income Tax Return for the year ended **December 31, 2013**. Management is likewise responsible for all information and representations contained in the financial statements accompanying the (Annual Income Tax Return or Annual Information Return) covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended **December 31, 2013** and the accompanying Annual Income Tax Return are in accordance with the books and records of **Manila Jockey Club, Inc.**, complete and correct in all material respects. Management likewise affirms that:

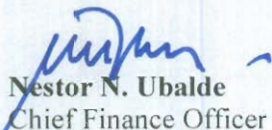
(a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;

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

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



Atty. Alfonso R. Reyno Jr.
Chairman of the Board and CEO



Nestor N. Ubalde
Chief Finance Officer

Signed this _____ day of _____, 2014.



Building a better
working world

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1226 Makati City
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ey.com/ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

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

Report on the Parent Company Financial Statements

We have audited the accompanying parent company financial statements of Manila Jockey Club, Inc., which comprise the parent company balance sheets as at December 31, 2013 and 2012, and the parent company statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Parent Company Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these parent company financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the parent company financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the parent company financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the parent company financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the parent company financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



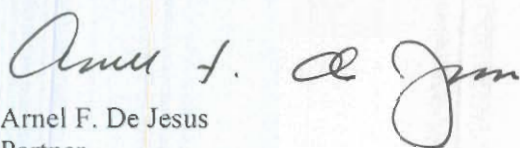
Opinion

In our opinion, the parent company financial statements present fairly, in all material respects, the financial position of Manila Jockey Club, Inc. as at December 31, 2013 and 2012, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required by Revenue Regulations 15-2010 in Note 35 to the parent company financial statements are presented for purposes of filing with the Bureau of Internal Revenue and are not a required part of the basic financial statements. Such information are the responsibility of the management of Manila Jockey Club, Inc. The information have been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Arnel F. De Jesus

Partner

CPA Certificate No. 43285

SEC Accreditation No. 0075-AR-3 (Group A),

February 14, 2013, valid until February 13, 2016

Tax Identification No. 152-884-385

BIR Accreditation No. 08-001998-15-2012,

June 19, 2012, valid until June 18, 2015

PTR No. 4225163, January 2, 2014, Makati City

April 8, 2014



MANILA JOCKEY CLUB, INC.
PARENT COMPANY BALANCE SHEETS

	December 31, 2013	December 31, (As restated - see Note 3)	January 1, 2012 (As restated - see Note 3)
ASSETS			
Current Assets			
Cash and cash equivalents (Note 6)	P257,111,458	P263,191,589	P293,560,199
Receivables (Note 7)	223,735,658	254,828,274	260,209,743
Inventories (Note 8)	99,364,673	145,569,216	240,637,469
Other current assets (Note 9)	4,706,185	100,424	3,581,863
Total Current Assets	584,917,974	663,689,503	797,989,274
Noncurrent Assets			
Real estate receivables - net of current portion (Note 7)	150,661,281	54,213,526	25,255,572
Investments in subsidiaries, associates and joint ventures (Note 10)	731,316,637	727,066,637	116,516,637
Available-for-sale (AFS) financial assets (Note 11)	21,242,951	30,937,269	23,431,259
Property and equipment (Notes 12 and 29)	947,292,419	984,640,987	1,043,333,177
Investment properties (Notes 10, 13 and 15)	1,023,209,265	1,049,070,541	1,173,837,239
Other noncurrent assets (Note 14)	34,403,556	32,739,835	33,696,791
Total Noncurrent Assets	2,908,126,109	2,878,668,795	2,416,070,675
TOTAL ASSETS	P3,493,044,083	P3,542,358,298	P3,214,059,949
LIABILITIES AND EQUITY			
Current Liabilities			
Short-term loans and borrowings (Notes 13 and 15)	P86,437,500	P70,437,500	P104,437,500
Accounts payable and other liabilities (Note 16)	311,591,150	324,081,906	319,846,724
Income tax payable	2,821,738	5,005,163	-
Current portion of long-term loans and borrowings (Note 13 and 15)	14,285,714	14,285,714	14,285,714
Due to related parties (Note 26)	5,087,345	4,240,000	4,240,000
Subscription payable (Note 10)	42,808,835	53,544,849	80,520,103
Total Current Liabilities	463,032,282	471,595,132	523,330,041
Noncurrent Liabilities			
Long-term loans and borrowings - net of current portion (Notes 13 and 15)	14,285,715	28,571,429	42,837,143
Accrued retirement benefits (Note 21)	35,061,172	25,354,867	38,250,656
Deferred tax liabilities - net (Note 25)	264,791,748	270,294,653	308,601,812
Total Noncurrent Liabilities	314,138,635	324,220,949	389,709,611
Total Liabilities	777,170,917	795,816,081	913,039,652
Equity			
Capital stock (Note 27)	948,734,898	862,487,439	862,487,439
Net cumulative changes in fair values of AFS financial assets (Note 11)	9,013,593	18,707,911	16,783,741
Actuarial gains on accrued retirement benefits	24,875,348	28,429,500	19,417,528
Retained earnings (Note 27):			
Appropriated	17,180,917	17,180,917	17,180,917
Unappropriated	1,716,075,506	1,819,743,546	1,385,157,768
Treasury shares (Note 27)	(7,096)	(7,096)	(7,096)
Total Equity	2,715,873,166	2,746,542,217	2,301,020,297
TOTAL LIABILITIES AND EQUITY	P3,493,044,083	P3,542,358,298	P3,214,059,949

See accompanying Notes to Parent Company Financial Statements.



MANILA JOCKEY CLUB, INC.**PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME**

	Year Ended December 31	
		2012
	2013	(As restated - see Note 3)
REVENUES		
Club races	₱216,425,501	₱280,868,413
Real estate	148,533,687	194,193,503
Rent (Notes 12 and 13)	61,092,572	70,304,566
Food and beverage	7,100,295	—
	433,152,055	545,366,482
COSTS OF SALES AND SERVICES (Note 17)		
Club races	170,214,527	203,903,874
Real estate	46,508,923	95,068,253
Rent	28,392,037	47,610,132
Food and beverage	12,904,963	—
	258,020,450	346,582,259
Gross Profit	175,131,605	198,784,223
General and administrative expenses (Note 18)	(179,031,074)	(172,239,205)
Selling expenses (Note 8)	(13,068,392)	(23,881,524)
Interest income (Notes 22 and 26)	13,006,555	26,430,957
Finance costs (Note 23)	(4,668,456)	(6,093,666)
Other income (charges) - net (Note 24)	42,611,593	47,022,102
Gain on property for share swap (Note 10)	—	488,459,927
INCOME BEFORE INCOME TAX	33,981,831	558,482,814
PROVISION FOR (BENEFITS FROM) INCOME TAX (Note 25)		
Current	12,114,936	19,131,827
Deferred	(3,836,423)	785,221
	8,278,513	19,917,048
NET INCOME	25,703,318	538,565,766
OTHER COMPREHENSIVE INCOME		
<i>Items of other comprehensive income to be reclassified to profit or loss in subsequent periods</i>		
Net changes in fair values of AFS financial assets (Note 11)	(9,694,318)	1,924,170
<i>Items of other comprehensive income that will not be reclassified to profit or loss in subsequent periods</i>		
Actuarial gains (losses) on remeasurement of retirement plan liabilities, net of tax	(3,554,152)	9,011,972
TOTAL COMPREHENSIVE INCOME	₱12,454,848	₱549,501,908
Basic/Diluted Earnings Per Share (Note 33)	₱0.0271	₱.06244

See accompanying Notes to Parent Company Financial Statements.



MANILA JOCKEY CLUB, INC.

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Common Stock	Treasury shares (Note 27)	Net Cumulative changes in fair values of Available-for- sale Financial Assets (Note 11)	Actuarial gains (losses) on Accrued Retirement Benefit	Retained Earnings Appropriated	Unappropriated	Total
BALANCES AT DECEMBER 31, 2011, AS PREVIOUSLY REPORTED	₱862,487,439	(₱7,096)	₱16,783,741	₱-	₱17,180,917	₱1,385,320,018	₱2,281,765,019
Effect of change in accounting policy due to PAS 19 (Note 3)	-	-	-	19,417,528	-	(162,250)	19,255,278
BALANCES AT DECEMBER 31, 2011, AS RESTATED	862,487,439	(7,096)	16,783,741	19,417,528	17,180,917	1,385,157,768	2,301,020,297
Net income for the year	-	-	-	-	-	538,565,766	538,565,766
Other comprehensive income	-	-	1,924,170	9,011,972	-	-	10,936,142
Total comprehensive income for the year	-	-	1,924,170	9,011,972	-	538,565,766	549,501,908
Adjustment of deferred tax liability on deemed cost (Note 25)	-	-	-	-	-	33,682,184	33,682,184
Effect of PAS 19R on past service cost	-	-	-	-	-	334,304	334,304
Cash dividends declared (Note 27)	-	-	-	-	-	(137,996,476)	(137,996,476)
BALANCES AT DECEMBER 31, 2012	₱862,487,439	(₱7,096)	₱18,707,911	₱28,429,500	₱17,180,917	₱1,819,743,546	₱2,746,542,217
BALANCES AT DECEMBER 31, 2012, AS PREVIOUSLY REPORTED	₱862,487,439	(₱7,096)	₱18,707,911	₱-	₱17,180,917	₱1,819,824,671	₱2,718,193,842
Effect of change in accounting policy due to PAS 19 (Note 3)	-	-	-	28,429,500	-	(81,125)	28,348,375
BALANCES AT DECEMBER 31, 2012, AS RESTATED	862,487,439	(7,096)	18,707,911	28,429,500	17,180,917	1,819,743,546	2,746,542,217
Net income for the year	-	-	-	-	-	25,703,318	25,703,318
Other comprehensive income	-	-	(9,694,318)	(3,554,152)	-	-	(13,248,470)
Total comprehensive income for the year	-	-	(9,694,318)	(3,554,152)	-	25,703,318	12,454,848
Stock dividend declared	86,247,459	-	-	-	-	(86,247,459)	-
Cash dividends declared (Note 27)	-	-	-	-	-	(43,123,899)	(43,123,899)
BALANCES AT DECEMBER 31, 2013	₱948,734,898	(₱7,096)	₱9,013,593	₱24,875,348	₱17,180,917	₱1,716,075,506	₱2,715,873,166

See accompanying Notes to Parent Company Financial Statements



MANILA JOCKEY CLUB, INC.**PARENT COMPANY STATEMENTS OF CASH FLOWS**

	Year Ended December 31	
	2013	2012 (As restated - see Note 3)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱33,981,831	₱558,482,814
Adjustments for:		
Depreciation (Note 19)	67,790,030	82,410,749
Dividend income (Note 24)	(17,088,300)	(15,734,180)
Gain on sale of investment property	(13,351,064)	—
Interest income (Note 22)	(13,006,555)	(26,430,957)
Finance costs (Note 23)	4,668,456	6,093,666
Amortization of franchise fee (Notes 14 and 17)	1,794,000	1,794,000
Gain on property-for-share swap (Note 10)	—	(488,459,927)
Gain on reversal of liability (Note 24)	—	(11,641,529)
Gain on sale of property and equipment	—	(80,077)
Loss on write off of AFS financial assets	—	1,418,160
Provision for impairment on investment in associate (Note 10)	—	1,000,000
Operating income before working capital changes	64,788,398	108,852,719
Decrease (increase) in:		
Receivables	(28,266,838)	(47,544,547)
Real estate inventories	46,204,543	95,068,253
Other current assets	(8,006,905)	5,377,366
Increase (decrease) in:		
Accounts payable and other liabilities	(12,490,756)	15,297,185
Accrued retirement benefits (Note 21)	4,485,671	456,034
Cash generated from operations	66,714,113	177,507,010
Income taxes paid, including creditable withholding and final taxes	(14,298,361)	(27,232,334)
Net cash provided by operating activities	52,415,752	150,274,676
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment (Note 12)	(19,509,702)	(11,419,185)
Proceeds from:		
Acquisition of AFS financial assets	—	(7,000,000)
Sale of investment property	8,392,857	—
Sale of property and equipment (Note 12)	1,494,866	102,996
Dividends received (Note 24)	—	39,702,242
Interest received (Note 22)	13,006,555	26,430,957
Investment in a joint venture	—	(10,000,000)
Increase in other noncurrent assets	(1,663,721)	1,061,287
Additional investment in a subsidiary (Note 10)	(4,250,000)	(750,000)
Net cash provided by (used in) investing activities	(2,529,145)	38,128,297
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term loans and borrowings	30,000,000	—
Advances from related parties	847,345	—
Dividends paid	(43,123,899)	(137,416,949)

(Forward)



	Year Ended December 31	
	2013	2012 (As restated - see Note 3)
Payments of:		
Long-term loans and borrowings (Note 15)	(P14,285,714)	(P14,285,714)
Short-term loans and borrowings (Note 15)	(14,000,000)	(34,000,000)
Subscription payable	(10,736,014)	(26,975,254)
Interest paid	(4,668,456)	(6,093,666)
Net cash used in financing activities	(55,966,738)	(218,771,583)
NET INCREASE (DECREASE) IN CASH	(6,080,131)	(30,368,610)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	263,191,589	293,560,199
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	P257,111,458	P263,191,589

See accompanying Notes to Parent Company Financial statements.



MANILA JOCKEY CLUB, INC.

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information

Manila Jockey Club, Inc. (the "Company") was incorporated in the Philippines on March 22, 1937 and was listed with the Philippine Stock Exchange (PSE) on October 11, 1963.

In 1987, the SEC approved the extension of the Company's corporate life for another fifty 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 (see Note 14). 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.

Subsidiaries, Joint Venture and Associates

	Place of incorporation	Nature of business	Functional currency	Percentage of ownership	
				2013	2012
Subsidiaries					
Biohitech Philippines, Inc. (Biohitech) ^(a)	Philippines	Waste management	Philippine peso	50.00	50.00
Gametime Sports and Technologies, Inc. (Gametime) ^(b)	Philippines	Gaming	Philippine peso	100.00	100.00
Manilacocks Club, Inc. (MCC) ^(c)	Philippines	Gaming	Philippine peso	100.00	100.00
MJC Forex Corporation (MFC) ^(d)	Philippines	Money changer	Philippine peso	100.00	100.00
New Victor Technology, Ltd. (NVTL)	Hong Kong	Gaming	Philippine peso	100.00	100.00
San Lazaro Resources and Development Corporation (SLRDC) ^(a)	Philippines	Real estate	Philippine peso	100.00	100.00
SLLP Holdings, Inc. (SLLPHI) ^(a)	Philippines	Holdings	Philippine peso	100.00	100.00
Joint Venture					
Gamespan, Inc. (Gamespan) ^(a)	Philippines	Gaming	Philippine peso	50.00	50.00
San Lazaro BPO Complex (SLBPO)	Philippines	Real estate	Philippine peso	30.00	30.00
Associates					
MJC Investments Corporation (MIC) ^(e) (see Note 6)	Philippines	Real estate and Gaming	Philippine peso	28.32	50.23
Techsystems, Inc. (Techsystems)	Philippines	Information technology	Philippine peso	33.00	33.00

^(a) Not yet started commercial operation as of December 31, 2013

^(b) Incorporated on July 23, 2013

^(c) Incorporated on September 23, 2013

^(d) Started commercial operation on May 29, 2012

^(e) Became an associate effective January 1, 2013



In 2013, the Parent Company and a group of strategic Hong Kong investors (hereinafter referred to as "Strategic Investors") entered into an agreement to subscribe to MIC's share of stock that will let the Strategic Investors own up to 70% of MIC's outstanding capital stock, which led to the Parent Company owning less than majority shares.

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

The parent company financial statements as at and for the years ended December 31, 2013 and 2012 were authorized for issuance by the Board of Directors (BOD) on April 8, 2014.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation

The parent company financial statements, which are prepared for submission to the Philippine Securities and Exchange Commission (SEC) and the Bureau of Internal Revenue (BIR), are prepared using the historical cost basis, except for quoted AFS financial assets which are carried at fair value. The parent company financial statements are presented in Philippine Peso (Peso), the Company's functional and presentation currency, and rounded off to the nearest Peso, except when otherwise indicated.

The Company also prepares and issues consolidated financial statements for the same period as the parent company financial statements in accordance with Philippine Financial Reporting Standards (PFRS). These may be obtained at the Company's registered office address or from the Philippine SEC.

The parent company financial statements provide comparative information in respect of previous periods. In addition, the Company presents an additional parent company balance sheet as at the beginning of the preceding period when so required as a result of the retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements. An additional parent company balance sheet as at January 1, 2012 is presented in these parent company financial statements due to retrospective application of certain accounting policies.

Statement of Compliance

The parent company financial statements have been prepared in compliance with PFRS. The term PFRS, in general, includes all applicable PFRS, Philippine Accounting Standards (PAS) and interpretations issued by former Standing Interpretations Committee (SIC), the Philippine Interpretations Committee and the International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Philippine Financial Reporting Standards Council (FRSC) and adopted by the Philippine SEC.



3. Summary of Significant Changes in Accounting Policies and Disclosures

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial years except for the adoption of the following new and amended PFRS, amended PAS, new and amended Philippine Interpretations based on IFRIC interpretations which became effective on January 1, 2013. Unless otherwise indicated, the adoption of the applicable new and amended standards and interpretation do not have a material impact on the Company's financial statements.

The accounting policies adopted are consistent with those of the previous financial year except that the Company has adopted the following amended standards as of January 1, 2013:

New and Amended Accounting Standards

- *PFRS 7, Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments)*

These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32, *Financial Statement Presentation*. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format, unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

- a) The gross amounts of those recognized financial assets and recognized financial liabilities;
- b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
- c) The net amounts presented in the statement of financial position;
- d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
 - i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
 - ii. Amounts related to financial collateral (including cash collateral); and
- e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

As the Company is not setting off financial instruments in accordance with PAS 32 and does not have relevant offsetting arrangements, the amendment did not have an impact on the Company's financial statements.

- *PFRS 10, Consolidated Financial Statements*

PFRS 10 replaced the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addressed the accounting for consolidated financial statements. It also included the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10 established a single control model that applied to all entities including special purpose entities. The changes introduced by PFRS 10 require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. The application of PFRS 10 did not have an impact on the Company's financial position or performance.



- *PFRS 11, Joint Arrangements*
PFRS 11 replaced PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removed the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The adoption of this standard will not have a material impact on its financial position or performance since the Company is accounting for its joint venture using equity method in its financial statements.
- *PFRS 12, Disclosure of Interests in Other Entities*
PFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in PFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries (for example, where a subsidiary is controlled with less than a majority of voting rights). The Company has no unconsolidated structured entities. Management also assessed that there are no subsidiaries with noncontrolling interest that are individually material to the Company. Disclosures on judgments on determination of control over subsidiaries and joint control over joint venture are provided in Note 5 to the parent company financial statements.
- *PFRS 13, Fair Value Measurement*
PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS. PFRS 13 defines fair value as an exit price. PFRS 13 also requires additional disclosures.

As a result of the guidance in PFRS 13, the Company re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. The Company has assessed that the application of PFRS 13 has not materially impacted the fair value measurements of the Company. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 30.
- *PAS 1, Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income (OCI) (Amendments)*
The amendments to PAS 1 introduced a grouping of items presented in OCI. Items that will be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments affect presentation only and have no impact on the Company's financial position or performance.
- *PAS 19, Employee Benefits (Amendments)*
Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk. Once effective, the Company has to apply the amendments retroactively to the earliest period presented.



Prior to the adoption of the Revised PAS 19, the Company recognize actuarial gains and losses as income or expense when the net cumulative unrecognized gains or losses for each individual plan at the end of the previous period exceeds 10 percent of the higher of the defined benefit obligation and the fair value of the plan assets. Upon adoption of the Revised PAS 19, the Company changed its accounting policy to recognize all actuarial gains and losses in other comprehensive income and past service costs, if any, in profit or loss in the period they occur.

The Company has applied the amendments retrospectively. The effects of adoption of Revised PAS 19 are detailed below:

	December 31, 2013	December 31, 2012	January 1, 2012
Increase (decrease) in:			
<u>Statements of financial position</u>			
Accrued retirement benefit	(P34,176,360)	(P40,497,679)	(P27,507,540)
Deferred tax liabilities - net	10,252,908	12,149,304	8,252,262
Actuarial gains on retirement benefits	24,875,348	28,429,500	19,417,528
Retained earnings	(951,896)	(81,125)	(162,250)
	2013	2012	2011
<u>Statements of comprehensive income</u>			
Net retirement cost	P1,243,959	P361,684	P34,728
Income tax expense	373,188	108,505	(10,419)
Net income	(870,771)	(253,179)	24,309
Other comprehensive income, net of tax	(3,554,152)	9,011,972	(19,417,528)

Impact of past service cost increased retained earnings by P0.3 million in 2012. The revised PAS 19 did not have a significant impact on the statements of cash flows.

- PAS 27, *Separate Financial Statements (as revised in 2011)*
As a consequence of the issuance of the new PFRS 10, *Consolidated Financial Statements*, and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The adoption of the amended PAS 27 did not have a significant impact on the separate financial statements of the Company.
- PAS 28, *Investments in Associates and Joint Ventures (as revised in 2011)*
As a consequence of the issuance of the new PFRS 11, *Joint Arrangements*, and PFRS 12, *Disclosure of Interests in Other Entities*, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates.
- IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*
This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. This new interpretation is not relevant to the Company.



Annual Improvements to PFRSs (2009-2011 cycle)

The *Annual Improvements to PFRS* (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. These amendments to the following standards, which the Company adopted, have no impact to the financial statements:

- PFRS 1, *First-time Adoption of PFRS - Borrowing Costs*;
- PAS 1, *Presentation of Financial Statements - Clarification of the Requirements for Comparative Information*;
- PAS 16, *Property, Plant and Equipment - Classification of Servicing Equipment*;
- PAS 32, *Financial Instruments: Presentation - Tax Effects of Distributions to Holders of Equity Instruments*; and
- PAS 34, *Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities*.

Future Changes in Accounting Policies

Standards issued but not yet effective up to the date of the issuance of the financial statements are listed below. Unless otherwise stated, the adoption of the applicable standards will not have an impact on the financial statements. The Company intends to adopt the applicable standards and interpretations when they become effective.

Effective Calendar Year January 1, 2014

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments)*
The amendments clarify the meaning of “currently has a legally enforceable right to set-off” and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Company’s financial position or performance.
- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendments)*
These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. The amendments affect disclosures only and have no impact on the Company’s financial position or performance.
- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments)*
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria.
- PFRS 10, PFRS 12 and PAS 27, *Investment Entities (Amendments)*
These amendments are effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss.



- Philippine Interpretation IFRIC 21, *Levies (IFRIC 21)*
IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached.

Effective Calendar Year January 1, 2015

- PFRS 9, *Financial Instruments*
PFRS 9, as issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.
- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. The standard has no impact on the Company's financial position and performance.



Annual Improvements to PFRSs (2010-2012 cycle)

The Annual Improvements to PFRSs (2010-2012 cycle), which are expected to have no impact to the financial statements of the Company, contain non-urgent but necessary amendments to the following standards:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*;
- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*;
- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*;
- PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*;
- PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*;
- PAS 24, *Related Party Disclosures - Key Management Personnel*;
- PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*

Annual Improvements to PFRSs (2011-2013 cycle)

The Annual Improvements to PFRSs (2011-2013 cycle), which are expected to have no impact to the financial statements of the Company, contain non-urgent but necessary amendments to the following standards:

- PFRS 1, *First-time Adoption of PFRS - Meaning of 'Effective PFRSs'*;
- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*;
- PFRS 13, *Fair Value Measurement - Portfolio Exception*;
- PAS 40, *Investment Property*

4. Summary of Accounting and Financial Reporting Policies

Cash and Cash Equivalents

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

Financial Assets and Financial Liabilities

The Company recognizes a financial asset or a financial liability in the balance sheet when it becomes a party to the contractual provisions of the instrument.

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

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



Financial assets are classified into the following categories:

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

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

- a. Financial liabilities at FVPL
- b. Other financial liabilities

As of December 31, 2013 and 2012, the Company has no financial assets or financial liabilities at FVPL and HTM investments.

The Company determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this classification at every balance sheet date.

a. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. Loans and receivables are carried at cost or amortized cost in the parent company balance sheet. Amortization is determined using the effective interest rate method. Loans and receivables are included in current assets if maturity is within 12 months from the balance sheet date. Otherwise, these are classified as noncurrent assets.

Included in this category are the Company's cash in banks and cash equivalents, receivables and deposits (presented as part of "Other noncurrent assets" in the balance sheet) as of December 31, 2013 and 2012.

b. AFS financial assets

AFS financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. Financial assets may be designated at initial recognition as AFS if they are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions. AFS financial assets are carried at fair value in the consolidated balance sheet. Changes in the fair value of investments classified as AFS financial assets are recognized as other comprehensive income, except for the foreign exchange fluctuations on AFS debt securities and the related effective interest which are taken directly to profit or loss. These changes in fair values are recognized in equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in the consolidated statement of comprehensive income and in equity is included in profit or loss.

Unquoted AFS financial assets that do not have ready market prices are measured at cost, less allowance for impairment, if any, since their fair market value cannot be reliably measured.

The Company's AFS financial assets consist of investments in quoted and unquoted equity securities, preferred shares and club membership shares as of December 31, 2013 and 2012.



c. Other financial liabilities

This category pertains to financial liabilities that are not held for trading or not designated at FVPL upon the inception of the liability. These include liabilities arising from operations (e.g., payables and accruals) or borrowings (e.g., loans and obligations arising from finance lease). The liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest rate method of amortization (or accretion) for any related premium (or discount) and any directly attributable transaction costs. Gains and losses on amortization and accretion are recognized in profit or loss.

Included in this category are the Company's short-term and long-term loans and borrowings, accounts payable and other liabilities, due to related parties and subscription payable as of December 31, 2013 and 2012.

Derecognition of Financial Assets and Financial Liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized where:

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

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to pay.

Financial liabilities

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

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

Day 1 Difference

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Company recognizes the difference between the transaction price and fair value (a Day 1 difference) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where data used is not observable,



the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the Day 1 difference.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated balance sheet.

Impairment of Financial Assets

The Company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Assets carried at amortized cost

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Objective evidence includes observable data that comes to the attention of the Company about loss events such as, but not limited to, significant financial difficulty of the counterparty, a breach of contract, such as a default or delinquency in interest or principal payments, probability that the borrower will enter bankruptcy or other financial reorganization. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in the group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in the collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Company. If in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance for impairment losses account. If a future write-off is later recovered, the recovery is recognized in profit or loss under "Other income (charges) - net" account. Any subsequent reversal of an impairment loss is recognized in profit or loss under "Other income (charges) - net" account, to the extent that the carrying value of the asset does not exceed its amortized cost at reversal date.



Assets carried at cost

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

AFS financial assets

In case of equity investments classified as AFS financial assets, impairment indicators would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, is removed from equity and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss. Increases in fair value after impairment are recognized as other comprehensive income and in equity.

Inventories

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

Real Estate Inventories. Costs consist of all expenditures incurred which are directly attributable to the acquisition, development and construction of the real estate properties. The carrying values of revalued real estate properties as of January 1, 2004 transferred to real estate inventories in 2005 were considered as the assets' deemed cost as of the said date in accordance with PFRS 1, First-time Adoption of Philippine Financial Reporting Standards. Interests on loans (borrowing costs) incurred during the development or construction phase were also capitalized as part of the cost of the real estate inventories.

Net realizable value is the fair value less cost to sell in the ordinary course of business less the estimated costs of completion.

Investments in Subsidiaries, Associates and Joint Ventures

Investments in subsidiaries, associates and joint ventures are carried at cost less accumulated probable losses, if any. Under the cost method, the Company recognizes income from the investment in subsidiaries, associates and joint ventures when its right to receive dividend is established.

Fair Value Measurement

The Company measures financial instruments and non-financial assets such as investment properties, at fair value at each balance sheet 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 by the Company.



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

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

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

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

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

Property and Equipment

Property and equipment (except for land) is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment in value. Land is stated at cost less any accumulated impairment in value.

The initial cost of property and equipment comprises its purchase price, nonrefundable taxes, any related capitalizable borrowing costs and other directly attributable costs of bringing the property and equipment to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance costs, are normally charged to income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

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



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

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

The assets' estimated useful lives and depreciation method are reviewed periodically to ensure that the periods and method of depreciation are consistent with the expected pattern of economic benefits from the items of property and equipment.

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.

When assets are sold or retired, their costs and accumulated depreciation, including any accumulated impairment in value, are eliminated from the accounts. Any gain or loss resulting from their disposal is included in the parent company statement of comprehensive income.

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

Investment Properties

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

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

Depreciation of investment properties commences once they become available for use and is calculated on a straight-line basis over the estimated useful life of 25 years. Depreciation ceases at the earlier of the date that the asset is classified as held for sale in accordance with PFRS 5 and the date the asset is derecognized. The estimated useful life and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from the items of investment property.

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



Transfers are made to investment properties when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease to another party.

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

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

Franchise Fee

The franchise fee, presented as part of "Other noncurrent assets" in the parent company balance sheet, is accounted for at cost less accumulated amortization and any accumulated impairment in value. Costs incurred for the renewal of the Company's franchise for another 25 years starting November 23, 1997 have been capitalized and are amortized over the period covered by the new franchise. The carrying value of the franchise is reviewed for impairment and any impairment loss is recognized in the parent company statement of comprehensive income.

Impairment of Nonfinancial Assets

The Company assesses at each balance sheet date whether there is an indication that its investments in subsidiaries and associate, interest in a jointly controlled entity, property and equipment, investment properties and franchise fee may be impaired. If such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in the parent company statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each balance sheet 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 parent company statement of comprehensive income. 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

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

Retained Earnings

Retained earnings represent the cumulative balance of net income or loss, dividend distributions and effects of changes in accounting policy.

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

Appropriated retained earnings represent that portion which has been restricted and therefore is not available for any dividend declaration.

Dividend Distribution

Dividends are recognized as a liability and deducted from equity when declared by the BOD of the Company. Dividends for the year that are declared after the balance sheet date are dealt with as an event after the balance sheet date.

Earnings Per Share

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

Diluted EPS is calculated by dividing the net income attributable to equity holders of the Company for the year by the weighted average number of common shares outstanding during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares into common shares.

The Company currently does not have potential dilutive common shares.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts and sales taxes. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as an agent in its club racing operations and as principal in all other arrangements (i.e., real estate sales and rental services).

The following specific recognition criteria must also be met before revenue is recognized:

Commission income from club races

Revenue is recognized as earned based on a percentage of gross receipts from ticket sales from horse racing operations in accordance with the Company's franchise agreement.



Real estate sales

Revenue from the sale of condominium units and residential properties from the joint venture, where there are material obligations under the sales contract to provide improvements after the property is sold, is recognized under the percentage-of-completion method. Under this method, revenue on sale is recognized as the related obligations are fulfilled.

Revenue on sales of real estate properties where a sufficient downpayment has been received, the collectability of the sales price is reasonably assured, the refund period has expired, the receivables are not subordinated and the seller is not obligated to complete improvements, is accounted for under the full accrual method. If the criterion of full accrual method was not satisfied, any cash received by the Company is considered as trade payable and buyers' deposits and included as part of "Accounts payable and other liabilities" in the parent company balance sheet.

Rental income from stables, building and other facilities

Revenue from the lease of stables, building and other facilities is recognized in the parent company 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 Company's right to receive the payment is established.

Cost of Sales and Services and Expenses

Cost of club races, cost of rental services and expenses are recognized in the parent company statement of comprehensive income at the date they are incurred. Cost of real estate sales pertains to the cost of the land and is recognized under the percentage-of-completion method, if the criteria of the full accrual method are not satisfied.

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

Other Comprehensive Income

Items of income and expense (including items previously presented under the parent company statement of changes in equity) that are not recognized in the parent company statement of comprehensive income for the year are recognized as other comprehensive income and are presented as other comprehensive income in the parent company statement of comprehensive income. Other comprehensive income of the Company pertains to gains and losses on remeasuring AFS financial assets.

Retirement Benefits Cost

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

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

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



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

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

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

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

Leases

The determination of whether the arrangement is, or contains, a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

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

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

The Company as a lessee

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



The Company as a lessor

Leases where the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Rental income is recognized in the parent company statement of comprehensive income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which these are earned.

Borrowing Costs

Borrowing costs are capitalized if these are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. All other borrowing costs are expensed as incurred.

Taxes

Current tax

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

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

Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable income will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and unused tax losses can be utilized.

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

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



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

Income tax relating to items recognized directly in equity is recognized in equity and not in the parent company statement of comprehensive income.

Value Added Tax (VAT)

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

Foreign Currency Denominated Transactions and Translations

Transactions denominated in foreign currency are recorded using the exchange rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rate at balance sheet date. All foreign exchange gains and losses are recognized in the parent company statement of comprehensive income.

Provisions and Contingencies

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

Contingent liabilities are not recognized in the parent company financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

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

Segment Reporting

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

Events After the Balance Sheet Date

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



5. Significant Accounting Judgments, Estimates and Assumptions

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

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

Judgments

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

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 by having 50% ownership in Biohitech, it has control by virtue of its power to cast the majority votes at meetings of the BOD and control of the entity is by that BOD.

In 2013, after the investments made by the Strategic Investors in MIC, management has determined that it has lost control of MIC and retained only significant influence.

Determination if joint control exists in a jointly controlled entity

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 strategic financial and operating decisions of the San Lazaro BPO Complex Joint Venture (San Lazaro JV) are being managed by a Tenant Review Committee, which is composed of representatives from the venturers. Management has determined that it has joint control since the strategic financial and operating decisions of the San Lazaro JV are made jointly by the venturers through the said committee.

Further, the strategic financial and operating decisions of Gamespan, Inc. (Gamespan) are being managed by its BOD composed of seven directors nominated equally by the Parent Company and GMA- New Media, Inc. and another director commonly nominated by both parties. Management has determined that it has joint control over Gamespan since the strategic financial and operating decisions of the entity are made jointly by the venturers through its BOD.

Classification of financial instruments

The Company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of the instruments. The substance of financial instruments, rather than their legal form, governs their classification in the parent company



balance sheet. The Company determines the classification on initial recognition and re-evaluates this designation at every balance sheet date, as appropriate. The Company's classifications of financial instruments are shown in Note 30 to the parent company financial statements.

Classification of leases

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

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

The Company has entered into lease agreements on certain items of its property and equipment and investment properties. The Company has determined that it retains all the significant risks and rewards of ownership of these properties since there will be no transfer of ownership of the leased properties to the lessees. Accordingly, the lease agreements are accounted for as operating leases (see Notes 12, 13 and 29)

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

The Company has entered into a lease agreement for the lease of office and parking lots where it has determined that the risks and rewards related to the leased assets are retained by the lessor since there will be no transfer of ownership of the leased properties to the Company. As such, the lease agreement was accounted for as an operating lease (see Note 29).

Impairment of noncurrent nonfinancial assets

The Company assesses at each balance sheet date whether there is any indication that its investments in subsidiaries, associate and joint venture, 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 cash-generating unit's fair value less costs to sell and its value in use.

There were no indicators of impairment present on the noncurrent nonfinancial assets, as such, there were no impairment losses recognized in 2013, 2012 and 2011. Total carrying value of the company's investment in subsidiaries and associate, interest in jointly controlled entity, property and equipment, investment property, and franchise fee as of December 31, 2013 and 2012 are disclosed in Notes 10, 12, 13 and 14 to the parent company financial statements.

Recognition of deferred tax assets

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

As of December 31, 2013 and 2012, recognized deferred tax assets are disclosed in Note 25 to the parent company financial statements.



Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation and uncertainty at the balance sheet 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.

Determination of fair value of financial instruments

Financial assets and financial liabilities, on initial recognition, are accounted for at fair value. The fair values of financial assets and financial liabilities on initial recognition are normally the transaction prices. In the case of those financial assets and financial liabilities that have no active markets, fair values are determined using an appropriate valuation technique. The Company has quoted financial assets carried at fair value. There are no financial assets and financial liabilities carried at fair value derived from valuation techniques.

As of December 31, 2013 and 2012, the fair values of financial assets and financial liabilities are disclosed in Note 30 to the parent company financial statements.

Estimation of allowance for doubtful accounts

The allowance for doubtful accounts relating to receivables is estimated based on two methods. The amounts calculated using each of these methods are combined to determine the total allowance to be provided. First, specific accounts are evaluated based on information that certain customers may be unable to meet their financial obligations. In these cases, judgment is used based on the best available facts and circumstances, including but not limited to, the length of relationship with the customer and the customer's current credit status based on third party credit reports and known market factors, to record specific reserves against amounts due to reduce receivable amounts expected to be collected. These specific reserves are re-evaluated and adjusted as additional information received impacts the amounts estimated. Second, a collective assessment of historical collection, write-off, experience and customer payment terms is made.

The amount and timing of recorded expenses for any period could therefore differ based on the judgments or estimates made. An increase in the Company's allowance for doubtful accounts will increase its recorded operating expenses and decrease its current assets.

As of December 31, 2013 and 2012, the carrying value of receivables (including noncurrent portion of real estate receivables), net and allowance for doubtful accounts are disclosed in Note 7 to the parent company financial statements.

In 2013 and 2012, provision for doubtful accounts are disclosed in Note 7 to the parent company financial statements and receivable accounts without previous impairment allowance written-off is disclosed in Notes 7, 24 and 26 to the parent company financial statements.

Determination of net realizable value of inventories

The Company's estimates of the net realizable values 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 net realizable value in each subsequent period. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is a clear evidence of an increase in net realizable value 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 net realizable value.



As of December 31, 2013 and 2012, the cost of the inventories, the amount written down to the cost of and carrying value of the inventories are disclosed in Note 8 to the parent company financial statements.

Estimation of percentage of completion

The Company estimates the percentage of completion of ongoing projects for purposes of accounting for the estimated costs of development as well as real estate revenue to be recognized. The percentage of completion is based on the technical evaluation of the project engineers.

In 2013 and 2012, cost of real estate sales are disclosed in Note 17 to the parent company financial statements.

Estimation of impairment of AFS financial assets

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

The Company treats 'significant' generally as 20% or more of original cost and 'prolonged' as greater than 12 months. In addition, the Company evaluates other factors, including normal volatility in share price for quoted equity securities and the future cash flows and the discount factors for unquoted equity securities. Accordingly, no impairment loss was recognized in 2013 and 2012 (see Note 11).

As of December 31, 2013 and 2012, the carrying value of the Company's AFS financial assets are disclosed in Note 11 to the parent company financial statements. The Company believes that its AFS financial assets are not impaired. Accordingly, no impairment loss was recognized in 2013 and 2012.

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

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

As of December 31, 2013 and 2012, the net book value of depreciable property and equipment are disclosed in Note 12 to the parent company financial statements. The net book value of depreciable investment property as of December 31, 2013 and 2012 are disclosed in Note 13 to the parent company financial statements.

Provisions

The Company provides for present obligations (legal or constructive) where it is probable that there will be an outflow of resources embodying economic benefits that will be required to settle said obligations. An estimate of the provision is based on known information at the balance sheet date, net of any estimated amount that may be reimbursed to the Company. No provisions were recognized as of December 31, 2013 and 2012.



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 increases. Actual results that differ from the Company's assumptions are accumulated and amortized over the future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods. While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the retirement obligations.

As of December 31, 2013 and 2012, unrecognized net actuarial gain, accrued retirement benefits are disclosed in Note 21 to the parent company financial statements. Retirement benefits cost in 2013 and 2012 are disclosed in Note 21 to the parent company financial statements.

6. Cash and Cash Equivalents

This account consists of:

	2013	2012
Cash on hand	₱10,497,670	₱8,375,155
Cash in banks	145,429,774	127,303,010
Cash equivalents	101,184,014	127,513,424
	₱257,111,458	₱263,191,589

Cash in banks generally earn interest at the respective bank deposit rates. Cash equivalents are short-term deposits made for varying periods of up to three months and earn interest at the respective short-term deposit rates. Interest income earned amounted to ₱2.7 million and ₱8.4 million in 2013 and 2012, respectively (see Note 22)

7. Receivables

This account consists of:

	2013	2012
Real estate receivables - current portion	₱137,773,047	₱207,719,172
Rent receivables	20,653,265	20,808,568
Receivable from sale of investment property	20,000,000	—
Dividends receivable (see Note 10)	17,088,300	4,810,220
Advances and loans to officers and employees (see Note 26)	9,424,048	8,171,399
Due from related parties (see Note 26)	2,321,260	1,120,084
Claims for tax credit certificates (TCC)	2,252,054	2,252,054
Receivables from off-track betting (OTB) operators	1,193,961	964,937
Deposits and advances to contractors (see Note 12)	1,778,413	1,778,413
Others	19,948,086	13,203,427
	232,432,434	260,828,274
Less allowance for doubtful accounts	8,696,776	6,000,000
	₱223,735,658	₱254,828,274



Real Estate Receivables

The real estate receivables of the Company are as follows:

	2013	2012
Current	₱137,773,047	₱207,719,172
Noncurrent	150,661,281	54,213,526
	₱288,434,328	₱261,932,698

Interest income earned from real estate receivables amounted to ₱9.7 million and ₱17.5 million in 2013 and 2012, respectively (see Note 22).

Claims for TCC

The Company accrued ₱2.3 million for its claim against the City of Manila for a tax refund for undue payment of franchise tax on race tracks, amusement taxes on admission and real property taxes levied against the Company for the years 1994 and 1995 pursuant to Manila Revenue Code of 1993 (Ordinance No. 7794).

The Trial Court rendered a decision in favor of the Company on March 7, 1997 ordering the City of Manila to grant the Company a tax refund of ₱2.3 million and for which a *writ of execution* was already issued on May 12, 2003 by the Trial Court. Prior to the implementation of the *writ of execution*, the Company entered into a compromise agreement with the City of Manila for an out-of-court settlement. The *writ of execution* issued by the Trial Court has not been implemented as of December 31, 2013.

Allowance for Doubtful Accounts

The following table shows the rollforward of the allowance for doubtful accounts pertaining to rent receivables as of December 31, 2013 and 2012:

	2013	2012
Balance at beginning of year	₱6,000,000	₱6,000,000
Provision for doubtful accounts	7,188,405	—
Amounts written off	(4,491,629)	—
Balance at end of year	₱8,696,776	₱6,000,000

Allowance for doubtful accounts was based on specific and collective assessment made by the management.

The Company directly wrote-off receivables amounting to ₱0.2 million and nil in 2013 and 2012, respectively (see Note 18).

8. Inventories

Inventories consist of real estates and food & beverages. The real inventories are inclusive of:

	2013	2012
Real estate		
Sta. Cruz property - at cost	₱82,811,334	₱126,059,313
Memorial lots - at net realizable value	11,618,882	14,163,079
Carmona property - at cost	4,630,076	5,346,824
Food and beverages	304,381	—
Total Inventories	₱99,364,673	₱145,569,216



As of December 31, 2013 and 2012, the cost of memorial lots amounted to ₱13.6 million and ₱16.6 million, respectively. In 2013 and 2012, no impairment loss was recognized.

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

Sta. Cruz Property

On February 26, 2005, the Company entered into Joint Development Agreements (JDAs) with Avida Land Corporation (Avida) and Alveo Land Corporation (Alveo) for the development of 5.2 hectares and 1.3 hectares (the "Project Areas"), respectively, of the Company's 11.6-hectare property located in Sta. Cruz, Manila, into a primary residential complex consisting of condominium buildings and townhouses (the "Project"). Under the JDAs, the Company agreed and contributed to the Project its rights, title and interest in and to the Project Areas while Avida and Alveo agreed and provided the necessary capital to finance the Project and expertise to develop the Project Areas. In return for their respective contributions to the Project, the Company, Avida and Alveo received their respective allocation as described in the JDAs. As of December 31, 2013, the project is still ongoing.

Carmona Property

On February 24, 2004, the Company entered into a Joint Venture Agreement (JVA) with Century Communities Corporation (CCC) for the development of 17.09 hectares of the Company's 33-hectare property in Carmona, Cavite into an exclusive division with some commercial areas.

Marketing expense, presented as "Selling expense" in the parent company statement of comprehensive income, is the share of the Company in the marketing cost of the developer/venture in accordance with the JDA/JVA. The amount of marketing cost in 2013 and 2012 amounted to ₱13.1 million and ₱23.9 million, respectively.

9. Other Current Assets

This account consists of:

	2013	2012
Prepayments	₱4,667,943	₱18,093
Others	38,242	82,331
	₱4,706,185	₱100,424

10. Investments in Subsidiaries and an Associate and Interest in a Jointly Controlled Entity

	2013		2012	
	% of Ownership	Cost	% of Ownership	Cost
Subsidiaries (see Note 1):				
SLLPHI	100.00%	₱6,250,000	100.00%	₱6,250,000
MFC	100.00%	4,000,000	100.00%	1,000,000
Biohitech	50.00%	1,500,000	50.00%	1,500,000
Gametime	100.00%	625,000	—	—

(Forward)



	2013		2012	
	% of Ownership	Cost	% of Ownership	Cost
MCC	100.00%	₱625,000	—	₱—
SLRDC	100.00%	156,500	100.00%	156,500
		13,156,500		8,906,500
Associate:				
MIC	28.32%	708,160,137	50.20%	708,160,137
Techsystems, Inc. (Techsystems)	33.00%	1,000,000	33.00%	1,000,000
		709,160,137		709,160,137
Investment in joint venture:				
Gamespan, Inc.	50.00%	10,000,000	50.00%	10,000,000
		732,316,637		728,066,637
Less allowance for impairment of associate		1,000,000		1,000,000
		₱731,316,637		₱727,066,637

Investment in an Associate

MIC. On April 16, 2008, the BOD gave authority to the Company's management to enter into a Memorandum of Agreement (MOA) with MIC for the transfer of some assets to the latter under a property-for-share exchange subject to agreed conditions. These assets refer to certain properties and the gaming equipment.

On July 24, 2008, the Company and MIC entered into a MOA that sets forth and discusses the following conditions:

- i. in order that the Company shall have immediate control of the MIC, the Company shall subscribe to 107,360,137 shares of stock out of the unsubscribed portion of the MIC's authorized capital stock; and
- ii. the Company shall transfer, convey and assign the Sta. Cruz Property and the gaming machinery and equipment in exchange for shares of capital stock of MIC, exchange ratio shall be one share of MIC for every ₱1 zonal value of the Sta. Cruz property (Property-for-share exchange)
- iii. subscription shall result in the acquisition by the Company of at least 90% of the outstanding capital stock of MIC.

On February 5, 2009, the MOA was amended to reflect the use of the appraised value of the Sta. Cruz property instead of the zonal value in the property-for-share exchange.

The MOA was further amended to provide the transfer of the following assets and liabilities to be implemented as follows:

- i. MIC shall cause the payment of its existing liabilities in the amount of ₱14.2 million;
- ii. MIC shall cause the assignment of its marketable securities and receivables to the previous stockholders;
- iii. MIC shall spin off its 5-hectare property in Tanza, Cavite to a new corporation (NEWCO) to be organized by MIC and assign the shares of the capital stock of NEWCO to the previous stockholders of MIC.



On January 23, 2009, in accordance with the MOA, the Company executed a subscription agreement to subscribe, out of the unissued portion of the authorized capital stock of MIC, at the subscription price of ₱1 per share for 107,360,137 shares, equivalent to 50.23% ownership in MIC, making the Company the majority stockholder.

On December 6, 2010, the NEWCO was incorporated as Sierra Prime Properties Corporation. The removal of the assets and liabilities in the books of MIC, as well as the transfer of said assets and liabilities to NEWCO, have been implemented on August 6, 2012.

In 2010, the Company has made partial payment of ₱26.8 million, representing the initial payment of 25% of the subscription price to MIC. In 2012, the Company paid the amount of ₱27.0 million as partial payment for the subscription. The remaining balance of ₱42.8 million, presented as "Subscription payable" in the parent company balance sheet is payable upon the call of the BOD of MIC.

On October 29, 2012, the Company transferred 7,510 square meters of the unused portion of the Sta. Cruz property in exchange for 600.8 million common shares of MIC. The property transferred has a carrying value of ₱112.3 million and with a fair value of ₱600.8 million or ₱80,000 per square meter. The transaction is considered as a tax-free exchange under BIR certification for NIRC Section 40 (c) (2). The property for share exchange resulted in a gain of ₱488.5 million which is presented as "Gain on property for share swap" in the parent company statements of comprehensive income (see Note 13).

In 2013, the Company and a group of Strategic Investors entered into an agreement for the Strategic Investors to subscribe to MIC's share of stock that will let the Strategic Investors own up to 70% of MIC's outstanding capital stock. As of December 31, 2012, MIC is a 51% owned subsidiary of the Parent Company.

In 2013, the Company allowed a group of Strategic Investors to subscribe to MIC's shares of stock. The Board of Directors of MIC approved the subscription by the 18 Strategic Investors to 1.325 billion shares of stock of MIC at ₱1 per share for an aggregate consideration of ₱1.325 billion. The subscription was taken from the increased authorized capital stock of MIC. The subscription was made in two tranches. The first tranche amounting ₱450.0 million was subscribed and issued on January 18, 2013 while the second tranche amounting to ₱875.0 million was subscribed and issued on October 3, 2013.

With this transaction, the Company still has significant influence over MIC through its retained interest in MIC.

The summarized financial information of MIC as of and for the year ended December 31 is as follows:

	2013
Total assets	₱2,390,239,507
Total liabilities	82,410,895
Equity	2,307,828,612
Income	10,917,012
Expenses	41,906,319
Net loss	30,989,307



Techsystems. The investment in an associate, Techsystems, pertains to the acquisition cost representing 33% ownership by the Company. Techsystems undertakes to facilitate the short message service betting or online betting for the races conducted by the Company. As of December 31, 2012, Techsystems has not yet started commercial operations.

The summarized financial information of Techsystems as of and for the years ended December 31, 2013 and 2012 are as follows:

	2013	2012
Assets	P—	P—
Liabilities	5,167,650	5,205,395
Capital deficiency	(5,167,650)	(5,205,395)
Income	—	442,016
Expenses	1,000	31,245
Net income (loss)	(1,000)	410,771

In 2012, the Company provided an allowance for impairment amounting to P1.0 million since management believes that there are no future benefits that will be derived from the investment.

Investment in joint ventures

San Lázaro Joint Venture. On December 12, 2008, the Company entered into a JVA with Ayala Land, Inc. (ALI) to create the San Lázaro Joint Venture, an unincorporated taxable joint venture (JV) and a jointly controlled entity, for the purpose of leasing, managing and administering the developed office units in the building complex at the Sta. Cruz property (the Building Complex). The Building Complex was constructed and developed under a JDA also with ALI (see Note 13).

Under the JVA, the Company and ALI contributed and pooled together under one operation and management their respective allocated developed office units and an initial operating cash requirement in accordance with their respective interest in the JV of 70% for ALI and 30% for the Company. Rent income derived from the lease of the developed office units shall first be applied to the payment of the expenses incurred by the JV in the operation, management and maintenance of the leasable areas. Thereafter, the net rental income of the JV shall be divided between ALI and the Company as cash dividends on a quarterly basis in proportion with their respective interests in the JV. Dividend income from the JV amounted to P17.1 million and P15.7 million in 2013 and 2012, respectively, and dividend receivable from the JV amounted to P17.1 million and P4.8 million, respectively (see Notes 7 and 24).

The summarized financial information of the San Lázaro JV as of and for the years ended December 31, 2013 and 2012 are as follows:

	2013	2012
Current assets	P154,617,532	P13,455,951
Noncurrent assets	1,433,440	93,728,262
Current liabilities	109,448,602	14,217,157
Noncurrent liabilities	29,929,094	67,108,317
Equity	16,673,276	25,858,739
Income	86,379,273	79,409,332
Expenses	54,662,669	19,862,346
Net income	31,716,604	59,546,986



The Company has no share in any contingent liabilities or capital commitments of the JV as of December 31, 2013 and 2012.

Gamespan. On February 17, 2011, the Company and GMA New Media, Inc (GMA-NMI) entered into a Memorandum of Understanding to form a private domestic corporation for the purpose of engaging in the business of providing technological advancement and services to others for sports and recreational gaming. The new company shall own and operate the totalizator and shall be granted the exclusive broadcast rights to all the races and other games operated by the Company. The new company shall likewise be the exclusive technological service provider for future formation of sports and recreational gaming initiatives of both parties.

On March 29, 2012, a Shareholders' Agreement was executed between the Company and GMA-NMI for the establishment of the new company named Gamespan, Inc., a joint venture corporation. It stipulates that the parties agreed to own equal shares of Gamespan and will both be jointly involved in the management and supervision of the administrative and operational concerns of Gamespan as stipulated in the share. It also stipulates that the Company shall have 8.5% share on horse racing bets, as provided by its franchise, generated from the new betting systems such as SMS, internet protocol or Web and other emerging technologies. The Shareholders' Agreement shall continue to take effect until terminated pursuant to the incorporation policy or by mutual agreement of parties.

Gamespan shall operate and manage the totalizator hardware and software owned by the Company, set-up new media infrastructure for offering and taking bets in horse racing and other sports. It shall also have the exclusive broadcast rights to all the races and other games operated by the Company which it may distribute to different broadcasters to maximize viewership and participation.

On June 20, 2012, Gamespan was incorporated and the Parent Company subscribed 250,000 common shares and paid subscription amounting to ₱10.0 million. As of December 31, 2013, Gamespan has not yet started its commercial operations.

The summarized financial information of the Gamespan as of and for the years ended December 31, 2013 and 2012 are as follows:

	2013	2012
Current assets	₱20,184,979	₱20,000,000
Noncurrent assets	29,167	—
Current liabilities	629,824	—
Noncurrent liabilities	—	—
Equity	19,584,322	20,000,000
Income	—	—
Expenses	415,678	—
Net loss	415,678	—

