SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 17.1(b) OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

☑ Preliminary Information Statement

☐ Definitive Information Statement

2. Name of Registrant as specified in its charter

MANILA JOCKEY CLUB, INC.

3. Province, country or other jurisdiction of incorporation or organization

Metro Manila, Philippines

4. SEC Identification Number

PW803

5. BIR Tax Identification Code

000-786-765-000

6. Address of principal office

San Lazaro Leisure Park, Brgy. Lantic, Carmona, Cavite
Postal Code
1003

7. Registrant's telephone number, including area code

(02) 687-9889

8. Date, time and place of the meeting of security holders

June 30, 2015, 9:00 AM at the Turf Club, San Lazaro Leisure and Business Park, Carmona, Cavite

9. Approximate date on which the Information Statement is first to be sent or given to security holders

Jun 8, 2015

10. In case of Proxy Solicitations:

Name of Person Filing the Statement/Solicitor

NA

Address and Telephone No.

NA

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
COMMON	996,170,748

13. Are any or all of registrant's securities listed on a Stock Exchange?

☑ Yes ☐ No

If yes, state the name of such stock exchange and the classes of securities listed therein:

PHILIPPINE STOCK EXCHANGE, COMMON

Manila Jockey Club, Inc.
MJC

PSE Disclosure Form 17-5 - Information Statement for Annual or Special Stockholders' Meeting
References: SRC Rule 20 and Section 17.10 of the Revised Disclosure Rules

Date of Stockholders' Meeting	Jun 30, 2015
Type (Annual or Special)	Annual
Time	9:00 AM
Venue	Turf Club, San Lazaro Leisure and Business Park, Carmona, Cavite
Record Date	May 12, 2015

Inclusive Dates of Closing of Stock Transfer Books

Start Date	N/A
End date	N/A

Other Relevant Information
Attached is the Preliminary Information Statement of Manila Jockey Club, Inc., received by the Securities and Exchange Commission

Filed on behalf by:

Name	Heather Ezra Annang
Designation	Corporate Compliance & Information Officer

OFFICE COPY

COVER SHEET

PW803

S.E.C. Registration Number

MANILA JOCKEY CLUB, INC.

(Company's Full Name)

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

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

ATTY. HEATHER EZRA ANNANG

Contact Person

687-9889

Company's Telephone Number

PRELIMINARY INFORMATION STATEMENT

12	31	20-IS	06	30
Month	*Day*	FORM TYPE	*Month*	*Day*
Fiscal Year			Annual Meeting	

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC Form 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   [x] Preliminary Information Sheet
   [ ] Definitive Information Statement

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

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

4. SEC Identification Number: **PW803**

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

6. Address of principal office : **San Lazaro Leisure Park**
   Brgy. Lantic, Carmona, Cavite
   1003

7. Registrant's telephone number, including area code: **(02) 687-9889**

8. Date, Time and Place of the meeting of security holders : **June 30, 2015 at 9:00 a.m. at the Turf Club, San Lazaro Leisure and Business Park, Carmona, Cavite**

9. Approximate date on which the Information Statement is first to be sent or given to security holders : **June 8, 2015**

10. Securities registered pursuant to Section 8 and 12 of the Code (*information on number of shares and amount of debt is applicable only to corporate registrants*):

Title of Each Class Outstanding	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common	996,170,748

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

    Yes __x__ No ______

    The registrant's securities are listed with the Philippine Stock Exchange.

MANILA JOCKEY CLUB, INC.

INFORMATION STATEMENT

This Information Statement is dated May 14, 2015 and is being furnished to stockholders of Manila Jockey Club, Inc. (the "Company"), at least fifteen (15) business days prior to the Annual Stockholders' Meeting on June 30, 2015 or approximately on or before June 8, 2015.

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

DATE, TIME AND PLACE OF MEETING OF SECURITY HOLDERS

As mandated by the Company's By-Laws, meetings of stockholders are to be held in the principal place of business. The Annual Meeting of Stockholders of the Company will be held on June 30, 2015 at 9:00 a.m. at the Turf Club, San Lazaro Leisure and Business Park, Carmona, Cavite. The principal office address of the Company is currently at the San Lazaro Leisure Park, Carmona Cavite.

DISSENTERS' RIGHT OF APPRAISAL

The Corporation Code provides that a stockholder has the right to dissent and demand payment of the fair value of his shares in case of any amendment of the Articles of Incorporation which has the effect of changing or restricting the rights of any respect superior to those of outstanding shares of any class, or of extending or shortening the terms of corporate existence or in case of sale, lease, exchange, transfer, mortgage or other disposition of all or substantially all of the corporate property and assets or and in case of merger or consolidation. The appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action by making a written demand on the corporation within thirty (30) days after the date on which the vote was taken for payment of the fair market value of shares.

There is no matter to be taken up at the Annual Meeting which may give rise to a dissenter's right of appraisal.

INTEREST OF CERTAIN PERSONS IN OR OPPOSITION TO MATTERS TO BE ACTED UPON

There is no director, officer or nominee that has substantial interest in any matter to be acted upon in the Annual Meeting.

There is no director who has informed the Company in writing that he intends to oppose any action to be taken at the Annual Stockholders' Meeting.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

As of 12 May 2015, there are 996,170,748 outstanding common shares entitled to one vote each at the Stockholders' Meeting. As per Board Resolution issued on April 13, 2015 only stockholders of record as of May 12, 2015 are entitled to vote.

Applying Section 24 of the Corporation Code, each stockholder may vote in any of the following manner:

a. he may vote such number of shares for as many persons as there are directors to be elected;

b. he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by his shares; or

c. he may distribute them on the same principle among as many candidates as he shall see fit.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS & MANAGEMENT

a. Security Ownership of Certain Record and Beneficial Owners as of May 12, 2015.

Title of Class	*Name and Address of Owner and Relationship with Issuer*	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent of Class
Common	PCD Nominee Corporation G/F, Makati Stock Exchange Bldg. 6767 Ayala Avenue, Makati City		Filipino	543,918,284	54.60 %
Common	ARCO EQUITIES, INC. 12/F, Strata 100 Building F. Ortigas Jr., Ortigas Center, Pasig City	Alfonso R. Reyno Jr. – Chairman	Filipino	98,770,857	9.92 %
Common	ALFONSO R. REYNO, JR. 12/F, Strata 100 Building F. Ortigas Jr., Ortigas Center, Pasig City	Same as record owner	Filipino	65,947,940	6.62 %
Common	EXEQUIEL D. ROBLES Sta. Lucia Realty East Grandmall 3/F, Bldg. 2, Marcos Hiway cor. Felix Avenue, Cainta, Rizal	Same as record owner	Filipino	56,911,100	5.71 %

r - Record
b - Beneficial
d - Direct
I – Indirect

There is no actual natural or judicial person that directs the voting or disposition of the shares held by the PCD Nominee Corporation. Further, there is no beneficial owner of the shares held by the PCD Nominee Corporation that holds or can vote on 5% or more of the Company's voting securities.

(b) **Security Ownership of Management (*Directors & Officers*) as of May 12, 2015.**

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	ALFONSO R. REYNO,JR. 12/F, Strata 100 Building F. Ortigas Jr., Ortigas Center Pasig City	65,947,940 (d)	Filipino	6.62%
Common	PEDRO O. TAN 2255 Pasong Tamo Street Makati City	2,319,001 (d)	Filipino	0.23%
Common	ALFONSO V.G. REYNO III 12/F, Strata 100 Building F. Ortigas Jr., Ortigas Center Pasig City	959,732 (d)	Filipino	0.07%
Common	MARIZA SANTOS-TAN Cluster 351 A Alexandra Cond., Meralco Avenue, Pasig City	5,190 (d)	Filipino	00.00%
Common	CHRISTOPHER G. REYNO 12/F, Strata 100 Building F. Ortigas Jr., Ortigas Center Pasig City	478,668 (d)	Filipino	00.05%
Common	PATRICK G. REYNO 12/F, Strata 100 Building F. Ortigas Jr., Ortigas Center Pasig City	231,462 (d)	Filipino	00.02%
Common	LUIS ALBERTO MAÑALAC Unit 29 Manila Polo Townhouse, McKinley Road, Forbes Park, Makati City	1 (d)	Filipino	00.00%
Common	JOHN ANTHONY ESPIRITU No. 17 Penthouse B, Ritz Towers, Ayala Ave., Makati City	1 (d)	Filipino	00.00%
Common	VICTOR C. FERNANDEZ. No. 1570 Princeton Street, Wack-wack Village Mandaluyong City	1 (d)	Filipino	00.00%
Common	FERDINAND A. DOMINGO No. 4 Lopez Jaena Street Ayala Village, Quezon City	3,548,030 (d)	Filipino	00.36%
Common	**Total (Directors & Officers)**	**73,490,026 (d)**	**Filipino**	7.38%

d - Direct
I - Indirect

VOTING TRUST HOLDERS

There is no person or entity that holds a voting trust for and in behalf of any stockholder with shareholdings of 5% or more.

DESCRIPTION OF ANY ARRANGEMENT WHICH MAY RESULT IN A CHANGE OF CONTROL OF REGISTRANT

None.

Directors and Executive Officers

The Directors of the Company are elected at the Regular Annual Meeting of Stockholders, to hold office until the next succeeding annual meeting or until their respective successors shall have been elected and qualified.

Information required in Part V (a)(4) of Rule 3-3 of the Securities Regulation Code regarding bankruptcy petitions are not applicable. No case as such has been filed against any officer or director of the Company or against any corporation where said officers and directors are connected.

There was no transaction or proposed transaction during the last two (2) years to which the Company was or is to be a party with: a) any director/executive director; b) any nominee for election as director; c) any security holder of record, beneficial owner or Management and d) any member of the immediate family of the foregoing person/s.

All Directors listed hereunder are nominees for the forthcoming election by the stockholders.

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

Directors and Independent Directors are nominated through the Nomination Committee. After the submission of names as recommended by the stockholders, the Nomination Committee evaluates the recommendations as per the requirements and disqualifications stated in Section 38 of the SRC as well as the Code of Corporate Governance. After evaluation, said names will be submitted to the stockholders as nominees for directors.

DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY AS OF MAY 14, 2015.

ALFONSO R. REYNO, JR.

Filipino, was born on July 8, 1944. He graduated from the University of the Philippines in 1965 with a degree of Bachelor of Arts, Political Science and finished his Bachelor of Laws degree in the same school in 1969. He formerly occupied the following government positions: Deputy Minister of Defense (*1984-1986*), Member of the Batasang Pambansa (*1984-1986*), Vice Governor of Cagayan (*1980-1984*), Member of the Board of Trustees of the Cagayan State University (*1979-1986*). He is affiliated with and occupies the following positions in various institutions, during the last five (5) years viz: Chairman and President, Manila Jockey Club, Inc. (*March 1, 1997 to Present*); Chairman and President, Arco Management & Development Corporation, Arco Equities, Inc., Arco Ventures, Inc. (*1995 to Present),* Bonaventure Development Corporation (*1983 to Present*); Managing Partner, Reyno Tiu Domingo & Santos Law Offices (*1976 to Present*); Chairman and President of MJC Investments Corporation (*2009 to present*). He resides at No. 4 Pili Road, South Forbes Park, Makati City.

MARIZA SANTOS-TAN

Filipino, was born on May 29, 1958 at Quezon City. She graduated from the San Sebastian College with a degree, Bachelor of Science in Commerce. At present, she is affiliated with and occupies the following positions in various institutions in the last five (5) years, viz: Director, Consolidated Insurance Co., Inc.; Unioil Resources and Holdings Co., Inc.; Vice Chairman and Director, Manila Jockey Club, Inc.; Vice-President and Corporate Secretary, Sta. Lucia Realty Development, Inc.; Director and Corporate Secretary, Sta. Lucia East Grandmall and Orchard Golf and Country Club; President, Royale Tagaytay Golf and Country Club. She is currently a Vice Chairman of MJC Investments Corporation, She resides at Cluster 351A Alexandra Condominium, Meralco Avenue, Pasig City, Metro Manila.

ALFONSO G. REYNO III

Filipino, was born on March 9, 1970, is a lawyer by profession. He is affiliated with and occupies the following position in various institutions in the last five (5) years, viz: President, Arco Ventures, Inc. (*1995 to Present*), Director, Arco Management & Development Corporation, Bonaventure Development Corporation. Arco Equities, Inc. (*1995 to present),* Junior Associate, ACCRA Law Offices (*1997-1999*), Junior Partner, Reyno Tiu Domingo & Santos Law Offices (*1999 to present*); Director of MJC Investments Corporation (*2009 to present*). He resides at 23B South Tower Condominium, Pacific Plaza Tower, Fort Bonifacio, Taguig City.

PEDRO O. TAN

Filipino, was born on November 13, 1937. He graduated from the Far Eastern University with a degree of Bachelor of Science in Business Administration. He is affiliated with and occupies the following positions in various institutions in the last five (5) years, viz: President, General Manager and Director, Triplex Enterprises, Inc. and Gibson Manufacturing Co., Inc.; President and Director, Burlington Philippines Industries, Inc., Evergrow Industries, Inc., and HPT Industries, Inc.; Treasurer and Director, Zipporah Holding Corporation, Blue Ridge Mineral Corporation, Highland Securities Philippines and Liberty Telecoms Holdings, Inc. Currently a director of MJC Investments Corporation. He resides at 2255 Pasong Tamo Street, Makati City, Metro Manila.

LUIS ALBERTO M. MAÑALAC

He was a Filipino citizen. He graduated from the University of California, Berkeley with the degree of Bachelor of Science in Applied Math and finished his Masters of Science, Computer Science in Columbia University, New York. He is affiliated with and occupies the following positions in various institutions in the last five (5) years, viz: *Founder and CEO*, Game Services Group, Inc. in Makati City (*2003 up to present*), *Founder,* Moneyline Telerate Inc. in New York City (*1997 to 1999*), *Founder and Chief Technology Officer*, Spectrasoft Moneyline Inc. in New York City (*1994 to 1997*) and *Founder and Chief Technology Officer*, Spectrasoft

Inc. in New York City (*1987 to 1994*). He is currently one of the independent directors of MJCI. He resides at Unit 29 Manila Polo Townhouse, McKinley Road, Forbes Park, Makati City.

VICTOR C. FERNANDEZ

Filipino, was born on March 10, 1944. He graduated from University of the Philippines in 1967 with a degree of A.B. major in Economics and finished his Bachelor of Laws degree in the same school in 1971. Graduated ranked no. 10 in the University of the Philippines, College of Law, Class of 1971 with a weighted average of 2.06. took the bar exam after graduation and passed the same with the rating of 86.7% (23rd place). He is affiliated with and occupies the following positions in various institutions during the last five years, viz: Deputy Ombudsman for Luzon, Office of the Ombudsman (*March 2003 to March 2010*); Senior Partner, Fernandez , Pacheco & Dizon Law Office (*1993 to February 2003*); Senior Partner, Fernandez, Velasco & Grapilon Law Offices (*1987 to 1993*); Senior Partner, Fernandez, Ambrocio & Fernandez Law Offices (*1982 to 1987*); Associate, Sen. Estanislao A. Fernandez Law Offices (*1972 to 1981*), Legal Consultant, World Bank – Supreme Court Project on the Review of the Criminal Justice System; Lecturer for both Mandatory Continuing Legal Education (MCLE) and Institute of judicial Academy, University of the Philippines. At present he is Consultant both for Local Water Utilities Administration (LWUA) and the Commission on Audit (COA). He is currently one of the independent directors of MJCI. He resides at No. 1570 Princeton Street, Wack-wack Village, Mandaluyong City.

CHRISTOPHER G. REYNO

Filipino, was born on October 30, 1975. He graduated from De La Salle University in 1997 with a degree of Bachelor of Arts major in Liberal Arts. He is affiliated with and occupies the following positions in various institutions during the last five years, viz: Director, ARCO Management & Development Corporation; Director ARCO Ventures, Inc.; Director, ARCO Equities, Inc.; Director, Bonaventure Development Corporation and Technical Assistant, Board of Directors of the Philippine National Bank. He resides at No. 4 Pili Road, South Forbes Park, Makati City.

PATRICK G. REYNO

Filipino, was born on May 5, 1971. He graduated from Harvard University in 1991 with a degree of A.B. Economics and Social Studies Magna Cum Laude. In 1997, he received a Diploma in French Languages and Civilization at the University of Paris. In 2006, he obtained his Masters in Business Administration with Honors from Columbia University. He worked at Morgan Stanley's Investment Banking Division in Hongkong as a Corporate Finance Analyst form 1994 to 1996, and SGV's Corporate Finance Department from 1993-1994, and at Dharmala Securities Hongkong from 1991 to 1993. During the last five (5) years of he concurrently hold the positions of Director and Vice President for Strategic Planning and Business Development at the Manila Jockey Club, Inc. He resides at No. 4 Pili Road, South Forbes Park, Makati City.

MA. LUISA T. MORALES

Filipino, was born on June 21, 1944. She graduated from Assumption College with a Bachelor of Arts degree in Commerce. She is affiliated with and is a Director of Tormil Realty Corporation during the last five years. She resides at No. 3 Pili Road, South Forbes Park, Makati City.

JOHN ANTHONY B. ESPIRITU

Filipino, was born on July 12, 1963. He graduated from University of Michigan, Ann Arbon Michigan, United States with a degree of Bachelor of Business Administration in May 1985. He also obtained from said university and masteral degree in Business Administration in May 1990. He occupied and is currently holding the following position during the last five (5) year: President/Director of EBE Land, Inc. (January 1997 to present); Chairman /Publisher of the Philippine news, San Francisco, California (*November 2004 to present*); Director of Asia-Pacific Medical Corp of Saipan, Northern Marianas Islands (*June 1998 to present*). He resides at Penthouse B, Ritz Towers, Ayala Avenue, Makati City

FERDINAND A. DOMINGO

Filipino, was born on June 22, 1952. He graduated from the University of the Philippines in 1972 with a degree of Bachelor of Arts and Political Science and finished his Bachelor of Laws degree in the same school in 1977. In the last five (5) years or more he is affiliated with and occupies the following positions in various institutions, viz: Senior Partner, Reyno Tiu Domingo & Santos Law Offices (September 1, 1991 to Present); Corporate Secretary and General Counsel, Manila Jockey Club, Inc. (1995 to present); Corporate Secretary, MJC Investments Corporation (up to present); President, Aries Prime Resources, Inc., (July 10, 2003 to 2009); Director, CICI General Insurance Corporation (May 2001 to Present); Director, United Overseas Bank (May 2001 to July 2002); Corporate Secretary, Westmont Bank (May 17, 2000 to January 16, 2001); Director, PNB Holdings Ltd. and PNB Hongkong Branch (1998 to February 2000); Bank Attorney, Philippine National Bank (1978-1984; Corporate Secretary, Philippine Racing Club, Inc. (1994-1997); Legal Counsel and Corporate Secretary, National Steel Corporation (May 3, 1995 to March 1997). He resides at No. 14 Lopez Jaena Street, Ayala Heights, Quezon City.

INDEPENDENT DIRECTORS

LUIS ALBERTO M. MAÑALAC and VICTOR C. FERNANDEZ are the independent directors of the Company. During the Annual Stockholders Meeting last June 30, 2014. Directors Mañalac and Fernandez were elected Independent Directors of the Company. They are independent of management and free from any business or other relationship where it could, or could reasonably be perceived to mutually interfere with their exercise of independent judgment to carry out their responsibilities as directors.

DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY AS OF MAY 12, 2015

Position	Names	Citizenship	Age	Term of Office	Period Served
Chairman of the Board	Alfonso R. Reyno, Jr.	Filipino	70	18	1997-2015
Vice Chairman	Mariza Santos-Tan	Filipino	55	18	1997-2015
President & COO	Alfonso G. Reyno III	Filipino	44	18	1997-2015
Director & Treasurer	Pedro O. Tan	Filipino	77	18	1997-2015
Independent Director	Luis Alberto M. Mañalac	Filipino	--	3	2012-2015
Independent Director	Victor C. Fernandez	Filipino	70	5	2010-2015
Director	Christopher G. Reyno	Filipino	39	13	2002-2015
Director	Patrick G. Reyno	Filipino	43	5	2010-2015
Director	Ma. Luisa T. Morales	Filipino	70	2	2013-2015
Director	John Anthony B. Espiritu	Filipino	51	7	2008-2015

Director, General Couns & Corporate Secretary	Ferdinand A. Domingo	Filipino	62	20	1995-2015

SIGNIFICANT EMPLOYEES

The Corporation has other employees aside from the corporate officers. Hence, there are other persons, executive or otherwise, who are expected to make a significant contribution to the business of the Corporation.

FAMILY RELATIONSHIP

Alfonso Victorio G. Reyno III, Patrick G. Reyno and Christopher G. Reyno are the sons of Alfonso R. Reyno, Jr.

There are no other family relationships between directors and executive officers other than the ones above.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

None of the directors are involved in any bankruptcy petition, or was convicted by final judgment of any criminal offense, or subject to any order, judgment or decree or has violated a Securities or Commodities Law.

DESCRIPTION OF ANY MATERIAL PENDING LEGAL PROCEEDING TO WHICH THE REGISTRANT IS A PARTY

There is no pending material legal proceeding during the last five (5) years to which the Company or any of its subsidiaries is a party. A legal proceeding is deemed material if such case would result in affecting at least ten percent (10%) of the total assets of the Company.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by or under common control with the Group, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Group and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.

In the normal course of business, the Group has transactions and account balances with related parties as follows:

		Amount		Receivable/ (Payable)			
	Nature	2014	2013	2014	2013	Terms	Conditions
Subsidiaries:							
Biohitech Korea (BHK)	Advances	₱–	₱–	**(₱ 38,640,000)**	(₱ 38,640,000)	Noninterest-bearing	Unsecured, no impairment

	Nature	Amount 2014	Amount 2013	Receivable/ (Payable) 2014	Receivable/ (Payable) 2013	Terms	Conditions
Arco Management Development Corporation (AMDC)	Lease of office Space	**6,667,610**	8,111,241	–	(1,431,711)	Noninterest-bearing	Unsecured, no impairment
Associates:							
MIC	Advances	**1,133,990**	927,861	**2,078,161**	945,171	Non interest-bearing	Unsecured, no impairment
	Subscription payable	–	10,736,014	**(42,808,835)**	(42,808,835)	Noninterest-bearing	Unsecured, no impairment
Techsystems		–	245	**1,000**	1,000	Noninterest-bearing	Unsecured, no impairment

a. In 2009, Biohitech obtained advances from its affiliate, BHK, to finance the construction of the building housing the fermentation machine and for the importation of additional machines. The advances are due and demandable and non-interest bearing and remain outstanding as of December 31, 2014. The conversion of these advances into shares of stock of Biohitech is still subject for approval by the BOD and has not been finalized as of December 31, 2014.

b. The Parent Company has a lease agreement with AMDC, an affiliate under common control, in the lease of office space and four parking lots (see Note 31).

c. Compensation of key management personnel of the Parent Company amounted to ₱52.8 million, ₱41.1 million and ₱40.9 million in 2014, 2013 and 2012, respectively. The Parent Company has no standard arrangement with regard to the remuneration of its directors. In 2014, 2013 and 2012, the BOD received a total of ₱9.8 million, ₱8.1 million and ₱8.0 million, respectively.

Terms and conditions of transactions with related parties

Outstanding balances at year-end are unsecured and settlement occurs in cash, unless otherwise indicate. There have been no guarantees provided or received for any related party receivables and payable. No impairment has been recorded on receivables in 2014, 2013, 2012, and 2011.

ITEM 6: COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

Information as to the aggregate compensation paid or accrued during the last two years and estimated to be paid in the ensuing year to the Company's Chief Executive Officer (CEO) and three (3) most highly compensated executive officers is presented below. Also included in the tabular presentation is the compensation paid to or accrued for other officers and members of the Board of Directors for the same three years.

COMPENSATION OF DIRECTORS AND OFFICERS

Position	**Name**	**Annual Compensation** 2013 Salary	2013 Bonus	2013 Salary	2013 Bonus	2014 (estimate) Salary	2014 (estimate) Bonus
Chairman & CEO	Alfonso R. Reyno, Jr.	₱3,000,000	₱250,000	₱4,200,000	₱-	₱4,200,000	₱-
Vice Chairman	Mariza Santos-Tan	1,170,500	-	1,170,000	-	1,170,000	-

Director, President & COO	Alfonso G. Reyno III	2,400,000	200,000	3,270,000	-	3,270,000	-
Director & Treasurer	Pedro O. Tan	1,170,000	-	1,170,000	-	1,170,000	-

All directors are entitled to a per diem ranging from ₱10,000.00 - ₱15,000.00 plus a ₱3,000.00 allowance to cover their transportation, communication and other expenses for every board meeting attended. There are no contracts with the named executive officers for any compensation plan or arrangement that will result from the resignation, retirement or any other termination of employment of said executive officers. There are no outstanding warrants or options being held by the named executive officers or directors and neither are there any changes in control arrangements made with the named executive officers and the directors. Thus, there is compliance with SEC Memorandum Circular No. 8 Series of 2004.

AS A GROUP

	Annual Compensation					
	2013		2014		2015 (estimate)	
	Salary	Bonus	Salary	Bonus	Salary	Bonus
Directors & Officers	₱41,987,412	₱-	₱52,751,490	₱-	₱52,751,490	₱-

INDEPENDENT PUBLIC ACCOUNTANT

For years 2006 to 2010, the Company had engaged Sycip Gorres Velayo & Co., with address at 6760 Ayala Avenue, 1226 Makati City, as its Independent Public Accountant. The partner-in-charge for MJCI in SGV & Co. during those years was Ms. Josephine H. Estomo. In compliance with SRC Rule 68, Paragraph 3 (b) (iv), the independent external auditor or the partner is rotated every five (5) years or earlier. The Company has re-appointed SGV & Co. as its independent external auditor for years 2011 to 2014 audit with Mr. Arnel F. de Jesus as the new partner-in-charge. A representative of SGV & Co. is expected to attend in the coming Annual Stockholders' Meeting with an opportunity to make any statements, if they so desire, and will be available to respond to appropriate questions.

External Audit Fees and Audit Related Fees

The Company's external auditor, SGV and Company, was paid an aggregate amount of ₱1.5 million as professional fees for the audit of the Parent Company's annual financial statements for the year ended December 31, 2013. The audit committee approved the policies and procedures for the services. No other fees were paid to said auditors for other services. For the audit of the 2013 Financial Statements, a total amount of ₱1.4 million was paid to the external auditor. There are no other assurance and related services rendered to the Company by SGV & Co. except for the performance of audit or review of its financial statements.

The following are the members of the Audit Committee with John Anthony B. Espiritu as the Chairman.

FERDINAND A. DOMINGO	-	Member
LUIS ALBERTO M. MAÑALAC *(Independent Director)*	-	Member
ALFONSO VICTORIO G. REYNO III	-	Member

FINANCIAL AND OTHER INFORMATION

A copy of the Company's audited Financial Statements for the year ended December 31, 2014 is attached herewith.

ACTION WITH RESPECT TO REPORTS AND OTHER PROPOSED ACTION

The Minutes of the Annual Stockholders' Meeting held on June 30, 2014 will be submitted for the approval of the security holders. The minutes reflect the approval of the following matters by the stockholders:

1. Approval of the Minutes of the Annual Stockholders' Meeting held on June 30, 2014
2. Report of the Management
3. Ratification of all Acts of the Board of Directors and Management
4. Election of the Members of the Board of Directors
5. Appointment of the External Auditor

MATTERS NOT REQUIRED TO BE SUBMITTED

The approval and ratification of all the Acts of the Board of Directors for the period from June 30, 2014 to June 30, 2015.

As a matter of corporate policy, Management seeks the approval and ratification by the Stockholders of all acts, contracts, investments and resolutions of the Board of Directors and Management since June 30, 2014, or the last Annual Meeting. These are reflected in the minutes of meetings of the Board of Directors, the regular reports and disclosures to the Securities and Exchange Commission and the Philippine Stock Exchange, the 2014 Annual Report and the report of the Chairman and President.

The acts of the Board of Directors and Management pertain primarily to acts in the normal course of business and compliance with and submission of all regulatory requirements, reports and financial statements, audited and unaudited from period to period.

Any negative vote with respect to the above matter would not affect the validity of the acts, contracts, investments and resolutions considering that Management has sufficient delegated powers to do the same.

NOMINATION AND VOTING PROCEDURES:

A. Nomination Procedure

(1) The Nomination Committee shall promulgate the guidelines or criteria to govern the conduct of the nomination. The same shall be properly disclosed in the company's information or statement or such other reports required to be submitted to the Securities and Exchange Commission.

(2) All nominations for regular and independent directors shall be signed by the nominating stockholders, who must be of good standing, together with the acceptance and conformity by the would-be nominees. The nominations should specify whether the nomination is for regular or independent director.

(3) All nominations must be submitted to the Nomination Committee at least five (5) days before the stockholders' meeting to enable the Nomination Committee to effectively pass upon the qualifications of all nominees for regular and independent directors.

(4) After screening the qualifications of all nominees, the Nomination Committee shall prepare a Final List of Candidates of both regular and independent directors five (5) days before the stockholders' meeting. Both Lists shall contain all the information about all the nominees for regular director and independent director, as required by under the Securities Regulation Code ("SRC") and its Implementing Rules and Regulations, which list shall be made available to the SEC and to the stockholders through the filing and distribution of the Information Statement.

(5) Only nominees whose names appear on the Final List of Candidates for regular and independent directors shall be eligible for election as Regular and Independent Directors. No other nominations for both regular and independent director shall be entertained after the Final List of Candidates shall have been prepared by the Nomination Committee. No further nominations for regular and independent director shall be entertained or allowed on the floor during the actual annual/special stockholders' meeting.

(6) Except as those required under the SRC and subject to pertinent existing laws, rules and regulations of the SEC, the conduct of the election of regular and independent directors shall be made in accordancc with these rules of procedure.

(7) The Company shall elect at least two (2) independent directors. It shall be the responsibility of the Chairman of the Meeting to inform all stockholders in attendance of the mandatory requirement of electing at least two (2) independent directors. He shall ensure that at least two (2) independent directors are elected during the stockholders' meeting.

B. Vote Requirement

1. For Election of Directors

   The aforementioned action will require that the majority of the shares of the Company's common stock are present and represented and entitled to vote at the Annual Meeting.

   Voting is executed through balloting or by other means approved by the stockholders.

   Pursuant to Section 24 of the Corporation Code, candidates receiving the highest number of votes shall be declared elected.

2. Ratification of all Acts of Management and the Board of Directors for the period of June 28, 2013 to June 30, 2014.

   The affirmative vote of the majority votes cast by the stockholders is sufficient for ratification.

Election is executed through balloting or by other means approved by the stockholders.

3. Appointment of the External Auditor.

The affirmative vote of the majority votes cast by the stockholders is sufficient for ratification.

Election is executed through balloting or by other means approved by the stockholders.

Article XVII

Voting

"At all corporate meetings, each stockholder, either in person or by proxy, shall be entitled to as may votes as he owns shares of stock. Xxx"

Canvassing of ballot and counting of votes shall be done by the Office of the Corporate Secretary.

a. Procedure on Voting and Vote Requirement

The voting on the matter of approval by the stockholders will be done through ballots which shall be collected and counted by the Corporate Secretary.

C. Procedure For Election of Regular and Independent Directors

1. There shall be two (2) rounds of voting. The first round shall be the election of the nine (9) regular directors, and the second round shall be the election of the two (2) independent directors. This is to ensure that the independent directors are duly elected by the stockholders as required by the SRC.

2. Voting is by viva voce or by acclamation. However, the election must be by ballot if requested by any stockholder.

3. Every stockholder has the right to cumulative voting.

4. The votes shall be tallied by the Company's external auditor, under the supervision of the Corporate Secretary.

SIGNATURES

After reasonable inquiry and to the best of our knowledge and belief, we certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Pasig on 07 MAY 2015 2015.

Registrant : **MANILA JOCKEY CLUB, INC.**

Date : ____________________

By:

ALFONSO R. REYNO, JR.
Chairman & CEO

ALFONSO VICTORIO G. REYNO III
President & COO

NESTOR N. UBALDE
Chief Finance Officer

IRENE P. HABIATAN
Chief Accounting Officer

Ferdinand A. Domingo

FERDINAND A. DOMINGO
General Counsel & Corporate Secretary

SUBSCRIBED AND SWORN TO before me this day of 07 MAY 2015 2015 at Pasig City, affiants exhibiting to me their respective ID Nos., as follows:

Names	TIN ID Nos.	Date/Place Issued
Alfonso R. Reyno Jr.	114-555-166	Manila, Philippines
Alfonso Victorio G. Reyno III	903-359-248	Manila, Philippines
Ferdinand A. Domingo	145-006-236	Manila, Philippines
Nestor N. Ubalde	109-933-906	Manila, Philippines
Irene P. Habiatan	939-885-776	Manila, Philippines

Doc. No. 06;
Page No. 03;
Book No. I;
Series of 2015.

ATTY. HEATHER EZRA Z. LANNANG
NOTARY PUBLIC
APPOINTMENT NO. 141-(2015-2016)
Until December 31, 2016
PTR No. 382022 / Jan. 07, 2015 – Pasig City
IBP No. 984773 / Jan. 07, 2015 – Cagayan
CITY OF PASIG
Roll of Attorney No. 54476

ANNUAL REPORT TO THE STOCKHOLDERS

MANAGEMENT REPORT

BUSINESS AND GENERAL INFORMATION

Manila Jockey Club, Inc. (the "Company") was incorporated on March 22, 1937. On October 23, 1972, the Company was granted a franchise under Republic Act No. 6631 to operate and maintain a racetrack and conduct horse races therein. The franchise was renewed on November 23, 1997 under R.A. No. 8407 for another term of twenty five (25) years. 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 bets on the 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. However, the Company now pays value added tax equivalent to twelve percent (12%) of its gross revenues from horse races pursuant to Republic Act No. 7716 or the Expanded VAT Law.

In line with the Company's vision to expand its business operations and to enhance the value of the shareholders' investment, 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 agreements with leading property developers. Likewise, the Company has ventured into gaming operations with the establishment of a casino known as the Pagcor Club San Lazaro located at the 3rd Floor of the Turf Club Building at the San Lazaro Leisure Park ("SLLP") in Carmona, Cavite.

Employees

The Company has raceday and monthly employees.

The total number of raceday employees is as follows:

a. For racing days - 474 employees

The total number of monthly rank and file employees and officers is 185 employees. The monthly rank and file employees have a five-year Collective Bargaining Agreement ("CBA") with the Company which is set to expire on 2015 which is currently undergoing with the management for the next five (5) years. The Company also has a CBA with the raceday employees for a period of five (5) years which expired last July 2014 and the renewal of the same is still under negotiation. Both CBAs contain supplemental benefits for the employees such as vacation and sick leaves and retirement benefits. The Company has not experienced any labor strike in the last three (3) years.

Subsidiaries and Associate

Subsidiaries

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

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

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

On September 23, 2013, another wholly owned domestic corporation was organized, the Manila Cockers Club, Inc. Its primary purpose is to engage in the business of cockfighting which include but not limited to the construction, establishment and operation of cockpits, the conduct and broadcast of cockfights, and the accepting of bets thereon through conventional and electronic means.

The Parent Company also formed New Victor Technology Limited (NVTL), which is incorporated in Hongkong and domiciled in the Philippines. The business purpose of NVTL is to purchase slot machines for lease to the Philippine Amusement and Gaming Corporation (PAGCOR), which operates the casino of the Parent Company located within the Turf Club at Carmona until September 2013.

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

Associates

On January 23, 2009, the Parent Company acquired a 50.23% interest in MJC Investments Corporation (MIC), formerly Aries Prime Resources, Inc., a publicly listed company incorporated and domiciled in the Philippines. The acquisition was made in accordance with the provisions of the Memorandum of Agreement (MOA) entered into by both parties in 2008, wherein the Parent Company will transfer its non-core assets to MIC under a property for share exchange subject to agreed conditions. On March 18, 2010, MIC was granted a Permit to Operate by PAGCOR for the establishment, maintenance and operation of a casino, PAGCOR San Lazaro, within the San Lazaro Tourism and Business Park in Sta. Cruz, Manila. The permit shall be for a period of ten years, to commence on the date of actual operation of PAGCOR San Lazaro.

In 2013, after the investments made by the 18 Strategic Investors in MIC, the Parent Company still has significant influence over MIC through its retained interest of 22% in MIC.

The Parent Company has a 33% ownership in Techsystems, Inc. Techsystems undertakes to facilitate the short message service betting or online betting for the races conducted by the Parent Company. As of December 31, 2014, Techsystems has not yet started commercial operations.

Joint Venture

On March 29, 2012, a Shareholders' Agreement was executed between the Parent Company and GMA-NMI for the establishment of the new company named Gamespan, Inc., a joint venture corporation. Gamespan shall operate and manage the totalizator hardware and software owned by the Parent Company, set-up new media infrastructure for offering and taking bets in horse racing and other sports. On June 20, 2012, Gamespan was incorporated to implement the Shareholder's Agreement but so far, as of December 31, 2014, it has yet to start commercial operations.

RACING OPERATIONS

(1) Horse Races

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

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

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

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

The Company is expanding its OTB network in Metro Manila as well as in provincial areas. As of December 31, 2014, the Company now has a total of 255 quality OTB stations, 43 of which are located in provincial areas. The OTB sales account for 94.04% of the total sales generated from the races.

(3) Fastbet Mobile

Fastbet Mobile is a fast, free, and secure online platform which allows users to bet on San Lazaro races via any internet-connected device (smartphone, tablet, laptop or PC). It was developed by United Tote, the provider of MJCI's current Totalisator system. The project was launched last December 1, 2013 during the running of the 41st Presidential Gold Cup at SLLP. Since its launch, FBM has steadily gained its own following among the industry's loyal bettors. FBM sales are almost at par with in-track sales and more than the sales of the Company's biggest OTB.

(4) Competition

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

(5) Government Regulations

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

(6) Risks

(a) Disease

No major disease outbreak occurred in 2014. The company still conducts its mandatory "Coggins Test" for Equine Infectious Anemia (EIA) virus on all stabled and running horses in the facility. No horse has been reported positive of the EIA virus.

(b) Weather

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

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

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

REAL ESTATE DEVELOPMENT

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

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

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

Township Development Components:

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

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

3. Real Estate Business

Canyon Ranch

In 2004, the Company entered into a joint venture agreement with prominent real estate developer Century Communities Corporation ("CCC") for the development of the 17.09-hectare portion of the Carmona property into a mixed-use commercial and upscale residential community. The development is now known as "Canyon Ranch".

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

Phase I has a total of 428 residential and commercial units. The Company received a total sales proceeds of ₱259 million from its share of the project.

Phase II has a total of 363 units with no commercial areas assigned to it with expected sales of ₱195 million. Market demand is expected to dictate pricing and some allotted models may be converted to the more affordable Napa or Stanford.

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

Township Development Components:
1. SM City San Lazaro

2. Ayala Land Inc. Joint Venture Developments

   a. Vertex I – a 15-storey BPO building with retail units at the ground floor

   b. ALVEO

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

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

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

As part of the over-all development of the Sta. Cruz property, the Company signed on February 26, 2005 Joint Development Agreements ("JDAs") with the country's largest real property developer, Ayala Land Inc. ("ALI"), through ALI's wholly-owned subsidiaries, Avida Land Corporation ("AVIDA") and Alveo Land Corporation (Alveo), formerly Community Innovations Inc. ("CII") for the construction of townhouses and residential condominium buildings at the 6.47-hectare portion of the Sta. Cruz property.

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

Celadon Residences (Alveo)

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

Celadon Park (Alveo)

"Celadon Park" is a three (3) tower condominium structure to be erected on a one (1) hectare portion of the Sta. Cruz Property. The units come in various sizes from one bedroom to three bedrooms. It shall also have 2 (two) kinds of penthouse suites. It will also have swimming pools, a fitness center, function rooms, children's playground and a multi-purpose amphitheater.

Avida Towers (AVIDA)

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

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

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

The Vertex I, is a 15-storey, 21,000 square meter Grade-A facility designed to address the office space requirements and to cater to the 24x7 work environment of BPO firms. It provides large and efficient building floor plates, telco & data redundancies, large capacity, high-speed elevators, 100% back-up power, support retail amenities and parks & open spaces. The project site is considered an ideal location for BPO firms due to its close proximity to the University Belt and its accessibility to the major business districts, airports and seaports in the Metropolis. The project will be the largest BPO facility in the city of Manila providing approximately 6,000 job opportunities for the residents of the city.

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

Philippine Economic Zone Authority (PEZA) – Carmona Property

Presidential Proclamation No. 1517 was signed by President Gloria Macapagal Arroyo on May 26, 2008, which created and designated several parcels of land owned by the Company consisting of 542,294 square meters situated at Barangay Lantic, Municipality of Carmona, Province of Cavite as a Tourism Economic Zone. The proclamation entitled the Company to establish, develop, construct, administer, manage, and operate a Special Economic Zone to be known as San Lazaro Leisure and Business Park (SLLBP). Pursuant to the proclamation, the Company and the PEZA signed on June 5, 2008, the Registration Agreement entitling MJCI to develop and operate the special economic zone. A certification of registration was issued thereafter.

Philippine Economic Zone Authority – Sta. Cruz Property

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

Pursuant to the proclamation, the Company and the PEZA signed on February 29, 2009, the Registration Agreement to entitle MJCI to develop and operate the aforementioned special economic zone. A certificate of registration was thereafter, issued.

GAMING OPERATIONS

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

For the Gaming Pit, PAGCOR leases from the Company an area of 189.231 sq. m. for the card and table games at ₱510.51 per sq. m. subject to an escalation rate of 5% per year. The lease commenced on July 10, 2013 and will end on July 9, 2016.

The Company has a total of 200 slot machines, 160 of which are company-owned while 40 are on a revenue-sharing arrangement with Jade Corporation. Under the lease contract with PAGCOR, the Company shall supply the 200 slot machines together with the floor management system. In consideration thereof, the Company shall receive thirty five percent (35%) of the gross win as its share for the VIP Club.

Reclassification, mergers, etc.

No material reclassification, merger, consolidation or purchase or sale of a significant amount of assets not in the ordinary course of business that occurred during the calendar year ending December 31, 2014.

PROPERTIES

Sta. Cruz and Carmona, Cavite Property

The real estate properties of the Club are located in Sta. Cruz, Manila with an area of 2.17 hectares and Carmona, Cavite with an area of 77 hectares.

The Sta. Cruz property of 5.1 hectares with carrying value of P472.0 million is subject of a real estate mortgage in favor of Banco de Oro Universal Bank as collateral for its loans.

1. **SEE ATTACHED AUDITED AND INTERIM FINANCIAL STATEMENTS AND THE STATEMENT OF MANAGEMENT RESPONSIBILITY FOR THE FINANCIAL STATEMENTS.**

2. MANAGEMENT DISCUSSION & ANALYSIS OF PLAN OF OPERATIONS

Discussion on Results of Operations

Comparison of Operating Results For the Years Ended December 31, 2014 and 2013.

Gross Revenue and Cost of Sale and Services
Gross revenue from operation includes revenue from racing, rentals, real estate sale, food and beverages and other ancillary services, including currency exchange operations.

For the period ended December 31, 2014 and 2013, the Group had a gross revenue amounting to ₱382.6 million and ₱494.9 million, respectively. The drop in revenue by 22.7% in 2014 compared to the same period in 2013 amounting to ₱112.3 million is the net effect of the following:

- Increase in racing income by ₱7.5 million (3.4% 2014 vs. 2013) is due to the increase in average income per racing day and more weekend races of the club compared to 2013. The total number of racing days for the periods ended December 31, 2014 and 2013 was 117 and 119, respectively, resulting to a difference of 2 racing days.

- Decrease in real estate revenues by ₱113.1 million is due to several cancellations of real estate units previously sold. The decline in the number of memorial lots sold in 2014 also contributed to the unfavorable variance in real estate revenue.

- Decrease in rental income by ₱2.93 million because of the decrease of rented stable stalls in 2014.

- Revenue from sale of food and beverages increased the Group's total revenues by ₱10.4 million from that of 2013. The Parent Company's restaurant business started its operations in April 2013.

- Decrease in other revenues by ₱14.2 million which came primarily from income derived from the money changing or currency exchange operations of MJC Forex.

For the period ended December 31, 2014, cost of sales and services amounted to ₱269.8 million or a decrease of 13.3% or ₱41.4 million from that of 2013. The effects of the decline in the number of real estate units sold as well as the effect of several cancellations of previously sold units and the decrease in the income derived from the money changing or currency exchange operations of MJC Forex contributed to the decrease in total cost of sales and services.

Operating expenses
Operating expenses decreased by 14.9% from ₱213.4 million in 2013 to ₱181.7 million in 2014 as a result of the cost saving measures being implemented by the Group. While certain pre-operational subsidiaries contributed to the increase in the operating expenses, the Company still managed to decrease its operating expenses.

Equity in net earnings of associates and joint venture
In 2014, equity in net earnings of associates and joint venture increases by ₱6.5 million or 61.3% from that of 2013 as a result of lower equity in net loss of MIC by ₱4.2 million and increase in equity in net earnings of SLBPO by ₱2.3 million. For the year ended December 31, 2014 and 2013, equity in net loss of MIC amounted to ₱6.9 million and ₱11.1 million, respectively, while equity in net earnings of SLLBPO amounted to ₱24.0 million and ₱21.9 million, respectively.

Other income - net
Other income decreased by 97.9% from that of 2013 or by ₱2,080.0 million as a result of the one-time remeasurement gain of investment in MIC recognized in 2013 as a result of the deconsolidation of MIC from the Group.

Earnings per share
Earnings per share decreased by 99.9% in 2014 from that of 2013 as a result of the one-time gain recognized in 2013 as a result of the remeasurement of the interest retained in MIC by the Group.

Discussion on some Significant Changes in Financial Condition as of December 31, 2014 and 2013

Total Current Assets in 2014 decreased due of the following:

Cash and cash equivalents increased from ₱263.8 million as of December 31, 2013 to ₱303.0 million as of December 31, 2014. The increase of ₱39.2 million in 2014 primarily resulted from the following:

a. The Group generated cash in 2014 amounting to Php173.8 million from its operation, mainly from its racing, leasing and real estate operations.

b. The Group also expends cash on the following investing activities: (1) acquisition of property and equipment amounting to Php78.1 million (2) acquisition of AFS financial assets amounting to Php8.1 million, partially offset by the cash generated from the following investing activities: (1) Interest amounting to Php12.6 million; (2) proceeds from sale of AFS financial assets amounting to Php4.8 million and (3) dividends received amounting to Php9.5 million.

c. Financing activities used up Php75.8 million due to payment of outstanding short term and long term loans aggregating Php26.3 million, payment of dividends to stockholders amounting to Php45.8 million and payment of interest on short term and long term loan amounting to Php3.7 million.

Receivables as of December 31, 2014 amounted to ₱184.5 million, which is a decrease of ₱49.5 million from ₱234.0 million as of December 31, 2013. This is mainly due to the effect of collection of the current portion of real estate receivable.

Real estate inventories decreased by ₱4.3 million in 2014 as a result of the sale of real estate inventories during the year. .

Total Noncurrent Assets decreased in 2014 due to the following:

Real estate receivables (net of current portion) decreased by ₱21.9 million from ₱150.7 million as of December 31, 2013 to ₱128.8 million as of December 31, 2014, due to the portion of real estate receivables units sold in 2013 and prior years that are collectible beyond one year from the balance sheet date.

Investment in associate and jointly venture amounted to ₱2.310 billion as of December 31, 2014 and ₱2.314 billion as of December 31, 2013. The decrease in investment in associate is due to the share in net loss in equity interest in MIC, partially offset by the equity in net earnings of SLLBPO less profit share of the Parent Company declared by the joint venture.

Available-for-sale investments comprise of equity securities and treasury bonds. AFS investments amounted to ₱22.1 million and ₱21.2 million as of December 31, 2014 and 2013, respectively. The increase in AFS financial assets account amounting to ₱0.9 million was due to the effect of the acquisitions made during the year amounting to ₱8.2 million and upside valuation amounting to ₱1.7 million, which were partially offset by the effect of the sale of various AFS securities with a carrying value of ₱9.0 million.

Property and equipment increased by ₱12.6 million in 2014 due to additions to property and equipment during the year amounting to ₱78.1 million, offset by the depreciation charges made during the year amounting to ₱65.3 million.

Investment properties decreased by ₱12.4 million in 2014 from ₱1.02 billion as of December 31, 2013 to ₱1.01 billion as of December 31, 2014 as a result of the depreciation expense of the Vertex One building amounting to ₱12.4 million.

Other noncurrent assets decreased by ₱2.4 million in 2014 primarily as a result of the amortization of franchise fee amounting to ₱1.8 million.

Total Current Liabilities in 2014 increased due to the following:

Short-term interest bearing loans and borrowings decreased by ₱12.0 million from ₱86.44 million as of December 31, 2013 to ₱74.4 million as of December 31, 2014, as a result of repayment made during the year amounting to ₱12.0 million. These loans were obtained for working capital requirements and the promissory notes covering these loans have terms of one year or less and are renewed upon maturity.

Accounts payable and other liabilities increased by ₱38.9 million from ₱315.4 million as of December 31, 2013 to ₱354.3 million as of December 31, 2014. The increase primarily refers to the property and equipment acquired during the year which remains to be unpaid as of December 31, 2014.

Current portion of long term loans and borrowings amounted to ₱14.3 million as of December 31, 2014 which is the same as of December 31, 2013 and December 31, 2012. This amount is the current portion of the loans obtained from a local bank in 2008 maturing in November 2015 payable in equal quarterly installments and interest rates are subject to quarterly re-pricing.

The due to related parties account amounted to ₱38.64 million as of December 31, 2014 and December 31, 2013. The amount of ₱38.64 million pertains to the advances obtained by Biohitech, (Phils.) from its affiliate, BHK, to finance the construction of the building housing the fermentation machine and for the importation of additional machines.

Total Noncurrent Liabilities decreased due to the following:

Long term loans and borrowings (net of current portion) decreased to nil as of December 31, 2014 from ₱ 14.28 million as of December 31, 2013 as a result of the reclassification made for the current portion of the long term loans which are due within a year from the balance sheet date.

Accrued retirement benefits increased to ₱42.51 million as of December 31, 2014 from ₱35.06 million as of December 31, 2013. The increase of ₱7.45 million can be attributed to the increase in the retirement benefit costs for year 2014 compared to 2013. The valuation of the fund was based on the latest actuarial valuation reports as of December 31, 2014.

Deferred income tax liabilities (net) decreased by ₱18.7 million in 2014 due primarily to the decrease in the unrealized deemed cost adjustment on real estate properties and increase in the accrued retirement benefits. The unrealized deemed cost adjustment on real estate properties will be realized through sales of real estate inventories. As of December 31, 2014, 2013 and 2012, deferred income tax liabilities amounted to ₱246.10 million, ₱264.79 million and ₱270.29 million, respectively.

Total Equity decreased due to the following:

Capital stock amounted to ₱996.17 as of December 31, 2014 and ₱948.73 in 2013. Capital stock increased by ₱47.44 million in 2014 arising from the issuance of 5% stock dividends declared in 2014.

As of December 31, 2014 and 2013, actuarial re-measurement on retirement plan liabilities amounted to ₱21.14 million and ₱24.88 million, respectively. This is the result of the adoption of Revised PAS 19 due to changes in assumptions used in the valuation.

The net cumulative changes in fair value of AFS financial assets amounted to ₱5.2 million as of December 31, 2014 from ₱9.01 million as of December 31, 2013. The decrease of ₱3.80 million in 2014 is the net effect of the changes in fair value of quoted marketable securities subjected to mark-to-market valuation at the balance date. The AFS financial assets are carried at fair value determined based on published prices in the active market.

Unappropriated retained earnings as of December 31, 2014 amounted to ₱3.25 billion compared to ₱3.32 billion as of December 31, 2013, thereby, decreasing by ₱76.0 million. The decrease is the net effect of the declaration of ₱0.05 cash dividend and 5% stock dividends by the Parent Company resulting to a decrease in unappropriated retained earnings by ₱94.8 million. Moreover, the effect of the reclassification of appropriated retained earnings to unappropriated retained earnings increases the Group's total unappropriated retained earnings amounting to ₱17.18 million in 2014.

Top key performance indicators:

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

	Year 2014	Year 2013
1. Current Ratio	**1.09**	1.20
2. Debt to Equity Ratio	**0.02**	0.03
3. Asset to Liability Ratio	**6.20**	6.34
4. Asset to Equity Ratio	**1.19**	1.19
5. Interest Rate Coverage Ratio	**2.17**	480.29
6. Sales to Revenue Ratio	**0.59**	0.44
7. Earnings Per Share	**0.0018**	2.1173

Current ratio is computed by dividing current assets amounting to ₱587.6 million and ₱601.9 million as of December 31, 2014 and 2013, respectively over current liabilities amounting to ₱537.2 million and ₱500.4 million as of the same years. This indicates the ability of the company to pay its current liabilities using its current assets. Current ratio decreased in 2015 by 0.11.

Debt to equity ratio shows the extent to which the firm is financed by debt. It is computed by dividing interest-bearing debts by total equity. Total interest-bearing debts as of December 31, 2014 and 2013 amounted to ₱88.7 million and ₱115.0 million, respectively, while total equity as of December 31, 2014 amounted to ₱4.3 billion and ₱4.4 billion as of December 31, 2013.

The asset to liability ratio is also computed. This shows the relationship of the total assets of the Company with its total liabilities. Total assets as of December 31, 2014 and 2013 amounted to ₱5.1 billion and ₱5.2 billion, respectively, while the corresponding total liabilities as of December 31, 2014 and 2013 amounted to ₱825.8 million and ₱814.6 million, respectively.

Asset to equity ratio shows the relationship of total assets to the portion owned by shareholders. The formula for this ratio is total assets over total equity. As of December 31, 2014 and 2013, total assets amounted to ₱5.12 billion and ₱5.16 billion, respectively, while total equity amounted to ₱4.29 billion and ₱4.35 billion as of the same years.

Interest rate coverage ratio indicates a company's ability to cover interest charges or finance costs. The ratio is derived by dividing the company's earnings before interests, taxes, depreciation and amortization (EBITDA) over interest charges. For years ending 2014 and 2013, EBITDA amounted to ₱7.8 million and

₱2.1 billion, respectively. Finance costs, exclusive of bank chargers, in 2014 amounted to ₱3.6 million and ₱4.4 million in 2013.

Sales to total revenue ratio is computed by dividing the income from horse racing amounting to ₱223.9 million and ₱216.4 million for years 2014 and 2013, respectively, to total revenue of the company amounting to ₱382.6 million for the period ending December 31, 2014 and ₱495.0 million for year 2013 . It indicates the performance by percentage of the income from horse racing to total revenue of the company. Sales and other revenues indicate the over-all performance of the Company as it conducts horse races.

Earnings per share is computed by dividing net income attributable to equity holders of the parent company amounting to ₱1.75 million and ₱2.11 billion for the periods ended December 31, 2014 and 2013, respectively, against the weighted average number of outstanding common shares totaling to 996.2 million as of December 31, 2014 and 2013, taking into account the retrospective effect of the stock dividends declared.

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

DISCUSSION ON PLAN OF OPERATIONS

The Company continues to look for opportunities to generate revenues from other potential ventures to further increase its earnings per share. It continues to implement cost-cutting measures to ensure that expenditures are necessary and wisely disbursed.

The Parent Company restaurant business is going strong with lots of marketing efforts being done to accomplish its targets. The Turf Club caters as a venue for various social, company and family events such as local or national conventions, company seminars, banquets, weddings, etc. Casino operations are reeling for a big comeback in revenues. With the purchase of new gaming equipment which started in the third quarter of 2014, revenues started to flow and targets are expected to be achieved sooner as projected.

New and wholly owned subsidiaries, The Manila Cockers Club, Inc. and Gametime Sports and Technologies, Inc. are expected to contribute substantial revenues for the parent company starting 2015. Gametime operation was already in the final stage of fine tuning both technical and operational aspects. Soon to be launched in the middle of the year, Gametime will operate on the flat form of mobile betting which is less costly to operate not unlike the off track betting stations.

Manila Cockers on the other hand, will also be launched this year maybe in the second quarter of 2015. Full blast operations for both companies are likely in the last quarter of 2015. Revenues are expected to boost the parent company's bottom line by 2015 and onward.

The invitation to the Philippine Football Federation to house its national football activities in Carmona added to the growing exciting opportunities to generate additional revenues for the Parent Company in terms of recurring rental income from business locators, print and TV advertisements, restaurant goers, etc.

The stable lease has continuously provided ample revenue support to the Parent Company. It has introduced measure to attract more horse owners to stable their horses in the Complex by providing discounts and promos.

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

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

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

FOR THE FIRST QUARTER OF THE YEAR 2015

RESULTS OF OPERATIONS

Revenues

Racing income for the quarters ended March 31, 2015 and 2014 amounted to ₱51.3 million and ₱53.5 million, respectively. In 2015, total racing revenue decreased by ₱2.2 million. During both quarters, the company had 27 racings days.

The Group recognizes income from real estate sales which is the subject of Joint Venture Agreements with Ayala for Sta. Cruz property and Century Communities Corp. for Carmona property. Revenue from real estate is recognized under the percentage of completion (POC) method. Loss from real estate amounted ₱8.5 million and ₱5.8 million for the periods ended March 31, 2015 and 2014, respectively. The increase in real estate loss is the net effect of 2015 real estate sales and the several cancellations during the period ended March 31, 2015 of previously sold real estate units due to the default in payments by the buyers.

Revenue from the leasing of stables, buildings and other facilities increased by ₱1.1 million from ₱20.5 million for the period ended March 31, 2014 to ₱21.6 million for the same period in 2015. The increase in rental income in 2015 can be attributed to the 5% yearly escalation on rental rates for the lease of building units.

Revenue from sale of food and beverages increased the Group's total revenues by ₱1.0 million in 2015 from ₱2.7 million for the period ended March 31, 2014 to ₱3.7 million for the same period in 2015. The positive variance is due to more cash sales and banquet events during 2015 as compared to the previous year's first quarter.

The Group recognizes Other Revenues from its MJC Forex operations having a total sale of foreign currencies amounting to ₱3.5 million for the period ended March 31, 2015 compared to ₱10.3 million for the same period in 2014 decreasing by ₱6.8 million.

Interest income relates to real estate receivables and cash and cash equivalents, including retail treasury bonds. Interest income amounted to ₱2.5 million and ₱10.6 million for the periods ended March 31, 2015 and 2014, respectively, or a decrease of ₱8.2 million which relates primarily to real estate transactions.

Equity in net earnings of associates and joint ventures is recognized by the Group amounting to ₱5.0 million for the period ended March 31, 2015 and ₱3.8 million for the same period in 2014, increasing by ₱1.2 million.

Other income - net increased by ₱3.0 million from ₱5.7 million for the period ended March 31, 2014 to ₱ 8.7 million for the same period in 2015. The increase in 2015 is due primarily to the gain recognized on the sale of retail treasury bonds and AFS financial assets.

Expenses

Cost of Sale and Services

Cost of racing services increased by ₱3.8 million from ₱40.0 million for the period ended March 31, 2014 to ₱43.8 million for the same period in 2015. The increase can be ascribed to expenses incurred on added/guaranteed prizes and sponsorships given by the company in its effort to attract more horse owners to register their racing horses during its races. Supplies in 2015 also increased as more thermal tickets were purchased during the period.

Cost of real estate pertains to the cost of real estate property recognized under the percentage of completion method, if the criteria of full accrual method are not satisfied. The total cost of real estate for the periods ended March 31, 2015 and 2014 amounted to (₱3.4) million and (₱2.6) million, respectively. The variance of (₱1.3) million is the net effect of the costs of real estate units sold in 2015 and the costs of real estate units previously sold that were reverted back to inventory account when these units were cancelled during the period ended March 31, 2015.

Rental cost of services increased by ₱4.7 million from ₱8.1 million for the period ended March 31, 2014 to ₱12.8 million for the same period in 2015. In 2015, direct costs associated with the leasing of the gaming facilities are lodged under cost of services of the rent segment while in the first quarter of 2014, they were treated as administrative costs. Some of these direct costs are expenses on food and beverages as well as utilities and contracted services.

Cost of food and beverage for the periods ended March 31, 2015 and 2014 amounted to ₱4.0 million and ₱3.7 million, respectively. The variance of ₱0.3 million in 2015 is the direct effect of the increase in cash and banquet sales of the restaurant operated by the company.

The cost of sales for "Others" amounted to ₱3.5 million and ₱10.2 million for the periods ended March 31, 2015 and 2014, respectively. This relates to the purchase of various foreign currencies by MJC Forex for its foreign currency exchange operations.

General Operating Expenses

General and administrative expenses constitute costs of administering the business. For the period ended March 31, 2015, it amounted to ₱40.6 million or a decrease of ₱5.3 million compared with the same period in 2014 which registered an amount of ₱45.9 million. The decrease in personnel costs contributed to the decline in general and administrative expenses due to the continuous cost cutting measures being strictly implemented by the Company in its effort to minimize overhead expense. The transfer of casino expenses as direct costs like utilities significantly contributed to the variance. During the quarter ended March 31, 2014, these expenses were part of administrative costs.

Selling expenses pertain to marketing fees related to the sale of real estate properties. It amounted to (₱ 1.1) million for the period ended March 31, 2015 compared to (₱1.2) million for the same period in 2014.

Finance costs pertain to interest expenses on bank loans availed for working capital requirements. It amounted to ₱0.8 million and ₱1.1 million for the periods ended March 31, 2015 and 2014, respectively. The decrease of ₱0.4 million is due to declining principal balances and interest rates on the availed bank loans.

CHANGES IN FINANCIAL CONDITION

ASSETS

Total current assets decreased due to the following:

Cash and cash equivalents as of March 31, 2015 amounted to ₱293.8 million compared to its balance as of December 31, 2014 which amounted to ₱303.0 million. The decrease of ₱9.2 million can be ascribed to the payment of major capital expenses as well as other expenditures that were due during the period.

Receivables decreased by ₱29.6 million from its balance of ₱184.5 million as of December 31, 2014 compared to its balance as of March 31, 2015 which amounted to ₱154.9 million. The collections on receivables from real estate and dividends from a JV partner primarily caused the decrease in 2015.

Inventories relate to real estate units, memorial lots and food and beverage items. Total inventories amounted to ₱99.2 million as of March 31, 2015 and ₱95.3 million as of December 31, 2014. The reason for the net increase of ₱3.9 million is the reverting back to inventory account the costs of previously sold real estate units that were cancelled in 2015 due to reasons like default in payments by the buyers.

Other current assets increased by ₱1.2 million from its December 31, 2014 balance of ₱4.7 million compared to its balance of ₱5.9 million as of March 31, 2015. The payment by the Parent Company of its employees' HMO caused the increase in prepayments in 2015which are being subsequently amortized monthly.

Total non-current assets decreased due to the following:

Real estate receivables - net of current portion decreased by ₱16.0 million from ₱128.8 million as of December 31, 2014 to ₱112.7 million as of March 31, 2015. The re-classification of the non-current portion of real estate receivables to non-current asset resulted to the variance.

Investment in associates and joint ventures as of March 31, 2015 and December 31, 2014 amounted to ₱2.3 billion.

Available-for-sale financial assets as of March 31, 2015 and December 31, 2014 amounted to ₱13.4 million and ₱22.1 million, respectively. The decrease of ₱8.7 million is due to the sale in 2015 by the company of its retail treasury bonds and some marketable securities.

Property and equipment decreased by ₱12.0 million from its December 31, 2014 balance of ₱1.028 billion to ₱1.016 billion as of March 31, 2015. The increase is the net effect of acquisitions of various machineries and equipment during 2015 and the recognition of depreciation expense from first to third quarters of 2015.

Investment properties as of March 31, 2015 amounted to ₱1.008 billion and ₱1.011 billion as of December 31, 2014. The decrease of ₱3.0 million relates to the depreciation recognized on the BPO building (retail and developed office) located at Sta. Cruz, Manila.

Other non-current assets as of March 31, 2015 amounted to ₱31.4 million. Compared with its balance as of December 31, 2014 of P32.0 million, it decreased by ₱0.6 million due mainly to the amortization of franchise fee for the first quarter of 2015.

LIABILITIES AND EQUITY

Total current liabilities decreased due to the following:

Short-term loans and borrowings amounted to ₱74.4 million as of December 31, 2014 and ₱65.4 million as of March 31, 2015. It decreased by ₱9.0 million due to partial payments made on principal balances of the availed bank loans that matured during the period.

Accounts payable and other liabilities as of March 31, 2015 amounted to ₱307.3 million or a decrease of ₱ 47.0 million compared to its December 31, 2014 balance of ₱354.3 million. The decrease is mainly due to the payments made to a developer for the company's share in the construction costs of the BPO building (Vertex One).

As of March 31, 2015 and December 31, 2014, income tax payable balances are ₱15.6 million and ₱12.7 million, respectively. The increase amounting to ₱2.9 million is the provision for income tax expense made by the Parent Company covering the first quarter of 2015.

During the period ended March 31, 2015, partial settlements amounting to ₱3.6 million were made by the Parent Company on matured principal balances of its long term loans with a local bank. The balances of the account as of March 31, 2015 and December 31, 2014 are ₱10.7 million and ₱14.3 million, respectively.

As of March 31, 2015 and December 31, 2014, due to related parties amounted to ₱38.6 million. This refers to the advances made by Biohitech from its affiliate, Biohitech Korea (BHK).

There was no movement on the subscription payable account which amounted to ₱42.8 million as of March 31, 2015 and December 31, 2014 as no payment was made during the first quarter of 2015.

Total non-current liabilities decreased due to the following:

Accrued retirement benefit as of March 31, 2015 amounted to ₱38.8 million or a decrease of ₱3.7 million compared with its December 31, 2014 balance of ₱42.5 million. It is the net effect of the retirement expense recognized for the first quarter of 2015 and the remittances made to the retirement fund account.

Total equity decreased due to:

Unappropriated retained earnings amounted to ₱3.230 billion as of March 31, 2015 and ₱3.246 billion as of December 31, 2014. The decrease of ₱16.0 million refers to the net loss recognized by the Group for the quarter ending March 31, 2015.

OTHERS

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

Top Five (5) key performance indicators:

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

	March 2015	December 2014
Current Ratio	**1.15**	1.09
Asset to Liability Ratio	**6.59**	6.20

	March 2015	March 2014
Sales to Revenue Ratio	**0.72**	0.66
Sales to Expenses Ratio	**0.71**	0.77
Earnings Per Share	**(0.0159)**	(0.0049)

Current ratio is computed by dividing current assets amounting to ₱553.73 million as of March 31, 2015 and ₱587.6 million as of December 31, 2014 over current liabilities amounting to ₱480.6 million and ₱ 537.2 million as of March 31, 2015 and December 31, 2014, respectively.

Total assets as of March 31, 2015 and December 31, 2014 amounted to ₱5.0 billion and ₱5.1 billion, respectively while the corresponding total liabilities as of the same periods amounted ₱765.5 million and ₱825.8 million. Dividing total assets over total liabilities resulted to a ratio of 6.59:1 as of March 31, 2015 and 6.20:1 as of December 31, 2014.

Sales to total revenue ratio is computed by dividing the income from horse racing amounting to ₱51.3 million and ₱53.5 million for the periods ended March 31, 2015 and 2014, respectively by total sales/revenues of the company amounting to ₱71.6 million and ₱81.3 million for the periods ended March 31, 2015 and 2014, respectively.

Sales to expenses ratio is computed by dividing total sales/revenues amounting to ₱71.6 million and ₱ 81.3 million for the periods ended March 31, 2015 and 2014, respeetively over total cost of sales and other expenses totaling to ₱100.5 million and ₱105.2 million for the same periods.

Earning per share is computed by dividing net income / (loss) attributable to equity holders of the Parent Company amounting to (₱15.8 million) and (₱4.7 million) for the periods ended March 31, 2015 and

2014, respectively against the weighted average number of outstanding common shares totaling to 996.2 shares and 948.7 million shares as of March 31, 2015 and 2014, respectively.

FINANCIAL STATEMENTS

Refer to the attached audited financial statements for the period ended December 31, 2014 with Schedules A to M.

There are no other assurance and related services rendered to the Company by SGV & Co. except for the performance of audit or review of its financial statements.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

External Audit Fees and Audit Related Fees

The Parent Company expects to pay its external auditor, SGV and Company, an aggregate amount of ₱1.5 million as professional fees for the audit of its annual financial statements for the year ended December 31, 2014. The audit committee approved the policies and procedures for the services. No other fees were paid to said auditors for other services. For the audit of the 2013 Financial Statements, a total amount of ₱1.4 million was paid to the external auditor.

MARKET FOR REGISTRANT'S COMMON EQUITY & RELATED STOCKHOLDER MATTERS

A. Market Price of Dividends or Registrant's Common Equity and Related Stockholders Matters.

1. Market Information

The principal market for the Company's common equity is the Philippine Stock Exchange.

Provided below is the table indicating the high and low sales price of the common equity of the company.

Quarterly High, Low (Year 2013, 2014, 2015)

2013

	1st Quarter Price	2nd Quarter Price	3rd Quarter Price	4th Quarter Price
HIGH	3.04	2.70	2.45	2.20
LOW	2.32	1.91	2.00	2.00

2014

	1st Quarter Price	2nd Quarter Price	3rd Quarter Price	4th Quarter Price
HIGH	2.05	2.29	2.20	2.46
LOW	1.42	1.71	1.80	1.90

2015

	1st Quarter Price	2nd Quarter Price	3rd Quarter Price	4th Quarter Price
HIGH	2.25	2.05(April)	--	--
LOW	1.81	1.85(April)	--	--

As of December 31, 2014, the stock market price of the Company is pegged at Php2.05 per share.

2. Holders

There are approximately 974 holders of common equity of the registrant as of May 12, 2015.

Top Twenty (20) Stockholders as of May 12, 2015.

Name	No. of Shares	Percentage
1. PCD Nominee Corporation (F)	543,918,284	54.60%
2. Arco Equities, Inc.	98,770,857	9.92%
3. Alfonso R. Reyno, Jr.	65,947,940	6.62%
4. Exequiel D. Robles	56,911,100	5.71%
5. Maritess R. Calzado	40,850,507	4.10%
6. Chun Long Guilbert Wong	38,008,026	3.82%
7. Edgardo B. Espiritu	23,963,405	2.41%
8. JUT Holdings, Inc.	11,497,077	1.15%
9. Tormil Realty & Dev't. Corp.	10,585,992	1.06%
10. Dante D. Morales &/or Ma. Luisa T. Morales	9,567,731	0.96%
11. F. Arthur L. Villaraza	9,182,246	0.92%
12. PCD Nominee Corporation (NF)	7,358,592	0.74%
13. Rosendo G. Guevara	4,338,511	0.44%
14. Ruddy C. Tan	3,978,166	0.40%
15. Caridad Say	3,866,940	0.39%
16. Ferdinand A. Domingo	3,548,030	0.36%
17. APEX Management & Dev't Corp.	3,398,275	0.34%
18. Armando R. Bonifacio	3,209,772	0.32%
19. Sta.Lucia Realty Development Inc.	2,869,066	0.29%
20. Chun Long Guilbert Wong	2,863,203	0.29%
Totals:	**944,633,720**	**94.84%**

3. Dividends

On 06 March 2015, the Board of Directors approved the declaration of cash dividends of five centavos (Php0.05) per share to stockholders of record as of March 20, 2015 and payment date of April 17, 2015.

On 08 April 2014, the Board of Directors approved the declaration of cash dividends of five centavos (Php0.05) per share to stockholders of record as of May 30, 2014 and payment date of June 16, 2014.

On 08 April 2014, the Board of Directors approved the declaration of five percent (5%) stock dividends with record date of July 14, 2014 and with issuance date of August 7, 2014.

On 30 May 2013, the Board of Directors approved the declaration of cash dividend of five centavos (Php0.05) per share to stockholders of record as of June 18, 2013 and payment date of June 28, 2013.

On 30 May 2013, the Board of Directors approved the declaration of ten percent (10%) stock dividends with record date of July 18, 2013 and with issuance date of August 13, 2013.

On October 2012, the Board of Directors approved the declaration of cash dividend of eight centavos (Php0.08) per share to stockholders of record as of November 12, 2012 and payment date of November 26, 2012.

On 07 March 2012, the Board of Directors approved the declaration of a cash dividend of eight centavos (Php0.08) per share with record date of March 28, 2012 and payment date of April 18, 2012.

On 16 April 2008, the Board of Directors approved the declaration of cash dividends of P0.10 per share to stockholders of record as of May 12, 2008 payable on June 4, 2008.

On 18 June 2008, the stockholders approved and ratified the declaration of the 20% stock dividend or 89,997,063 common shares out of the unappropriated retained earnings which will come from an increase in authorized capital stock. Record date of the stock dividends was be fixed by the SEC on January 19, 2011. On 28 July 2010, MJCI applied for the listing of stock dividends amounting to 89,997,063 common shares evidenced by its Application For Listing of Stocks dated 20 July 2010 submitted by the Corporation to the Exchange. On 03 February 2011, PSE APPROVED Application of MJCI to list additional 89,997,063 common shares with a par value of Php1.00 per share to cover 20% stock dividend declaration to stockholder of record. Lastly payment date is on 14 February 2011.

There were no dividends declared during 2010 and 2009.

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

4. Recent sale of unregistered securities

On 23 December 2010, the SEC approved the record date for the 20% stock dividends to be January 19, 2011. The stock dividends were paid out and issued to the stockholders of record on February 14, 2011 and was listed in the PSE on the same date.

On 08 October 2008, the Board of Directors of the Company approved the subscription by stockholders in the increase in the authorized capital stock amounting to 35,002,937. Upon approval of the increase in authorized capital stock in 2010, the amount of the deposits for future stock subscription amounting to P8.8 million was applied as payment for the subscription of the 35,002,937 share.

B. Description of Registrant's Securities

1. As of December 31, 2014, the authorized capital stock of the Corporation is One Billion (P1,000,000,000) divided into One Billion (1,000,000,000) common shares with a par value of One Peso (P1.00) each.

Discussion on Compliance with Leading Practices on Corporate Governance

The evaluation system operated by the compliance officer for the compliance on the Code of Corporate Governance has been established by the Company to measure the level of compliance of the Board of Directors and top management with its Code of Corporate Governance. The compliance officer monitors compliance through a regular checklist system after consultation with all parties concerned.

In compliance with SEC Memorandum Circular No. 20 series of 2013, all the Directors and key officers of the Company attended a Corporate Governance Seminar on November 21, 2014 and December 1, 2014. The Company also updated its Manual on Corporate Governance in compliance with SEC Memorandum Circular No. 9 Series of 2014.

In year 2006, there was no deviation from the Company's manual of corporate governance. The Company plans to adopt as part of the Manual of Corporate Governance the new rule of the PSE on the disclosure of non-public information.

For 2007, the Compliance Officer was instructed to find ways to improve the monitoring of the compliance of the proper officer/director on the Code of Corporate Governance and to make the necessary recommendation. It was suggested that he should interview the proper officers regarding their adherence to the Code of Corporate Governance regularly on a periodic basis.

For 2008, there was no deviation from the Company's Manual on Corporate Governance. Pursuant to the requirements of the PSE, the Company's amended its manual of Corporate Governance which the direction who have now attended a seminar on Corporate Governance conducted by an authorized entity should attend one as few of the requirements of director.

UNDERTAKING

The Company shall furnish the stockholders a copy of the Annual Report (SEC Form 17-A) free of charge upon written request addressed to:

The Corporate Secretary
Manila Jockey Club, Inc.

14^{th} Floor, Strata 100 Building,
F. Ortigas Jr. Road,
Ortigas Center, Pasig City

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF MARCH 31, 2015 AND DECEMBER 31, 2014

	UNAUDITED MARCH 2015	AUDITED DECEMBER 2014
ASSETS	(In Philippine Peso)	
Current Assets		
Cash and cash equivalents (Note 7)	**293,806,083**	302,978,624
Receivables (Note 8)	**154,916,429**	184,547,008
Inventories (Note 9)	**99,160,840**	95,301,721
Other current assets (Note 10)	**5,851,536**	4,723,557
Total Current Assets	**553,734,888**	587,550,910
Noncurrent Assets		
Real estate receivables - net of current portion (Note 8)	**112,709,632**	128,751,041
Investments in associates and joint ventures (Note 11)	**2,308,761,772**	2,310,148,036
Available-for-sale (AFS) financial assets (Note 12)	**13,378,974**	22,067,765
Property and equipment (Notes 13 and 31)	**1,015,560,360**	1,028,026,907
Investment properties (Notes 11, 14, 16 and 31)	**1,007,675,983**	1,010,782,640
Other noncurrent assets (Notes 1 and 15)	**31,395,974**	31,992,212
Total Noncurrent Assets	**4,489,482,695**	4,531,768,601
	5,043,217,583	5,119,319,511
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term loans and borrowings (Note 16)	**65,437,500**	74,437,500
Accounts payable and other liabilities (Notes 13 and 17)	**307,344,795**	354,327,222
Income tax payable	**15,643,917**	12,687,646
Current portion of long-term loans and borrowings (Notes 13, 14 and 16)	**10,714,286**	14,285,715
Due to related parties (Note 27)	**38,640,000**	38,640,000
Subscription payable (Note 27)	**42,808,835**	42,808,835
Total Current Liabilities	**480,589,333**	537,186,918
Noncurrent Liabilities		
Long-term loans and borrowings - net of current portion (Notes 13, 14 and 16)	**-**	-
Accrued retirement benefits (Note 22)	**38,807,616**	42,512,894
Deferred tax liabilities - net (Note 26)	**246,103,418**	246,103,418
Total Noncurrent Liabilities	**284,911,034**	288,616,312
	765,500,367	825,803,230
Equity		
Capital stock (Note 28)	**996,170,748**	996,170,748
Additional paid-in capital	**27,594,539**	27,594,539
Actuarial gains on accrued retirement benefits (Note 22)	**21,144,472**	21,144,472
Net cumulative changes in fair values of AFS financial assets (Note 12)	**5,216,306**	5,216,306
Retained earnings (Note 28):		
Appropriated	**-**	-
Unappropriated	**3,229,880,213**	3,245,679,278
Treasury shares (Note 28)	**(7,096)**	(7,096)
Equity attributable to equity holders of the parent company	**4,279,999,182**	4,295,798,247
Noncontrolling interests	**(2,281,966)**	(2,281,966)
Total Equity	**4,277,717,216**	4,293,516,281
	5,043,217,583	5,119,319,511

See accompanying Notes to Consolidated Financial Statements.

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE QUARTERS ENDED MARCH 31, 2015 AND 2014

	UNAUDITED MARCH 2015	UNAUDITED MARCH 2014
	(In Philippine Peso)	
REVENUES		
Club races	**51,318,869**	53,534,372
Rent (Notes 13 and 14)	**21,605,820**	20,501,935
Real estate	**(8,523,500)**	(5,796,878)
Food and beverages	**3,679,336**	2,734,388
Others	**3,501,961**	10,278,689
	71,582,486	81,252,506
COST OF SALES AND SERVICES (Note 18)		
Club races	**43,786,704**	40,006,699
Rent	**12,790,208**	8,102,832
Real estate (Note 9)	**(3,915,636)**	(2,648,638)
Food and beverages	**4,044,461**	3,695,375
Others	**3,472,160**	10,233,073
	60,177,897	59,389,341
GROSS INCOME	**11,404,589**	21,863,165
General and administrative expenses (Note 19)	**(40,617,952)**	(45,896,610)
Selling expense (Note 9)	**1,114,075**	1,174,948
Interest income (Notes 7, 8, 12 and 23)	**2,474,773**	10,647,759
Finance costs (Notes 16 and 24)	**(769,664)**	(1,131,794)
Equity in net earnings (losses) of associates and joint ventures (Note 11)	**5,008,395**	3,809,717
Other income - net (Note 25)	**8,683,004**	5,678,507
INCOME BEFORE INCOME TAX	**(12,702,781)**	(3,854,308)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 26)		
Current	**2,974,670**	707,719
Deferred	**-**	-
Final	**121,614**	93,014
	3,096,284	800,733
NET INCOME	**(15,799,065)**	(4,655,041)
OTHER COMPREHENSIVE INCOME (LOSS)		
Items of other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods		
Net changes in fair values of AFS financial assets (Note 12)	-	-
Items of other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods		
Actuarial gains (losses) on remeasurement of retirement benefits, net of tax (Note 22)	-	-
TOTAL COMPREHENSIVE INCOME (LOSS)	**(15,799,065)**	(4,655,041)
Net income attributable to:		
Equity holders of the parent company	**(15,799,065)**	(4,655,041)
Noncontrolling interests	**-**	-
	(15,799,065)	(4,655,041)
Total comprehensive income (loss) attributable to:		
Equity holders of the parent company	**(15,799,065)**	(4,655,041)
Noncontrolling interests	**-**	-
	(15,799,065)	(4,655,041)
Basic/Diluted Earnings Per Share (Note 29)	**(0.0159)**	(0.0049)

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIODS ENDED MARCH 31, 2015 AND 2014

	UNAUDITED **MARCH 2015**	UNAUDITED MARCH 2014
	(In Philippine Peso)	
REVENUES		
Club races	**51,318,869**	53,534,372
Rent (Notes 13 and 14)	**21,605,820**	20,501,935
Real estate	**(8,523,500)**	(5,796,878)
Food and beverages	**3,679,336**	2,734,388
Others	**3,501,961**	10,278,689
	71,582,486	81,252,506
COST OF SALES AND SERVICES (Note 18)		
Club races	**43,786,704**	40,006,699
Rent	**12,790,208**	8,102,832
Real estate (Note 9)	**(3,915,636)**	(2,648,638)
Food and beverages	**4,044,461**	3,695,375
Others	**3,472,160**	10,233,073
	60,177,897	59,389,341
GROSS INCOME	**11,404,589**	21,863,165
General and administrative expenses (Note 19)	**(40,617,952)**	(45,896,610)
Selling expense (Note 9)	**1,114,075**	1,174,948
Interest income (Notes 7, 8, 12 and 23)	**2,474,773**	10,647,759
Finance costs (Notes 16 and 24)	**(769,664)**	(1,131,794)
Equity in net earnings (losses) of associates and joint ventures (Note 11)	**5,008,395**	3,809,717
Other income - net (Note 25)	**8,683,004**	5,678,507
INCOME BEFORE INCOME TAX	**(12,702,781)**	(3,854,308)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 26)		
Current	**2,974,670**	707,719
Deferred	**-**	
Final	**121,614**	93,014
	3,096,284	800,733
NET INCOME	**(15,799,065)**	(4,655,041)
OTHER COMPREHENSIVE INCOME (LOSS)		
Items of other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods		
Net changes in fair values of AFS financial assets (Note 12)	-	-
Items of other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods		
Actuarial gains (losses) on remeasurement of retirement benefits, net of tax (Note 22)	-	-
TOTAL COMPREHENSIVE INCOME (LOSS)	**(15,799,065)**	(4,655,041)
Net income attributable to:		
Equity holders of the parent company	**(15,799,065)**	(4,655,041)
Noncontrolling interests	**-**	-
	(15,799,065)	(4,655,041)
Total comprehensive income (loss) attributable to:		
Equity holders of the parent company	**(15,799,065)**	(4,655,041)
Noncontrolling interests	**-**	-
	(15,799,065)	(4,655,041)
Basic/Diluted Earnings Per Share (Note 29)	**(0.0159)**	(0.0049)

See accompanying Notes to Consolidated Financial Statements.

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED MARCH 31, 2015 AND 2014

MARCH 2015 (UNAUDITED)

	Capital Stock (Note 28)	Additional Pain-In Capital (Note 28)	Net Cumulative Changes in Fair Values of AFS Financial Assets (Note 12)	Actuarial Gains on Accrued Retirement Benefits (Note 22)	Retained Earnings (Note 28) Appropriated	Retained Earnings (Note 28) Unappropriated	Cost of Shares Held by a Subsidiary (Note 28)	Treasury Shares (Note 28)	Subtotal	Noncontrolling Interests	Total
					(In Philippine Peso)						
BALANCES AT DECEMBER 31, 2014	**996,170,748**	**27,594,539**	**5,216,306**	**21,144,472**	-	**3,245,679,278**	-	**(7,096)**	**4,295,798,247**	**(2,281,966)**	**4,293,516,281**
Total comprehensive income for the period	-	-	-	-	-	(15,799,065)	-	-	(15,799,065)	-	(15,799,065)
BALANCES AS AT MARCH 31, 2015	**996,170,748**	**27,594,539**	**5,216,306**	**21,144,472**	-	**3,229,880,213**	-	**(7,096)**	**4,279,999,182**	**(2,281,966)**	**4,277,717,216**

See accompanying Notes to Consolidated Financial Statements.

MARCH 2014 (UNAUDITED)

	Capital Stock (Note 28)	Additional Pain-In Capital (Note 28)	Net Cumulative Changes in Fair Values of AFS Financial Assets (Note 12)	Actuarial Gains on Accrued Retirement Benefits (Note 22)	Retained Earnings (Note 28) Appropriated	Retained Earnings (Note 28) Unappropriated	Cost of Shares Held by a Subsidiary (Note 28)	Treasury Shares (Note 28)	Subtotal	Noncontrolling Interests	Total
					(In Philippine Peso)						
BALANCES AT DECEMBER 31, 2013	948,734,898	27,594,539	9,013,593	24,875,348	17,180,917	3,321,616,115	-	(7,096)	4,349,008,314	(2,281,966)	4,346,726,348
Total comprehensive income for the period	-	-	-	-	-	(4,655,041)	-	-	(4,655,041)	-	(4,655,041)
BALANCES AS AT MARCH 31, 2014	948,734,898	27,594,539	9,013,593	24,875,348	17,180,917	3,316,961,074	-	(7,096)	4,344,353,273	(2,281,966)	4,342,071,307

See accompanying Notes to Consolidated Financial Statements.

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE QUARTERS ENDED MARCH 31, 2015 AND 2014

	UNAUDITED MARCH 2015	UNAUDITED MARCH 2014
	(In Philippine Peso)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (Loss) before income tax	**(12,702,781)**	(3,854,308)
Adjustments for:		
Depreciation (Notes 13, 14 and 20)	**17,504,287**	18,470,354
Equity in net earnings (loss) of associates and joint ventures (Note 11)	**(5,008,395)**	-
Interest income (Note 23)	**(2,474,773)**	(10,647,759)
Finance costs (Note 24)	**769,664**	1,131,794
Amortization of franchise fee (Note 18)	**448,500**	448,500
Loss (gain) on sale of:		
AFS financial assets (Note 12)	**(2,202,559)**	-
Operating income before working capital changes	**(3,666,058)**	5,548,581
Decrease (increase) in:		
Receivables	**45,671,988**	3,883,394
Inventories	**(3,859,119)**	(3,138,948)
Other current assets	**(1,127,979)**	(1,361,424)
Increase (decrease) in:		
Accounts payable and other liabilities	**(46,981,964)**	(5,750,270)
Accrued retirement benefits (Note 22)	**(3,705,278)**	(115,318)
Cash generated from operations	**(13,668,410)**	(933,985)
Income taxes paid, including creditable withholding and final taxes	**(140,013)**	(614,663)
Net cash provided by operating activities	**(13,808,423)**	(1,548,648)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received (Note 23)	**2,474,773**	10,647,759
Dividends received (Notes 11 and 25)	**6,394,659**	507,679
Decrease (increase) in other noncurrent assets	**147,738**	(299,223)
Acquisitions of property and equipment (Note 13)	**(1,931,546)**	(18,224,950)
Proceeds from sale of:		
AFS financial assets (Note 12)	**10,891,351**	-
Net cash provided by investing activities	**17,976,975**	(7,368,735)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Short-term loans and borrowings (Note 16)	**(9,000,000)**	(3,000,000)
Long-term loans and borrowings (Note 16)	**(3,571,429)**	(3,571,428)
Interest paid	**(769,664)**	(1,131,794)
Net cash used in financing activities	**(13,341,093)**	(7,703,222)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(9,172,541)**	(16,620,605)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**302,978,624**	263,755,702
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	**293,806,083**	247,135,097

See accompanying Notes to Consolidated Financial Statements.

	UNAUDITED MARCH 2015	UNAUDITED MARCH 2014
	(In Philippine Peso)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (Loss) before income tax	**(12,702,781)**	(3,854,308)
Adjustments for:		
Depreciation (Notes 13, 14 and 20)	**17,504,287**	18,470,354
Equity in net earnings (loss) of associates and joint ventures (Note 11)	**(5,008,395)**	-
Interest income (Note 23)	**(2,474,773)**	(10,647,759)
Finance costs (Note 24)	**769,664**	1,131,794
Amortization of franchise fee (Note 18)	**448,500**	448,500
Loss (gain) on sale of:		
AFS financial assets (Note 12)	**(2,202,559)**	-
Operating income before working capital changes	**(3,666,058)**	5,548,581
Decrease (increase) in:		
Receivables	**45,671,988**	3,883,394
Inventories	**(3,859,119)**	(3,138,948)
Other current assets	**(1,127,979)**	(1,361,424)
Increase (decrease) in:		
Accounts payable and other liabilities	**(46,981,964)**	(5,750,270)
Accrued retirement benefits (Note 22)	**(3,705,278)**	(115,318)
Cash generated from operations	**(13,668,410)**	(933,985)
Income taxes paid, including creditable withholding and final taxes	**(140,013)**	(614,663)
Net cash provided by operating activities	**(13,808,423)**	(1,548,648)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received (Note 23)	**2,474,773**	10,647,759
Dividends received (Notes 11 and 25)	**6,394,659**	507,679
Decrease (increase) in other noncurrent assets	**147,738**	(299,223)
Acquisitions of property and equipment (Note 13)	**(1,931,546)**	(18,224,950)
Proceeds from sale of:		
AFS financial assets (Note 12)	**10,891,351**	-
Net cash provided by investing activities	**17,976,975**	(7,368,735)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Short-term loans and borrowings (Note 16)	**(9,000,000)**	(3,000,000)
Long-term loans and borrowings (Note 16)	**(3,571,429)**	(3,571,428)
Interest paid	**(769,664)**	(1,131,794)
Net cash used in financing activities	**(13,341,093)**	(7,703,222)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(9,172,541)**	(16,620,605)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**302,978,624**	263,755,702
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	**293,806,083**	247,135,097

See accompanying Notes to Consolidated Financial Statements.

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES
AGING SCHEDULE OF RECEIVABLES
AS OF MARCH 31, 2015
UNAUDITED
(In Philippine Peso)

A. AGING OF ACCOUNTS RECEIVABLE

	TYPE OF RECEIVABLES	TOTAL	1-30 DAYS	31-60 DAYS	61-90 DAYS	91-120 DAYS	OVER 120 DAYS
1	Real estate receivables - net of current potion	76,710,034	22,806,985	2,073,126	1,950,903	1,935,903	47,943,115
2	Dividends receivable	6,394,659	2,341,255	2,025,074	2,028,330	-	-
3	Rent Receivables	9,466,144	3,995,255	1,258,712	156,560	102,884	3,952,734
4	Receivables from off-track betting (OTB) operators	1,744,070	489,218	173,792	129,380	563,972	387,709
5	Advances and loans to officers and employees	8,826,141	1,442,306	1,453,183	825,161	827,462	4,278,029
6	Claims for tax credit certificates (TCC)	2,252,054	-	-	-	-	2,252,054
7	Deposit and advances to contractors	1,778,413	-	-	-	-	1,778,413
8	Receivable from Metro Manila Turf Club (MMTC)	17,144,824	1,382,674	1,369,857	87,974	13,212,927	1,091,393
9	Receivable from Philippine Amusement and Gaming Corporation (PAC	3,777,789	3,751,354	-	-	26,435	-
10	Others	38,486,917	14,651,901	3,192,075	788,406	3,245,811	16,608,723
	TOTAL	166,581,046	50,860,949	11,545,819	5,966,713	19,915,394	78,292,170
	Less: Allowance for doubtful accounts	11,664,616	-	-	-	-	-
	RECEIVABLES - NET	**154,916,429**	**50,860,949**	**11,545,819**	**5,966,713**	**19,915,394**	**78,292,170**

B. ACCOUNTS DESCRIPTION

	TYPE OF RECEIVABLES	DESCRIPTION	COLLECTION PERIOD
1	Real estate receivables - net of current potion	Sales on real estate operations	Monthly
2	Dividends receivable	Share on the net earnings of a jointly controlled entity	Quarterly
3	Rent Receivables	Receivables on leasing transactions from stables, building and other facilities	Daily/Monthly
4	Receivables from off-track betting (OTB) operators	Receivables from racing operations	Daily/Weekly
5	Advances and loans to officers and employees	Advances granted to and loans availed by officers and employees	Semi-monthly/Monthly
6	Claims for tax credit certificates (TCC)	Claim for refund on tax unduly paid	Annually
7	Deposit and advances to contractors	Claims for deposits paid to contractors	Monthly
8	Receivable from Metro Manila Turf Club (MMTC)	Receivable on fastbet/telebet related tmasactions between MJCI and MMTC	Monthly
9	Receivable from Philippine Amusement and Gaming Corporation (PAC	Proponent share on gaming revenues of PAGCOR on the casino operations at the Turf Club	Monthly
10	Others	Various deposits and advances	Daily/Semi-monthly/Monthly

C. OPERATING CYCLE

Calendar Year

CERTIFICATION OF INDEPENDENT DIRECTORS

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

1. I am an independent director of Manila Jockey Club, Inc. ("MJCI").

2. I am a Retired Deputy Ombudsman For Luzon.

3. I posses all the qualifications and none of the disqualifications to serve as an Independent Director of MJCI as provided for in Section 38 of the Securities Regulation Code and its Implementation Rules and Regulations.

4. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code.

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

Done, this ___ day of May 2015 at Pasig City.

VICTOR C. FERNANDEZ
Affiant

SUBSCRIBED AND SWORN to before me this 14TH day of May 2015, affiant personally appeared before me and exhibited to me his Tax Identification No. 155-565-214 issued at Manila, Philippines.

ATTY. HEATHER EZRA C. ANNANG
NOTARY PUBLIC
APPOINTMENT NO. 141 (2015-2016)
Until December 31, 2016
PTR No. 382022 / Jan. 07, 2015– Pasig City
IBP No. 984773 / Jan. 07, 2015 – Cagayan
CITY OF PASIG
Roll of Attorney No. 54476

Doc. No. 15 ;
Page No. 04 ;
Book No. II ;
Series of 2015.

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, 2014 and 2013**, 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

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION I
Date APR 15 2015 SDS
RECEIVED
PRECIOSA C. JAVIER

Nestor N. Ubalde
Chief Finance Officer

Signed this 15 day of APR 2015, 2015.

JING-JING S. ROMERO
NOTARY PUBLIC
APPOINTMENT NO. 194 (2014-2015)
UNTIL DECEMBER 31, 2015
PTR NO. 3822?4/01-07-15/PASIG CITY
IBP NO.987930/01-08-15/QUEZON CITY
CITY OF PASIG
ROLL OF ATTORNEY NO. 60827

DOC. NO. 369;
PAGE NO. 75;
BOOK NO. I;
SERIES OF 2015;

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
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

RECEIVED
PRECIOSA C. JAVIER

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

We have audited the accompanying consolidated financial statements of Manila Jockey Club, Inc. and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, and the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of Manila Jockey Club, Inc. and Subsidiaries as at December 31, 2014 and 2013, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2014 in accordance with Philippine Financial Reporting Standards.

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. 4751272, January 5, 2015, Makati City

April 13, 2015

Date APR 15 2015 SDS
RECEIVED
PRECIOSA C. JAVIER

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents (Note 7)	**₱302,978,624**	₱263,755,702
Receivables (Note 8)	**184,547,008**	233,955,121
Inventories (Note 9)	**95,301,721**	99,364,673
Other current assets (Note 10)	**4,723,557**	4,785,666
Total Current Assets	**587,550,910**	601,861,162
Noncurrent Assets		
Real estate receivables - net of current portion (Note 8)	**128,751,041**	150,661,281
Investments in associates and joint ventures (Note 11)	**2,310,148,036**	2,314,472,531
Available-for-sale (AFS) financial assets (Note 12)	**22,067,765**	21,242,951
Property and equipment (Notes 13 and 31)	**1,028,026,907**	1,015,436,610
Investment properties (Notes 11, 14, 16 and 31)	**1,010,782,640**	1,023,209,265
Other noncurrent assets (Notes 1 and 15)	**31,992,212**	34,403,555
Total Noncurrent Assets	**4,531,768,601**	4,559,426,193
	₱5,119,319,511	₱5,161,287,355
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term loans and borrowings (Note 16)	**₱74,437,500**	₱86,437,500
Accounts payable and other liabilities (Notes 13 and 17)	**354,327,222**	315,427,564
Income tax payable	**12,687,646**	2,821,738
Current portion of long-term loans and borrowings (Notes 13, 14 and 16)	**14,285,715**	14,285,714
Due to related parties (Note 27)	**38,640,000**	38,640,000
Subscription payable (Note 27)	**42,808,835**	42,808,835
Total Current Liabilities	**537,186,918**	500,421,351
Noncurrent Liabilities		
Long-term loans and borrowings - net of current portion (Notes 13, 14 and 16)	**–**	14,285,715
Accrued retirement benefits (Note 22)	**42,512,894**	35,061,172
Deferred tax liabilities - net (Note 26)	**246,103,418**	264,792,769
Total Noncurrent Liabilities	**288,616,312**	314,139,656
	825,803,230	814,561,007
Equity		
Capital stock (Note 28)	**996,170,748**	948,734,898
Additional paid-in capital	**27,594,539**	27,594,539
Actuarial gains on accrued retirement benefits (Note 22)	**21,144,472**	24,875,348
Net cumulative changes in fair values of AFS financial assets (Note 12)	**5,216,306**	9,013,593
Retained earnings (Note 28):		
Appropriated	**–**	17,180,917
Unappropriated	**3,245,679,278**	3,321,616,115
Treasury shares (Note 28)	**(7,096)**	(7,096)
Equity attributable to equity holders of the parent company	**4,295,798,247**	4,349,008,314
Noncontrolling interests	**(2,281,966)**	(2,281,966)
Total Equity	**4,293,516,281**	4,346,726,348
	₱5,119,319,511	₱5,161,287,355

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2014	2013	2012
REVENUES			
Club races	**₱223,888,768**	₱216,425,501	₱280,868,413
Rent (Notes 13 and 14)	**86,065,488**	89,004,920	107,954,695
Real estate	**35,388,928**	148,533,687	194,193,503
Food and beverages	**17,520,185**	7,100,295	–
Others	**19,686,768**	33,885,440	1,814,567
	382,550,137	494,949,843	584,831,178
COST OF SALES AND SERVICES (Note 18)			
Club races	**170,546,549**	170,214,527	203,903,874
Rent	**58,710,930**	46,259,634	75,692,631
Real estate (Note 9)	**4,322,592**	46,508,923	95,068,253
Food and beverages	**16,667,638**	14,516,986	–
Others	**19,595,144**	33,713,947	1,796,474
	269,842,853	311,214,017	376,461,232
GROSS INCOME	**112,707,284**	183,735,826	208,369,946
General and administrative expenses (Note 19)	**(171,981,725)**	(195,475,976)	(242,093,216)
Selling expense (Note 9)	**(6,037,806)**	(13,068,392)	(23,881,524)
Interest income (Notes 7, 8, 12 and 23)	**12,625,047**	13,007,475	26,279,287
Finance costs (Notes 16 and 24)	**(3,733,470)**	(4,810,933)	(6,095,666)
Equity in net earnings of associates and joint ventures (Note 11)	**17,098,728**	10,568,704	17,864,096
Other income - net (Note 25)	**43,550,366**	2,123,509,796	50,045,940
INCOME BEFORE INCOME TAX	**4,228,424**	2,117,466,500	30,488,863
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 26)			
Current	**19,134,654**	11,487,155	17,453,306
Deferred	**(17,090,907)**	(3,835,437)	785,256
Final	**430,310**	627,781	1,697,504
	2,474,057	8,279,499	19,936,066
NET INCOME	**1,754,367**	2,109,187,001	10,552,797
OTHER COMPREHENSIVE INCOME (LOSS)			
Items of other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods			
Net changes in fair values of AFS financial assets (Note 12)	**(3,797,287)**	(9,694,318)	1,924,170
Items of other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods			
Actuarial gains (losses) on remeasurement of retirement benefits, net of tax (Note 22)	**(3,730,876)**	(3,554,152)	9,011,972
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱5,773,796)**	₱2,095,938,531	₱21,488,939
Net income attributable to:			
Equity holders of the parent company	**₱1,754,367**	₱2,109,187,501	₱17,289,659
Noncontrolling interests	–	(500)	(6,736,862)
	₱1,754,367	₱2,109,187,001	₱10,552,797
Total comprehensive income (loss) attributable to:			
Equity holders of the parent company	**(₱5,773,796)**	₱2,095,939,031	₱28,225,801
Noncontrolling interests	–	(500)	(6,736,862)
	(₱5,773,796)	₱2,095,938,531	₱21,488,939
Basic/Diluted Earnings Per Share (Note 29)	**₱0.0018**	₱2.1173	₱0.0174

See accompanying Notes to Consolidated Financial Statements.

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012

	Capital Stock (Note 28)	Additional Paid-In Capital (Note 28)	Net Cumulative Changes in Fair Values of AFS Financial Assets (Note 12)	Actuarial Gains on Accrued Retirement Benefits (Note 22)	Retained Earnings (Note 28)		Cost of Shares Held by a Subsidiary (Note 28)	Treasury Shares (Note 28)	Subtotal	Noncontrolling Interests	Total
					Appropriated	Unappropriated					
BALANCES AT DECEMBER 31, 2013	**₱948,734,898**	**₱27,594,539**	**₱9,013,593**	**₱24,875,348**	**₱17,180,917**	**₱3,321,616,115**	**₱–**	**(₱7,096)**	**₱4,349,008,314**	**(₱2,281,966)**	**₱4,346,726,348**
Total comprehensive income for the year	–	–	(3,797,287)	(3,730,876)	–	1,754,367	–	–	(5,773,796)	–	(5,773,796)
Stock dividends declared (see Note 28)	47,435,850	–	–	–	–	(47,435,850)	–	–	–	–	–
Cash dividends declared (see Note 28)	–	–	–	–	–	(47,436,271)	–	–	(47,436,271)	–	(47,436,271)
Reversal of previous appropriation during the year (see Note 28)	–	–	–	–	(17,180,917)	17,180,917	–	–	–	–	–
BALANCES AT DECEMBER 31, 2014	**₱996,170,748**	**₱27,594,539**	**₱5,216,306**	**₱21,144,472**	**₱–**	**₱3,245,679,278**	**₱–**	**(₱7,096)**	**₱4,295,798,247**	**(₱2,281,966)**	**₱4,293,516,281**
BALANCES AT DECEMBER 31, 2012	**₱862,487,439**	**₱27,594,539**	**₱18,707,911**	**₱28,429,500**	**₱17,180,917**	**₱1,341,799,972**	**₱–**	**(₱7,096)**	**₱2,296,193,182**	**₱139,342,675**	**₱2,435,535,857**
Total comprehensive income for the year	–	–	(9,694,318)	(3,554,152)	–	2,109,187,501	–	–	2,095,939,031	(500)	2,095,938,531
Stock dividends declared (Note 28)	86,247,459	–	–	–	–	(86,247,459)	–	–	–	–	–
Cash dividends declared and paid (Note 28)	–	–	–	–	–	(43,123,899)	–	–	(43,123,899)	–	(43,123,899)
Loss of control of MIC (Note 6)	–	–	–	–	–	–	–	–	–	(141,624,141)	(141,624,141)
BALANCES AT DECEMBER 31, 2013	**₱948,734,898**	**₱27,594,539**	**₱9,013,593**	**₱24,875,348**	**₱17,180,917**	**₱3,321,616,115**	**₱–**	**(₱7,096)**	**₱4,349,008,314**	**(₱2,281,966)**	**₱4,346,726,348**
BALANCES AT DECEMBER 31, 2011	**₱862,487,439**	**₱–**	**₱16,783,741**	**₱19,417,528**	**₱17,180,917**	**₱1,426,422,217**	**(₱36,045,585)**	**(₱7,096)**	**₱2,306,239,161**	**₱146,079,537**	**₱2,452,318,698**
Total comprehensive income for the year	–	–	1,924,170	9,011,972	–	17,289,659	–	–	28,225,801	(5,736,862)	21,488,939
Cash dividends declared and paid (Note 28)	–	–	–	–	–	(135,928,392)	–	–	(135,928,392)	–	(135,928,392)
Transfer of cost of shares held by a subsidiary (Note 28)	–	27,594,539	–	–	–	–	36,045,585	–	63,640,124	–	63,640,124
Effect of PAS 19 on past service cost	–	–	–	–	–	334,304	–	–	334,304	–	334,304
Deferred tax effect of deemed cost adjustment (Note 28)	–	–	–	–	–	33,682,184	–	–	33,682,184	–	33,682,184
BALANCES AT DECEMBER 31, 2012	**₱862,487,439**	**₱27,594,539**	**₱18,707,911**	**₱28,429,500**	**₱17,180,917**	**₱1,341,799,972**	**₱–**	**(₱7,096)**	**₱2,296,193,182**	**₱139,342,675**	**₱2,435,535,857**

See accompanying Notes to Consolidated Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION I
Date APR 15 2015 SDS
RECEIVED
PRECIOSA C. JAVIER

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

	Years Ended December 31		
	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱4,228,424**	₱2,117,466,500	₱30,488,863
Adjustments for:			
Depreciation (Notes 13, 14 and 20)	**77,779,448**	85,535,827	111,841,710
Equity in net earnings of associates and joint ventures (Note 11)	**(17,098,728)**	(10,568,704)	(17,864,096)
Interest income (Note 23)	**(12,625,047)**	(13,007,475)	(26,279,287)
Gain on reversal of liabilities (Note 25)	**(8,004,970)**	–	(11,641,529)
Finance costs (Note 24)	**3,733,470**	4,810,933	6,095,666
Amortization of franchise fee (Note 18)	**1,794,000**	1,794,000	1,794,000
Loss (gain) on sale of:			
AFS financial assets (Note 12)	**(1,250,360)**	–	1,418,160
Investment property (Notes 14 and 25)	–	(13,351,064)	–
Property and equipment	–	–	4,889,017
Dividend income (Note 25)	**(798,013)**	–	–
Remeasurement gain on retained interest (Notes 6 and 25)	–	(2,092,949,673)	–
Operating income before working capital changes	**47,758,224**	79,730,344	100,742,504
Decrease (increase) in:			
Receivables	**84,079,251**	(19,180,840)	(18,733,142)
Inventories	**4,062,952**	46,204,543	95,068,253
Other current assets	**62,109**	12,835,811	20,508,159
Increase (decrease) in:			
Accounts payable and other liabilities	**45,297,846**	(18,370,406)	38,192,179
Accrued retirement benefits (Note 22)	**2,121,899**	4,151,367	456,034
Cash generated from operations	**183,382,281**	105,370,819	236,233,987
Income taxes paid, including creditable withholding and final taxes	**(9,699,056)**	(14,295,861)	(42,152,078)
Net cash provided by operating activities	**173,683,225**	91,074,958	194,081,909
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received (Note 23)	**12,695,310**	–	26,279,287
Dividends received (Notes 11 and 25)	**9,517,045**	–	–
Decrease (increase) in other noncurrent assets	**617,846**	(1,663,719)	(72,933,043)
Acquisitions of AFS financial assets (Note 12)	**(8,129,767)**	–	(7,000,000)
Acquisitions of property and equipment (Note 13)	**(78,070,091)**	(22,725,408)	(43,064,595)
Proceeds from sale of:			
AFS financial assets (Note 12)	**4,758,026**	–	–
Investment property	–	8,392,857	
Property and equipment	–	1,494,866	102,993
Net cash used in investing activities	**(58,611,631)**	(14,501,404)	(96,615,358)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid by the Parent Company (Note 28)	**(45,829,488)**	(43,123,899)	(135,348,865)
Increase (decrease) in deposit for future stock subscription	–	(75,100,000)	75,100,000
Increase in subscription payable	–	42,808,835	–
Proceeds from:			
Short-term loans and borrowings (Note 16)	–	30,000,000	–

(Forward)

	Years Ended December 31		
	2014	2013	2012
Payments of:			
Due to related parties (Note 27)	**₱–**	₱–	(₱13,042,289)
Short-term loans and borrowings (Note 16)	**(12,000,000)**	(14,000,000)	(34,000,000)
Long-term loans and borrowings (Note 16)	**(14,285,714)**	(14,285,715)	(14,285,714)
Interest paid	**(3,733,470)**	(4,810,933)	(6,095,666)
Advances from related parties	–	(17,310)	–
Share of the interest in a joint venture (Note 11)	–	–	(10,000,000)
Net cash used in financing activities	**(75,848,672)**	(78,529,022)	(137,672,534)
EFFECT OF DECONSOLIDATION OF A SUBSIDIARY ON CASH AND CASH EQUIVALENTS	–	(8,892,026)	–
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**39,222,922**	(10,847,494)	(40,205,983)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**263,755,702**	274,603,196	314,809,179
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	**₱302,978,624**	₱263,755,702	₱274,603,196

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

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

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

The Parent Company is presently engaged in the construction, operations and maintenance of a racetrack located in Cavite, Philippines and in the holding or conducting of horse races therein with bettings both directly or indirectly by means of mechanical, electric and/or computerized totalizator. It has a congressional franchise granted on November 23, 1997 under Republic Act (R.A.) No. 8407 to hold such races and to maintain the race track, which will expire on November 23, 2022 (see Note 15). The Parent Company is also engaged in the development and sale of condominium units and residential properties, and lease of an office building through joint venture (JV) arrangements with certain developers.

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

Subsidiaries, Joint Venture and Associates

	Place of incorporation	Nature of business	Functional currency	Percentage of ownership 2014	2013
Subsidiaries					
Biohitech Philippines, Inc. (Biohitech) [a]	Philippines	Waste management	Philippine Peso	50.00	50.00
Gametime Sports and Technologies, Inc. (Gametime) [a]	Philippines	Gaming	Philippine Peso	100.00	100.00
Manilacockers Club, Inc. (MCC) [a]	Philippines	Gaming	Philippine Peso	100.00	100.00
MJC Forex Corporation (MFC)	Philippines	Money changer	Philippine Peso	100.00	100.00
New Victor Technology, Ltd. (NVTL)	Hong Kong	Gaming	Philippine Peso	100.00	100.00
San Lazaro Resources and Development Corporation (SLRDC) [a]	Philippines	Real estate	Philippine Peso	100.00	100.00
SLLP Holdings, Inc. (SLLPHI) [a]	Philippines	Holdings	Philippine Peso	100.00	100.00
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) [b] (see Note 6)	Philippines	Real estate and Gaming	Philippine Peso	28.32	28.32
Techsystems, Inc. (Techsystems) [a]	Philippines	Information Technology	Philippine Peso	33.00	33.00

[a] *Not yet started commercial operation as of December 31, 2014*
[b] *Became an associate effective January 18, 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 shares 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 (see Note 6).

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

The Parent Company shall receive monthly variable rent equivalent to 35% of revenues less winnings/prizes and 5% franchise tax. The agreement shall be effective until June 30, 2016.

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

The consolidated financial statements as at and for the years ended December 31, 2014 were authorized for issuance by the Board of Directors (BOD) on April 13, 2015.

2. Basis of Preparation and Statement of Compliance

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

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

3. Summary of Significant Changes in Accounting Policies and Disclosures

New and amended standards and interpretation
The Group applied for the first time certain standards and interpretation, which are effective for annual periods beginning on or after January 1, 2014. Except when otherwise indicated, these standards and interpretation have no impact on the Group's financial position, performance and/or disclosures:

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively.

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Nonfinancial Assets* (Amendments)
  These amendments remove the unintended consequences of PFRS 13, *Fair Value Measurement*, on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period.

- 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 and retrospective application is required.

- PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities* and PAS 27, *Separate Financial Statements* (Amendments) - *Investment Entities*
  These amendments 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 (FVPL). The amendments must be applied retrospectively, subject to certain transition relief.

- Philippine Interpretation of International Financial Reporting Interpretations Committee (IFRIC) 21, *Levies*
  Philippine Interpretation of 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. Retrospective application is required for this interpretation.

- Annual Improvements to PFRSs (2010-2012 cycle)
  In the 2010 - 2012 annual improvements cycle, seven amendments to six standards were issued, which included an amendment to PFRS 13, Fair Value Measurement. The amendment to PFRS 13 is effective immediately and it clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial.

- Annual Improvements to PFRSs (2011-2013 cycle)
  In the 2011 - 2013 annual improvements cycle, four amendments to four standards were issued, which included an amendment to PFRS 1, First-time Adoption of Philippine Financial Reporting Standards - First-time Adoption of PFRS. The amendment to PFRS 1 is effective immediately. It clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements.

Standards Issued but not yet Effective

The Group will adopt the following new and amended standards and interpretations when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards and interpretations to have significant impact on the consolidated financial statements.

Effective in 2015

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (effective for annual periods beginning on or after January 1, 2015 and are applied retrospectively) (Amendments)
  PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service.

Annual Improvements to PFRSs (2010-2012 Cycle) (effective for annual periods beginning on or after January 1, 2015)

These annual improvements include:

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*
  The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

- PAS 24, *Related Party Disclosures - Key Management Personnel*
  The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

  - A performance condition must contain a service condition.
  - A performance target must be met while the counterparty is rendering service.
  - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group.
  - A performance condition may be a market or non-market condition.
  - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at FVPL whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement.*

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments are applied retrospectively and clarify that:

  - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
  - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

Annual Improvements to PFRSs (2011-2013 Cycle) (effective for annual periods beginning on or after January 1, 2015)

These annual improvements include:

- PAS 40, *Investment Property*
  The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
  The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:

  - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
  - This scope exception applies only to the accounting in the consolidated financial statements of the joint arrangement itself.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*
  The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39.

Effective in 2016

- PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets* (Amendments) - *Clarification of Acceptable Methods of Depreciation and Amortization* (effective for annual periods beginning on or after January 1, 2016 and are applied prospectively)
  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part)

rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

- PAS 16, *Property, Plant and Equipment* and PAS 41, *Agriculture* (Amendments) - *Bearer Plants* (effective for annual periods beginning on or after January 1, 2016 and are applied retrospectively)
  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply.

- PAS 27 (Amendments), *Separate Financial Statements - Equity Method in Separate Financial Statements* (effective for annual periods beginning on or after January 1, 2016 and are applied retrospectively)
  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures* - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after January 1, 2016 and are applied retrospectively)
  These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

- PFRS 11 (Amendments), *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (effective for annual periods beginning on or after January 1, 2016 and are applied prospectively)
  The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

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

- PFRS 14, *Regulatory Deferral Accounts*
  PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income (OCI). The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016.

Annual Improvements to PFRSs (2012-2014 Cycle) (effective for annual periods beginning on or after January 1, 2016)

These annual improvements include:

- PAS 19, *Employee Benefits - Regional Market Issue Regarding Discount Rate*
  This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

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

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

Effective in 2018

- PFRS 9, *Financial Instruments* (effective for annual periods beginning on or after January 1, 2018 and are applied retrospectively)
  In July 2014, the final version of PFRS 9, *Financial Instruments*, was issued.

  PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

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

Interpretation whose effective date was deferred

- Philippine Interpretation of 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 Philippine SEC and the Financial Reporting Standards Council (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.

Standard issued by the IASB but not yet been adopted by the FRSC

- IFRIC 15, *Revenue from Contracts with Customers*
IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted.

  The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

---

4. Summary of Significant Accounting and Financial Reporting Policies

Basis of Consolidation

The consolidated financial statements include the accounts of the Group where the Parent Company has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:
- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

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

Non-controlling Interests. Non-controlling interests represent the portion of profit or loss and net assets in Biohitech in 2014 and 2013 that are not held by the Group and are presented separately in the consolidated statements of comprehensive income and consolidated statements of financial position separate from equity attributable to equity holders of the parent.

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

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

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

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

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred at acquisition date fair value, and the amount of any noncontrolling interest in the acquiree.

For each business combination, the Group elects to measure the noncontrolling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in the profit or loss under "General and administrative expenses" account.

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

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

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PAS 39 either in profit or loss or as a change to OCI. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for noncontrolling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

When subsidiaries are sold, the difference between the selling price and net assets and goodwill is recognized in the profit or loss.

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

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

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

Financial assets and financial liabilities are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets and financial liabilities, except for financial instruments measured at 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, 2014 and 2013, the Group has no financial assets or financial liabilities at FVPL and HTM investments.

The Group determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this classification at every reporting date.

a. *Loans and receivables*
   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 consolidated statement of financial position. Amortization is determined using the effective interest rate (EIR) method. Loans and receivables are included in current assets if maturity is within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets.

   Included in this category are the Group's cash in banks and cash equivalents, receivables and deposits (presented as part of "Other noncurrent assets" in the consolidated statements of financial position) as of December 31, 2014 and 2013.

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 statement of financial position. Changes in the fair value of investments classified as AFS financial assets are recognized in OCI, 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 Group's AFS financial assets consist of investments in quoted and unquoted equity securities, preferred shares and club membership shares as of December 31, 2014 and 2013.

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

Included in this category are the Group's short-term and long-term loans and borrowings, accounts payable and other liabilities, due to related parties and subscription payable as of December 31, 2014 and 2013.

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

Where the Group 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 Group'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 Group 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 Group 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 statement of financial position 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 statement of financial position.

Impairment of Financial Assets

The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired.

Assets carried at amortized cost

The Group 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 Group 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 EIR (i.e., the EIR 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 EIR 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 Group.

If in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance for impairment losses account. If a future write-off is later recovered, the recovery is recognized in profit or loss under "Other income - net" account. Any subsequent reversal of an impairment loss is recognized in profit or loss under "Other income - 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 OCI 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 (NRV). NRV is the fair value less cost to sell in the ordinary course of business less the estimated costs of completion.

Real Estate Inventories
Real estate inventories include completed and on-going projects of the Company, and are stated at the lower of cost and net realizable value of the land contributed. Real estate inventories include properties held for future development and properties being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation.

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

Investments in Subsidiaries, Associates and Joint Ventures
Investment in associate in which the Group exercises significant influence and which is neither a subsidiary nor a joint venture of the Group is accounted for under the equity method of accounting.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. The Group's investment in a joint venture is accounted for using the equity method.

Under the equity method, the cost of investment in associate and joint venture is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate and the joint venture. Goodwill, if any, relating to an associate or a joint venture is included in the carrying amount of the investment and is not amortized or separately tested for impairment. The consolidated statement of comprehensive income reflects the share of the results of operations of the associate and joint venture. Where there has been a change recognized directly in the equity of the associate and the joint venture, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealized profits or losses resulting from transactions between the Group and the associate and joint venture are eliminated to the extent of the interest in the associate and joint venture.

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

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

Fair Value Measurement

The Group measures financial instruments and non-financial assets such as investment properties, at fair value at each reporting date.

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

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

The principal or the most advantageous market must be accessible to the Group.
The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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

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

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 Assets 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 profit or loss.

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

Investment Properties

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

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

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

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

Transfers are made 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 consolidated statement of financial position) and does not treat it as inventory. Similarly, if an entity begins to redevelop an existing investment property for continued future use as investment property, the property remains as investment property and is not reclassified as owner-occupied property during the redevelopment.

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

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

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

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

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

The Parent Company's shares which are acquired and held by a subsidiary (treasury shares) are deducted from equity and accounted for at cost. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. Any difference between the carrying amount and the consideration is recognized as additional paid-in capital.

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 Parent Company. Dividends for the year that are declared after the reporting date are dealt with as a non-adjusting event after the reporting date.

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

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

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

Revenue Recognition

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

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

Commission income from club races

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

Real estate sales

The Parent Company assesses whether it is probable that the economic benefits will flow to the Parent Company when the contract price is collectible. Collectability of the contract price is demonstrated by the buyer's commitment to pay, which is supported by the buyer's initial and continuous investments that motivates the buyer to honor its obligation. Collectability is also assessed by considering factors such as collections and credit standing of the buyer.

Revenue from sales of completed real estate projects from the joint venture is accounted for using the full accrual method. In accordance with Philippine Interpretations Committee Q&A No. 2006-01, the percentage-of-completion method is used to recognize income from sales of projects where the Company has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished), and the costs incurred or to be incurred can be measured reliably. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work. Any excess of collections over the recognized revenue are included in the "Trade payable and buyers' deposits" under the "Accounts payable and other liabilities" account in the consolidated statement of financial position. If any of the criteria under the full accrual or percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers are presented under the Trade payable and buyers' deposits" under the "Accounts payable and other liabilities" account in the consolidated statement of financial position.

Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of condominium units sold before the completion of the development is determined on the basis of the acquisition cost of the land.

The cost of inventory recognized in the consolidated statement of income upon sale is determined with reference to the costs of the land contributed for the property, allocated to saleable area based on relative size and takes into account the percentage of completion used for revenue recognition purposes.

For income tax purposes, full recognition is applied when more than 25% of the selling price has been collected in the year of sale. Otherwise, the installment method is applied.

Rental income from stables, building and other facilities
Revenue from the lease of stables, building and other facilities is recognized in the consolidated 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 Group'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 consolidated 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.

OCI
Items of income and expense (including items previously presented under the consolidated statement of changes in equity) that are not recognized in profit or loss for the year are recognized as OCI and are presented as OCI in the consolidated statement of comprehensive income. OCI of the Group pertains to gains and losses on remeasuring AFS financial assets and actuarial gains and losses on remeasurement of retirement plan

Retirement Benefits Cost
The Group has noncontributory funded defined benefit plans, administered by trustees, covering substantially all of its regular employees.

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

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

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

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

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

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

Leases

The determination of whether the arrangement is, or contains, a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

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

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

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 Group as a lessee

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

The Group as a lessor

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

Borrowing Costs

Borrowing costs 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 reporting date.

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

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

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

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

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

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

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

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

Foreign Currency-Denominated Transactions and Translations
Transactions denominated in foreign currency are recorded using the exchange rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rate at reporting date. All foreign exchange gains and losses are recognized in profit or loss.

Provisions
Provisions are recognized when: (1) the Group has a present obligation (legal or constructive) as a result of a past event; (2) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (3) a reliable estimate of the amount of the obligation can be made. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense. When the Group expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain and its amount is estimable.

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

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

Segment Reporting
The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information of the Group's operating segments is presented in Note 30 to the consolidated financial statements.

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

5. Significant Accounting Judgments, Estimates and Assumptions

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

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

Judgments

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

Determination if control exists in an investee company

Control is presumed to exist when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. On the other hand, joint control is presumed to exist when the investors contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Management has determined that it has control by virtue of its power to cast the majority votes at meetings of the BOD in all of its subsidiaries.

Determination if joint control exists in a joint venture

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Management has determined that it has joint control in San Lazaro BPO Complex Joint Venture and Gamespan since the strategic financial and operating decisions of the entity are made jointly by the venturers through its BOD.

Determination of functional currency

The Group's functional currency was determined to be the Peso. It is the currency of the primary economic environment in which the Group operates.

Revenue recognition for real estate sales

Selecting an appropriate revenue recognition method for a particular real estate sale transaction requires certain judgments based on the buyer's commitment on the sale which may be ascertained through the significance of the buyer's initial investment and completion of development. The buyer's commitment is evaluated based on collections, credit standing and location of the property. Completion of development is determined based on engineer's judgments and estimates on the physical portion of contract work done and the completion of development beyond the preliminary stage by the parties to the joint venture.

Classification of leases

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

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

   The Group has entered into lease agreements on certain items of its property and equipment and investment properties. The Group has determined that it retains all the significant risks and rewards of ownership of these properties 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 13, 14 and 31).

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

   The Parent Company has entered into a lease agreement for the lease of office and parking lots where it has determined that the risks and rewards related to the leased assets are retained by the lessor since there will be no transfer of ownership of the leased properties to the Parent Company. As such, the lease agreement was accounted for as an operating lease (see Note 31).

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

There were no indicators of impairment present on movement of financial assets, as such, there were no impairment losses recognized in 2014 and 2013. Total carrying value of the Group's interest in associates and joint ventures, property and equipment, investment properties and franchise fee as of December 31, 2014 and 2013 are disclosed in Notes 11, 13, 14 and 15 to the consolidated financial statements, respectively.

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

As of December 31, 2014 and 2013, the Parent Company's deferred tax assets and subsidiaries' unrecognized deferred tax assets are disclosed in Note 26 to the consolidated financial statements.

<u>Estimates and Assumptions</u>
The key assumptions concerning the future and other key sources of estimation and uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

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 Group has quoted financial assets carried at fair value referred with prices in active markets. There are no financial assets and financial liabilities carried at fair value derived from valuation techniques.

As of December 31, 2014 and 2013, the fair values of financial assets and financial liabilities are disclosed in Note 32 to the consolidated 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 Group's allowance for doubtful accounts will increase its recorded operating expenses and decrease its current assets.

As of December 31, 2014 and 2013, the carrying value of receivables (including noncurrent portion of real estate receivables), net and allowance for doubtful accounts, are disclosed in Note 8 to the consolidated financial statements.

In 2014 and 2013, provision for doubtful accounts are disclosed in Notes 8 and 19 to the consolidated financial statements, and written off receivable accounts without previous impairment allowance are disclosed in Notes 8 and 25 to the consolidated financial statements.

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

As of December 31, 2014 and 2013, the cost of the real estate inventories, the amount written down to the cost and carrying value of the real estate inventories are disclosed in Note 9 to the consolidated financial statements.

Estimation of percentage of completion
The Group 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 2014 and 2013, cost of real estate sales are disclosed in Note 18 to the consolidated financial statements.

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

The Group treats 'significant' generally as 20% or more of original cost and 'prolonged' as greater than 12 months. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equity securities and the future cash flows and the discount factors for unquoted equity securities.
As of December 31, 2014 and 2013, the carrying value of the Group's AFS financial assets are disclosed in Note 12 to the consolidated financial statements. The Group believes that its AFS financial assets are not impaired. Accordingly, no impairment loss was recognized in 2014 and 2013.

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

As of December 31, 2014 and 2013 the carrying value of depreciable property and equipment are disclosed in Note 13 to the consolidated financial statements. The carrying value of depreciable investment property as of December 31, 2014 and 2013 are disclosed in Note 14 to the consolidated financial statements.

Estimation of retirement benefits cost and obligations
The determination of the obligation and cost for retirement benefits cost is dependent on management's selection of certain assumptions used by the actuary in calculating such amounts. Those assumptions are described in Note 22 and include among others, discount rates, expected rate of return on plan assets and expected rate of salary increase. Actual results that differ from the Group's assumptions are accumulated and amortized over the future periods and therefore generally affect the recognized expense and recorded obligation in such future period. While it is believed that the Group's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's retirement and other retirement obligations.

As of December 31, 2014 and 2013, carrying value of accrued retirement benefits are disclosed in Note 22 to the consolidated financial statements. Retirement benefits cost in 2014 and 2013 are disclosed in Note 22 to the consolidated financial statements.

6. Deconsolidation of MIC

In 2013, the Parent Company allowed a group of Strategic Investors to subscribe to MIC's majority shares of stock. As a result of this transaction, the Parent Company retained less than majority interest in MIC. The following assets and liabilities were derecognized at their book value as of January 18, 2013 from the consolidated statements of financial position of the Group:

	Book value
Assets	
Cash and cash equivalents	₱483,892,026
Receivables	113,484,393
Other current assets	2,034,396
Property and equipment	122,216,859
Goodwill	75,816,953
Other noncurrent assets	72,096,000
	869,540,627
Liabilities	
Accounts payable and other liabilities	12,979,820
Income tax payable	3,500
	12,983,320
Net Assets	₱856,557,307

The retained interest of the Group in MIC were remeasured at fair value, which resulted to the recognition of a gain on remeasurement amounting to ₱2.1 billion in 2013, presented as part of "Other income - net" account in the profit or loss (see Note 25).

7. Cash and Cash Equivalents

This account consists of:

	2014	2013
Cash on hand	**₱10,704,469**	₱11,382,802
Cash in banks	**244,728,436**	151,188,886
Cash equivalents	**47,545,719**	101,184,014
	₱302,978,624	₱263,755,702

Cash in banks generally earns interest at the respective bank deposit rates. Cash equivalents are short-term deposits made for varying periods of up to three months and earn interest at the respective short-term deposit rates. Interest income earned amounted to ₱1.8 million and ₱2.7 million and ₱8.5 million in 2014, 2013 and 2012, respectively (see Note 23).

8. Receivables

This account consists of:

	2014	2013
Real estate receivables - current portion	**₱100,213,730**	₱137,773,047
Dividends receivable (see Note 11)	**29,792,491**	17,088,300
Receivable from Metro Manila Turf Club (MMTC) (see Note 31)	**16,360,723**	–
Rent receivables (see Notes 13 and 14)	**10,596,918**	26,628,846
Receivable from Philippine Amusement and Gaming Corporation (PAGCOR) (see Note 31)	**6,995,045**	–
Advances and loans to officers and employees (see Note 27)	**5,243,121**	9,427,855
Claims for tax credit certificates (TCC)	**2,252,054**	2,252,054
Due from related parties (see Note 27)	**2,079,161**	946,171
Receivables from off-track betting (OTB) operators	**1,965,943**	1,193,961
Deposits and advances to contractors (see Note 13)	**1,778,413**	1,778,413
Receivable from sale of investment property	–	20,000,000
Others	**18,934,025**	25,563,250
	196,211,624	242,651,897
Less allowance for doubtful accounts	**11,664,616**	8,696,776
	₱184,547,008	₱233,955,121

Real Estate Receivables

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

	2014	2013
Current	**₱100,213,730**	₱137,773,047
Noncurrent	**128,751,041**	150,661,281
	₱228,964,771	₱288,434,328

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

Interest income earned from real estate receivables amounted to ₱10.4 million, ₱9.7 million and ₱17.5 million in 2014, 2013 and 2012, respectively (see Note 23).

Claims for TCC

The Parent 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 Parent 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 Parent Company on March 7, 1997 ordering the City of Manila to grant the Parent 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 Parent 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 April 13, 2015.

Other receivables

Other receivables include accrued interest and other various receivables.

Allowance for Doubtful Accounts

The following table shows the rollforward of the allowance for doubtful accounts pertaining to rent and other receivables as of December 31, 2014 and 2013:

	2014	2013
Balance at beginning of year	**₱8,696,776**	₱6,000,000
Provision during the year (see Note 19)	**3,278,413**	7,188,405
Amounts written off during the year	**(310,573)**	(4,491,629)
Balance at end of year	**₱11,664,616**	₱8,696,776

Allowance for doubtful accounts amounting to ₱11.6 million and ₱8.7 million as of December 31, 2014 and 2013, respectively, were based on specific assessment made by the management.

The Parent Company directly wrote-off receivables amounting to ₱5.0 million and ₱0.2 million in 2014 and 2013, respectively (see Note 25).

9. Inventories

This account consists of:

	2014	2013
Real estate:		
Condominium units for sale - at cost	**₱42,928,254**	₱44,621,436
Land held for development - at cost	**38,189,898**	38,189,898
Memorial lots for sale - at net realizable value	**8,870,166**	11,618,882
Residential units for sale - at cost	**4,749,383**	4,630,076
	94,737,701	99,060,292
Food and beverages - at cost	**564,020**	304,381
	₱95,301,721	₱99,364,673

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

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

	2014	2013
Balance at beginning of year	**₱99,060,293**	₱145,569,216
Cost of real estate sold (see Note 18)	**4,322,592**	46,508,923
Balance at end of year	**₱94,737,701**	₱99,060,293

In 2014 and 2013, no impairment loss was recognized. The cost as at December 31, 2014 and 2013 amounted to ₱10.9 million and ₱13.6 million, respectively.

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

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

Towers 1 to 5 of AVIDA and Towers 1 and 2 of Alveo are fully completed as of December 31, 2014 and 2013. The construction of Tower 3 of Alveo is 39.82% and 13.55% complete as of December 31, 2014 and 2013, respectively.

Residential units for sale
On February 24, 2004, the Parent Company entered into a Joint Venture Agreement (JVA) with Century Communities Corporation (CCC) for the development of 17.09 hectares of the Parent Company's 33-hectare property in Carmona, Cavite into an exclusive residential subdivision with some commercial areas. As of December 31, 2014, the project is complete.

Marketing expense, presented as "Selling expense" in the consolidated statements of comprehensive income, is the share of the Parent Company in the marketing cost of CCC in accordance with the JDA/JVA. The amount of marketing cost in 2014, 2013 and 2012 amounted to ₱6.0 million, ₱13.1 million and ₱23.9 million, respectively.

10. Other Current Assets

This account consists of:

	2014	2013
Prepayments	**₱4,570,892**	₱4,674,157
Input VAT	**74,574**	72,906
Others	**78,091**	38,603
	₱4,723,557	₱4,785,666

11. Investment in Associates and Joint Ventures

Investment in associates and joint ventures consist of:

	2014	2013
Investment in associates		
MIC	**₱2,294,664,038**	₱2,301,520,445
Techsystems	–	–
	2,294,664,038	2,301,520,445
Investment in joint ventures		
Gamespan	**9,792,161**	9,792,161
SLLBPO	**5,691,837**	3,159,925
	15,483,998	12,952,086
	₱2,310,148,036	₱2,314,472,531

Investment in Associates

MIC. Investment in MIC pertains to the Group's 28.32% interest in MIC (see Note 6). The movements and details of the accounts are as follows:

	2014	2013
Investment in associate	**₱2,301,520,445**	₱2,312,649,883
Equity in net loss of associate	**(6,856,407)**	(11,129,438)
	₱2,294,664,038	₱2,301,520,445

The summarized financial information of MIC are as follows:

	2014	2013
Total assets	**₱2,492,588,611**	₱2,390,239,507
Total liabilities	**209,906,893**	83,338,756
Equity	**2,282,681,718**	2,306,900,751
Income	**10,178,114**	10,917,012
Expenses	**34,397,147**	40,704,803
Net loss	**24,219,033**	31,917,168

The difference between the carrying value of investment in MIC against the share in net assets of MIC as at December 31, 2014 and 2013 represents goodwill.

Techsystems. The investment in associate, Techsystems, pertains to the acquisition cost of ₱1.0 million representing 33% ownership by the Parent Company. Techsystems undertakes to facilitate the short message service betting or online betting for the races conducted by the Parent Company. As of December 31, 2014 and 2013, investment in Techsystems is fully provided with allowance. As of April 13, 2015, Techsystems has not yet started commercial operations.

The summarized financial information of Techsystems are as follows:

	2014	2013
Total liabilities	**₱5,167,650**	₱5,167,650
Capital deficiency	**(5,167,650)**	(5,167,650)
Expenses	–	1,000
Net loss	–	(1,000)

Investment in Joint Ventures

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

The movement of the equity in joint venture of the San Lazaro JV for period ended December 31, 2014 and 2013 is as follows:

	2014	2013
Balance at beginning of year	**₱3,159,925**	(₱1,657,756)
Equity in net earnings for the year	**23,955,135**	21,905,981
Share on dividends declared	**(21,423,223)**	(17,088,300)
Balance at end of year	**₱5,691,837**	₱3,159,925

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

	2014	2013
Current assets	**₱226,959,095**	₱154,617,532
Noncurrent assets	**6,916,636**	1,433,440
Current liabilities	**169,336,009**	109,448,602
Noncurrent liabilities	**39,426,738**	29,929,094
Equity	**25,112,984**	16,673,276
Income	**90,205,228**	86,379,273
Expenses	**10,354,776**	54,662,669
Net income	**79,850,452**	31,716,604

The Parent Company has no share in any contingent liabilities or capital commitments of the JV as of December 31, 2014 and 2013. There are also no accumulated earnings that are restricted as of December 31, 2014 and 2013.

Gamespan. Gamespan was incorporated on June 20, 2012 to operate and manage the totalizator hardware and software owned by the Parent Company, set-up new media infrastructure for offering and taking bets in horse racing and other sports. It shall also have the exclusive broadcast rights to all the races and other games operated by the Parent Company which it may distribute to different broadcasters to maximize viewership and participation. As of December 31, 2014, Gamespan has not yet started its commercial operations.

The summarized financial information of the Gamespan is as follows:

	2014	2013
Current assets	**₱20,184,979**	₱20,184,979
Noncurrent assets	**29,167**	29,167
Current liabilities	**629,824**	629,824
Equity	**19,584,322**	19,584,322
Expenses	–	415,678
Net loss	–	415,678

The movement of the equity in joint venture in Gamespan are as follows:

	2014	2013
Balance at beginning of year	**₱9,792,161**	₱10,000,000
Equity in net earnings for the year	–	(207,839)
Balance at end of year	**₱9,792,161**	₱9,792,161

12. **AFS Financial Assets**

This account consists of:

	2014	2013
Quoted equity securities	**₱3,092,778**	₱9,029,654
Treasury bond	**8,621,690**	7,000,000
Club membership shares:		
Quoted	**4,680,000**	4,580,000
Unquoted	**193,500**	193,500
Preferred shares:		
Quoted	**5,109,750**	69,750
Unquoted	**370,047**	370,047
	₱22,067,765	₱21,242,951

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

	2014	2013
Balance at beginning of year	**₱21,242,951**	₱30,937,269
Additions during the year	**8,129,767**	–
Disposal during the year	**(8,987,827)**	–
Unrealized mark-to-market gains (losses) during the year	**1,682,874**	(9,694,318)
Balance at end of year	**₱22,067,765**	₱21,242,951

The Group's AFS financial assets are carried at fair value with net cumulative gains reflected as "Net cumulative changes in fair values of AFS financial asset" in the equity section of the Group's consolidated statements of financial position", amounted to ₱5.2 million and ₱9.0 million as of December 31, 2014 and 2013, respectively.

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

	2014	2013
Balance at beginning of year	**₱9,013,593**	₱18,707,911
Unrealized mark-to-market gains (losses) during the year	**1,682,874**	(9,694,318)
Realized mark-to-market gains during the year	**(5,480,161)**	–
Balance at end of year	**₱5,216,306**	₱9,013,593

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

Dividend income from these investments amounted to ₱0.8 million in 2014 and nil in 2013 and 2012 (see Note 25).

Interest income on treasury bond amounted to ₱0.4 million, ₱0.5 million and ₱0.01 million in 2014, 2013 and 2012, respectively (see Note 23).

13. Property and Equipment

Movement in this account are as follows:

	2014				
	January 1	Additions	Disposals	Reclassifications and adjustments	December 31
Cost					
Land	₱304,869,383	₱–	₱–	₱–	₱304,869,383
Land improvements	337,492,757	–	–	–	337,492,757
Building and improvements	653,338,416	740,992	–	7,525,988	661,605,396
Machinery and equipment	486,071,333	69,499,228	(126,971)	–	555,443,590
Transportation equipment	28,974,488	830,000	–	–	29,804,488
Furniture and fixtures	21,838,820	3,344,275	–	–	25,183,095
	1,832,585,197	74,414,495	(126,971)	7,525,988	1,914,398,709
Accumulated depreciation					
Land improvements	139,302,268	13,405,910	–	–	152,708,178
Building and improvements	256,367,159	27,819,500	–	–	284,186,659
Machinery and equipment	397,754,720	20,190,388	–	–	417,945,108
Transportation equipment	22,844,590	2,220,195	–	–	25,064,785
Furniture and fixtures	18,315,331	1,716,830	–	–	20,032,161
	834,584,068	65,352,823	–	–	899,936,891
Net book value	998,001,129	9,061,672	(126,971)	7,525,988	1,014,461,818
Construction in progress	17,435,481	3,655,596	–	(7,525,988)	13,565,089
	₱1,015,436,610	₱12,717,268	(₱126,971)	₱–	₱1,028,026,907

	2013				
	January 1	Additions	Disposals	Effect of deconsolidation (see Note 6)	December 31
Cost					
Land	₱417,209,456	₱–	₱–	(₱112,340,073)	₱304,869,383
Land improvements	337,046,417	446,340	–	–	337,492,757
Building and improvements	650,575,949	2,762,467	–	–	653,338,416
Machinery and equipment	474,192,634	11,878,699	–	–	486,071,333
Transportation equipment	28,014,666	2,575,893	(1,616,071)	–	28,974,488
Furniture and fixtures	20,994,331	844,489	–	–	21,838,820
	1,928,033,453	18,507,888	(1,616,071)	(112,340,073)	1,832,585,197
Accumulated depreciation					
Land improvements	125,991,451	13,310,817	–	–	139,302,268
Building and improvements	228,555,498	27,811,661	–	–	256,367,159
Machinery and equipment	369,982,553	27,772,167	–	–	397,754,720
Transportation equipment	20,388,398	2,577,397	121,205	–	22,844,590
Furniture and fixtures	16,678,171	1,637,160	–	–	18,315,331
	761,596,071	73,109,202	121,205	–	834,584,068
Net book value	1,166,437,382	(54,601,314)	(1,494,866)	(112,340,073)	998,001,129
Construction in progress	23,120,034	4,192,233	–	(9,876,786)	17,435,481
	₱1,189,557,416	(₱50,409,081)	(₱1,494,866)	(₱122,216,859)	₱1,015,436,610

Depreciation Charges

The amount of depreciation is allocated as follows:

	2014	2013	2012
Cost of club races (see Notes 18 and 20)	**₱38,249,637**	₱39,170,853	₱49,377,877
General and administrative expenses (see Notes 19 and 20)	**16,291,028**	16,804,481	18,493,484
Cost of rental services (see Notes 18 and 20)	**10,347,828**	16,655,767	31,543,724
Cost of food and beverages (see Notes 18 and 20)	**464,330**	478,101	–
	₱65,352,823	₱73,109,202	₱99,415,085

Capitalized Borrowing Costs
No interest on loans was capitalized in 2014 and 2013. Undepreciated capitalized interest relating to land improvements, building and improvements and machinery and equipment as of December 31, 2014 and 2013 amounted to ₱41.1 million and ₱43.9 million, respectively.

Carmona Property
In 2001, the Parent Company acquired a parcel of land located in Carmona, Cavite from KPPI Land Corporation (KPPI) valued at ₱523.6 million payable in 12 equal quarterly installments from 2001 to 2004. The remaining installment payments due in 2004 were rescheduled as part of the requirements of the term loan obtained from a local bank. Total payments made by the Parent Company amounted to ₱433.7 million. No payments were made in 2014 and 2013. The outstanding balance of ₱89.9 million as of December 31, 2014 and 2013 is included under "Accounts payable and other liabilities" in the consolidated statements of financial position (see Note 17).

Assets Under Operating Lease
The Parent Company has various operating lease agreements for its building and improvements, specifically, cluster stables, with horse owners. The lease agreements provide for fixed monthly payments which are subject to rental escalations and renewal options. The carrying value of the cluster stables that are leased out on these operating leases amounted to ₱30.0 million and ₱31.8 million as of December 31, 2014 and 2013, respectively. Rent income from stable rentals in 2014, 2013 and 2012 amounted to ₱43.5 million, ₱46.9 million and ₱55.8 million, respectively.

The Parent Company has various operating lease agreements with concessionaires to lease certain areas within the Turf Club. The lease shall be for a period of two to five years. Rent income from concessionaires amounted to ₱0.6 million, ₱1.7 million and ₱4.0 million in 2014, 2013 and 2012, respectively.

Operating Lease Commitment with PAGCOR - the Parent Company as Lessor
In 2013, the Parent Company entered a lease contract for three years commencing July 10, 2013 with PAGCOR to lease an area of 189.231 square meters for a monthly fixed rental of ₱510.51 per square meter for its casino and related activities.

Rent income from PAGCOR amounted to ₱1.2 million in 2014, 2013, and 2012.

14. Investment Properties

This account consists of:

	2014	2013
Land:		
Sta. Cruz property held for capital appreciation (see Note 16)	**₱359,631,580**	₱359,631,580
Sta. Cruz property held for lease	**238,168,692**	238,168,692
Carmona property (see Note 16)	**109,750,785**	109,750,785
Undivided interest in a parcel of land in Carmona	**56,723,976**	56,723,976
	764,275,033	764,275,033
Building:		
Developed office units (see Note 11)	**208,501,675**	218,926,759
Retail development area (see Note 11)	**38,005,932**	40,007,473
	246,507,607	258,934,232
	₱1,010,782,640	₱1,023,209,265

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

	2014		
	Land	**Building**	**Total**
Cost	**₱764,275,033**	**₱310,665,629**	**₱1,074,940,662**
Accumulated Depreciation			
Balance at beginning of year	–	**(51,731,397)**	**(51,731,397)**
Depreciation (see Notes 18 and 20)	–	**(12,426,625)**	**(12,426,625)**
Balance at end of year	–	**(64,158,022)**	**(64,158,022)**
Net Book Value	**₱764,275,033**	**₱246,507,607**	**₱1,010,782,640**

	2013		
	Land	Building	Total
Cost			
Balance at beginning of year	₱777,709,684	₱310,665,629	₱1,088,375,313
Disposals	(13,434,651)	–	(13,434,651)
Balance at the end of year	764,275,033	310,665,629	1,074,940,662
Accumulated Depreciation			
Balance at beginning of year	–	(39,304,772)	(39,304,772)
Depreciation (see Notes 18 and 20)	–	(12,426,625)	(12,426,625)
Balance at end of year	–	(51,731,397)	(51,731,397)
Net Book Value	₱764,275,033	₱258,934,232	₱1,023,209,265

The Carmona property with carrying value of ₱109.8 million and the 5.1 hectare property in Sta. Cruz with carrying value of ₱359.6 million as of December 31, 2014 and 2013, respectively, are used by the Parent Company as collateral for its long-term loans obtained from a bank. These long term loans are expected to be paid at the November of 2015. A property used as collateral respective to this loan agreement is also expected to be unrestricted and available upon completion of payment (see Note 16). Depreciation amounting to ₱12.4 million for the period ended December 31, 2014 and 2013, are included as part of "Cost of rental services" (see Note 18).

Philippine Economic Zone Authority (PEZA) zones

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

The registration as an Econozone Developer/Operator shall entitle the Parent Company to establish, develop, construct, administer, manage and operate a Special Economic Zone to be known as San Lazaro Leisure and Business Park (SLLBP) with an area of 542,294 square meters.

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

Pursuant to the proclamation, the Parent Company and the PEZA signed the Registration Agreement to entitle the Parent Company to develop and operate the aforementioned special economic zone on February 29, 2009. A certificate of registration was thereafter issued.

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

Under the JDA, the Parent Company agreed to contribute the necessary cash to fully finance the construction and development of the retail development area and its corresponding share (30%) of the development of the office units. In return for their respective contributions, the parties will distribute and allocate the developed units among themselves. As of December 31, 2014 and 2013, the Parent Company's contribution to the JDA amounting to ₱310.7 million is presented as the cost of "Building" under "Investment properties" in the consolidated statements of financial position.

On December 12, 2008, the Parent Company and ALI executed a Deed of Partition for the distribution and allocation of the developed units. The entire retail development area and the appurtenant parking lots were allocated to the Parent Company in return for its contribution for the construction and development of the said area. For the Parent Company's contribution in the construction and development of the office building, the Parent Company was allocated with developed office building with gross leasable area of 5,793 square meters located at various floors and the appurtenant parking lots. In 2014, 2013 and 2012, rental income amounted to ₱14.7 million, ₱10.7 million and ₱9.4 million, respectively.

No interest on loans was capitalized in 2014, 2013 and 2012. Undepreciated capitalized interest relating to the Building Complex as of December 31, 2014 and 2013 amounted to ₱6.4 million and ₱6.7 million, respectively.

Fair Market Values
As of December 31, 2014, the aggregate fair value of the Parent Company's investment properties amounted to ₱3.3 billion. Fair values of the Carmona property and Sta. Cruz property have been determined based on valuation performed by independent professional appraisers using the sales comparison approach and income approach by land residual technique with reports dated January 18, 2012 and May 5, 2010, respectively. Management believes that there are no material changes in fair value on these investment properties as of December 31, 2014 from the most recent revaluations performed by independent appraisers.

Investment property was classified as Level 3 in 2014 and 2013 as to the qualification of fair value hierarchy.

15. Other Noncurrent Assets

This account consists of:

	2014	2013
Franchise fee (see Note 1)	**₱14,384,839**	₱16,178,839
Deferred input VAT	**8,884,652**	9,267,193
Deposits	**8,485,789**	8,727,233
Others	**236,932**	230,290
	₱31,992,212	₱34,403,555

Franchise Fee

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

	2014	2013
Acquisition cost	**₱44,850,000**	₱44,850,000
Accumulated amortization:		
Balance at beginning of year	**28,671,161**	26,877,161
Amortization for the year (see Note 18)	**1,794,000**	1,794,000
Balance at end of year	**30,465,161**	28,671,161
	₱14,384,839	₱16,178,839

16. Short-term and Long-term Loans and Borrowings

Short-term Loans
As of December 31, 2014 and 2013, outstanding balance of short-term loans and borrowings amounted to ₱74.4 million and ₱86.4 million, respectively. These loans were obtained for working capital requirements and bear average interest of 3.25% and 4.65% in 2014 and 2013, respectively. The promissory notes covering these loans have terms of one year or less and are renewed upon maturity.

Interest expense on short-term loans amounted to ₱2.7 million, ₱2.9 million and ₱3.7 million in 2014, 2013 and 2012, respectively (see Note 24).

Short-term loans amounting to ₱12.0 million and ₱14.0 million were paid in 2014 and 2013, respectively.

Long-term Loans

	2014	2013
Bank loans	**₱14,285,715**	₱28,571,429
Less current portion	**14,285,715**	14,285,714
Noncurrent portion	**₱–**	₱14,285,715

These loans bear interest of 4.25% with maturity date of November 2015. These loans are payable in equal quarterly installments and interest rates are subject to quarterly repricing. Loans amounting to ₱14.3 million were paid in 2014 and 2013. The loans are secured by real estate mortgages on Carmona property and Sta. Cruz property with carrying values of ₱109.8 million as of December 31, 2014 and 2013 and ₱359.6 million as of December 31, 2014 and 2013.

Interest expense on bank loans amounted to ₱0.9 million, ₱1.6 million and ₱2.3 million in 2014, 2013 and 2012, respectively (see Note 24).

17. Accounts Payable and Other Liabilities

This account consists of:

	2014	2013
Accounts payable	**₱91,757,028**	₱43,359,168
Due to KPPI (see Note 13)	**89,900,000**	89,900,000
Cash bond on OTB operators	**32,094,081**	32,547,769
Documentary stamps payable	**28,888,879**	30,297,828
Due to contractors	**27,558,182**	48,563,671
Provision for probable losses (see Note 31)	**13,135,947**	8,343,827
Accrued expenses	**10,056,537**	14,348,677
Due to MMTC	**12,006,725**	–
Taxes on winnings	**8,458,554**	7,387,574
Due to concessionaires	**7,961,441**	6,707,770
VAT payable	**6,643,393**	3,678,580
Trade payable and buyers' deposits	**5,687,887**	6,203,814
Due to horse owners	**3,345,922**	4,886,178
Dividends payable - racing	**3,340,275**	2,878,325
Due to OTB operators	**2,528,019**	2,968,499
Due to Philracom	**2,352,250**	1,219,969
Retention payable	**1,775,464**	1,824,907
Others	**6,836,638**	10,311,008
	₱354,327,222	₱315,427,564

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

Accrued expenses include normal and recurring expenses incurred by the Company. Accounts payable account pertains to normal purchases and expenses made in a regular basis. Deposits made by tenants are recorded to due to concessionaries account.

18. Cost of Sales and Services

Cost of club races consists of:

	2014	2013	2012
Personnel costs (see Note 21)	**₱50,120,651**	₱52,238,163	₱60,781,921
Depreciation (see Notes 13 and 20)	**38,249,637**	39,170,853	49,377,877
Commission	**23,750,220**	23,349,788	31,324,062
Utilities	**21,008,302**	16,532,357	18,822,803
Transportation and travel	**7,318,151**	7,125,528	8,461,482
Contracted services	**4,841,069**	6,424,604	7,032,126
Taxes and licenses	**3,430,793**	1,658,288	501,035
Rent	**3,358,549**	3,259,102	3,235,454
Supplies	**3,145,157**	3,921,892	4,913,278
Meetings and conferences	**2,596,248**	2,434,029	3,636,191
Repairs and maintenance	**2,458,525**	2,941,770	3,234,987
Security services	**2,206,574**	1,871,265	2,210,486
Amortization of franchise fee (see Note 15)	**1,794,000**	1,794,000	1,794,000
Gas, fuel and oil	**1,679,311**	1,527,660	1,536,807
Software license	**–**	–	3,892,467
Others	**4,589,362**	5,965,228	3,148,898
	₱170,546,549	₱170,214,527	₱203,903,874

Cost of real estate sold amounted to ₱4.3 million, ₱46.5 million and ₱95.1 million in 2014, 2013 and 2012, respectively (see Note 9).

Cost of rental services consists of:

	2014	2013	2012
Depreciation (see Notes 13, 14 and 20)	**₱22,774,453**	₱29,082,392	₱43,970,349
Utilities	**13,390,309**	6,976,219	11,163,685
Contracted services	**4,859,511**	2,925,905	2,924,824
Food and beverage expenses	**4,774,949**	–	–
Personnel costs (see Note 21)	**3,173,929**	2,612,785	3,127,001
Repairs and maintenance	**2,025,954**	1,174,902	2,312,343
Security services	**1,862,542**	1,612,933	1,932,568
Meetings and conferences	**161,499**	194,704	498,704
Others	**5,687,784**	1,679,794	9,763,157
	₱58,710,930	₱46,259,634	₱75,692,631

Cost of food and beverages consists of:

	2014	2013
Purchased stocks	**₱7,423,966**	₱4,026,786
Contracted services	**2,924,445**	3,058,534
Personnel cost (see Note 21)	**2,288,610**	1,533,536
Utilities	**1,460,291**	2,537,702
Meetings and conferences	**517,763**	1,888,425
Depreciation (see Notes 13 and 20)	**464,330**	478,101
Commission	**219,884**	–
Communication	**172,028**	120,665
Supplies	**140,853**	41,963
Rent	**108,443**	52,429
Security	**57,974**	135,941
Gas, fuel and oil	**51,850**	37,610
Repairs	**35,165**	96,026
Transportation and travel	**7,926**	8,314
Advertisement	–	31,518
Membership dues	**3,000**	–
Others	**791,110**	469,436
	₱16,667,638	₱14,516,986

19. General and Administrative Expenses

This account consists of:

	2014	2013	2012
Personnel costs (see Note 21)	**₱64,115,684**	₱72,114,110	₱69,185,883
Depreciation (see Notes 13 and 20)	**16,291,028**	16,804,481	18,493,484
Contracted services	**12,970,236**	17,748,111	16,308,855
Utilities	**12,523,288**	17,768,339	19,276,861
Gas, fuel and oil	**8,554,734**	8,290,788	9,209,880
Professional fees	**7,429,721**	8,396,583	21,412,481
Repairs and maintenance	**6,836,035**	6,071,616	6,611,247
Meetings and conferences	**6,756,242**	349,742	1,363,298
Rent (see Note 31)	**5,868,550**	5,999,014	7,979,545
Security services	**4,460,809**	5,382,463	5,855,951
Transportation and travel	**3,993,268**	3,743,090	9,791,988
Provision for doubtful accounts (see Note 8)	**3,278,413**	7,188,405	–
Taxes and licenses	**2,951,739**	6,528,313	18,050,074
Membership dues	**1,326,341**	883,809	1,076,028
Advertising	**1,204,201**	952,334	703,232
Commission expense	**1,153,573**	980,864	5,805,451
Insurance	**879,120**	1,190,813	478,962
Supplies	**708,062**	965,332	1,199,067
Meals and refreshments	–	9,064,306	16,050,775
Filing and listing fee	–	–	2,536,650
Director's fee	–	–	2,285,000
Others	**10,680,681**	5,053,463	8,418,504
	₱171,981,725	₱195,475,976	₱242,093,216

20. Depreciation

This account consists of:

	2014	2013	2012
Cost of club races (see Notes 13 and 18)	**₱38,249,637**	₱39,170,853	₱49,377,877
Cost of rental services (see Notes 13, 14 and 18)	**22,774,453**	29,082,392	43,970,349
General and administrative expense (see Notes 13 and 19)	**16,291,028**	16,804,481	18,493,484
Cost of food and beverages (see Notes 13 and 18)	**464,330**	478,101	–
	₱77,779,448	₱85,535,827	₱111,841,710

21. Personnel Costs

This account consists of:

	2014	2013	2012
Salaries and wages	**₱99,106,227**	₱105,510,049	₱112,885,175
Retirement benefits costs (see Note 22)	**7,578,888**	12,966,686	8,834,022
Other employee benefits	**13,013,759**	10,021,859	11,375,608
	₱119,698,874	₱128,498,594	₱133,094,805

22. Retirement Benefits Costs

The Parent Company has two tax-qualified, funded, noncontributory retirement plans covering both regular permanent and race day operation employees. The retirement plans provide for benefits on retirement, death and disability equivalent to a certain percentage of salary for every year of service based on the final monthly salary of the employee at the time of retirement, death or disability. An independent actuary, using the projected unit credit method, conducted the actuarial valuation of the fund. The latest actuarial valuation reports are as of December 31, 2014.

The details of the retirement benefits costs are as follows:

	2014	2013	2012
Current service costs	**₱5,762,681**	₱6,090,929	₱6,376,034
Interest costs	**1,816,207**	2,060,608	2,457,988
Past service costs	–	4,815,149	–
	₱7,578,888	₱12,966,686	₱8,834,022

The details of accrued retirement benefits as are as follows:

	2014	2013
Defined benefit obligation	**₱75,474,088**	₱65,147,410
Fair value of plan assets	**(32,961,194)**	(30,086,238)
	₱42,512,894	₱35,061,172

Movements in the accrued retirement benefits follow:

	2014	2013
Balance at beginning of year	**₱35,061,172**	₱25,354,867
Net retirement benefits costs for the year	**7,578,888**	12,966,686
Contributions for the year	**(5,456,989)**	(7,275,719)
Defined benefit cost recognized in OCI	**5,329,823**	5,554,938
Direct payments from book reserve	**–**	(1,539,600)
Balance at end of year	**₱42,512,894**	₱35,061,172

Changes in present value of defined benefit obligation are as follows:

	2014	2013
Defined benefit obligation at beginning of year	**₱65,147,410**	₱70,777,341
Current service costs	**5,762,681**	6,090,929
Interest costs	**3,322,518**	4,310,340
Actuarial loss (gain) due to:		
Experience adjustments	**8,248,874**	5,204,526
Change in demographic assumptions	**1,277,551**	(2,478,848)
Change in financial assumptions	**(1,726,512)**	2,205,411
Benefits paid	**(6,558,434)**	(24,237,838)
Past service cost - plan amendments	**–**	4,815,149
Direct payments from book reserve	**–**	(1,539,600)
Defined benefit obligation at end of year	**₱75,474,088**	₱65,147,410

Changes in fair value of plan assets are as follows:

	2014	2013
Fair value of plan assets at beginning of year	**₱30,086,238**	₱45,422,474
Benefits paid	**(6,558,434)**	(24,237,838)
Contributions	**5,456,989**	7,275,719
Actuarial gain (loss)	**2,470,090**	(623,849)
Interest income	**1,506,311**	2,249,732
Fair value of plan assets at end of year	**₱32,961,194**	₱30,086,238
Actual return on plan assets	**₱3,976,401**	₱1,625,883

The plan assets of the Group are being held by its trustee banks. The investing decisions of the plan are made by the authorized officers of the Group. The following table presents the carrying amounts and fair values of the combined assets of the plan less liabilities:

	2014	2013
Cash and cash equivalents	**₱6,585,579**	₱2,091,939
Investment in unit investment trust fund	**11,627,783**	12,109,124
Investment in government securities	**12,981,968**	16,050,647
Investment in other securities and debt instruments	**1,988,364**	–
Others	**239,936**	292,806
	33,423,630	30,544,516
Liabilities	**(462,436)**	(458,278)
	₱32,961,194	₱30,086,238

The plan assets' carrying amount approximates its fair value since these are either short-term in nature or mark-to-market.

The plan's assets consist of the following:
- Cash and cash equivalents, which includes regular savings and time deposits;
- Investments in corporate debt instruments, consisting of both short-term and long-term corporate loans, notes and bonds, which bears variable interest rates ranging from 3.5% to 8.5% and have maturities from 2015 to 2031; and
- Investments in government securities consist of AFS financial assets.

The carrying amounts of investments in government securities also approximate their fair values since they are mark-to-market.
- Other financial assets held by the plan are primarily accrued interest income on cash deposits and debt securities held by the plan.
- Liabilities of the plan pertain to trust fee payable and retirement benefits payable.

The principal assumptions used in determining retirement benefits costs of the Parent Company as of January 1 are as follows:

	2014	2013	2012
Discount rates	**5.78%**	5.10%	6.09%
Expected rate of salary increase	**4.00%**	4.00%	4.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant. Established on historical data, the behavior in error of the standard deviation is within the range:

	Effect on Net Retirement Liability		
	Increase (decrease)	**2014**	2013
Discount rate	+0.5%	**(₱2,312,290)**	(₱2,226,471)
	-0.5%	**2,586,080**	2,490,675
Salary increase rate	+0.5%	**2,310,352**	2,190,984
	-0.5%	**(2,116,805)**	(2,006,769)

The weighted average duration of the defined benefit obligation as of December 31, 2014 and 2103 are 4.5 and 4.9 years, respectively.

Shown below are the expected future benefit payments as of December 31, 2014 and 2013, respectively:

	2014	2013
Less than 1 year	**₱13,859,679**	₱4,744,479
More than 1 year to 5 years	**15,112,834**	17,925,416
More than 5 years to 10 years	**34,765,812**	27,800,765

23. Interest Income

Interest income related to:

	2014	2013	2012
Real estate receivables (see Note 8)	**₱10,444,722**	₱9,687,098	₱17,522,284
Cash and cash equivalents (see Note 7)	**1,751,575**	2,725,541	8,484,533
Due from related parties (see Note 27)	**–**	139,884	191,484
Treasury bond (see Note 12)	**428,750**	454,952	80,986
	₱12,625,047	₱13,007,475	₱26,279,287

24. Finance Costs

Interest expense related to:

	2014	2013	2012
Short-term loans (see Note 16)	**₱2,679,558**	₱2,857,247	₱3,657,362
Long-term loans (see Note 16)	**928,296**	1,560,671	2,259,732
Bank charges and others	**125,616**	393,015	178,572
	₱3,733,470	₱4,810,933	₱6,095,666

25. Other Income - net

	2014	2013	2012
Service income	**₱18,018,089**	₱7,677,461	₱–
Income from use of usufruct rights	**14,196,429**	–	–
Gain on reversal of liabilities	**8,004,970**	–	11,641,529
Loss on receivable write-off (see Note 8)	**(4,976,169)**	(222,529)	–
Income from advertising campaign	**1,937,560**	1,955,514	–
Gain (loss) on sale of AFS (see Notes 12)	**1,250,360**	–	(1,418,160)
Dividend income from AFS financial assets (see Note 12)	**798,013**	–	–
Foreign exchange gain (loss) - net	**(1,675)**	(95,690)	1,308
Remeasurement gain on retained interest (see Note 6)	**–**	2,092,949,673	–
Gain on sale of investment property	**–**	13,351,064	–
Gain on unclaimed dividends (see Note 31)	**–**	–	22,299,094
Forfeited collections on real estate	**–**	–	3,778,910
Others - net	**4,322,789**	7,894,303	13,743,259
	₱43,550,366	₱2,123,509,796	₱50,045,940

Service income pertains to technical services rendered to MMTC.

Income from use of usufruct rights pertain to payments for the use of the roads within the property of the Parent Company in Carmona, Cavite.

26. Income Taxes

a. The components of the Group's net deferred tax liabilities are as follows:

	2014	2013
Deferred tax assets on (recognized in profit or loss):		
Accrued retirement benefits	**₱12,753,868**	₱10,518,352
Allowance for doubtful accounts	**3,499,385**	2,609,033
Unamortized past service cost	**1,023,556**	1,233,799
Provision for inventory write-down	**619,218**	619,218
Rent receivable	**415,034**	200,454
Allowance for impairment on investment on associate	**300,000**	300,000
Unearned income	**198,159**	171,500
	18,809,220	15,652,356
Deferred tax liabilities on (recognized in profit or loss):		
Unrealized gain from real estate transactions	**(55,086,817)**	(70,196,531)
Undepreciated capitalized borrowing costs	**(14,232,588)**	(15,184,252)
Rent receivable	**(2,767,672)**	(1,104,677)
Unrealized foreign exchange gain - net	**(392)**	(1,413)
Deferred tax liabilities on (recognized directly in other comprehensive income):		
Unrealized deemed cost adjustment on real estate properties*	**(192,825,169)**	(193,958,252)
	(264,912,638)	(280,445,125)
Net deferred tax liabilities	**(₱246,103,418)**	(₱264,792,769)

** Reversal of deferred tax liabilities is through profit or loss, except for investment properties.*

b. Biohitech and SLLPHI have no provision for income tax in 2014, 2013 and 2012. Unrecognized NOLCO of Biohitech and SLLPHI as of December 31, 2014 and 2013, which amounted to ₱2.8 million for Biohitech and ₱0.02 million for SLLPHI, respectively, will expire in 2015.

c. The reconciliation of the Group's provision for income tax at the statutory tax rates to the provision for income tax shown in the consolidated statements of comprehensive income is as follows:

	2014	2013	2012
Income tax at statutory rate	**₱1,268,527**	₱635,239,950	₱9,146,659
Additions to (reductions in) income tax resulting from tax effects of:			
Nondeductible expenses and others	**3,127,525**	797,026,409	4,092,789

(Forward)

	2014	2013	2012
Nontaxable income	**(₱2,001,960)**	(₱1,437,278,564)	(₱5,359,229)
Nondeductible interest expense	**175,134**	272,426	840,988
Interest income subjected to final tax	**(95,169)**	(189,498)	(1,704,101)
Movements in unrecognized deferred tax assets	**–**	13,208,776	12,918,960
Provision for income tax	**₱2,474,057**	₱8,279,499	₱19,936,066

27. Related Party Transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by or under common control with the Group, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Group and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.

		Amount		Receivable/ (Payable)			
	Nature	**2014**	2013	**2014**	2013	**Terms**	**Conditions**
Subsidiaries:							
Biohitech Korea (BHK)	Advances	**₱–**	₱–	**(₱38,640,000)**	(₱38,640,000)	Noninterest-bearing	Unsecured, no impairment
Arco Management Development Corporation (AMDC)	Lease of office Space	**6,667,610**	8,111,241	**–**	(1,431,711)	Noninterest-bearing	Unsecured, no impairment
Associates:							
MIC	Advances	**1,133,990**	927,861	**2,078,161**	945,171	Non interest-bearing	Unsecured, no impairment
	Subscription payable	**–**	10,736,014	**(42,808,835)**	(42,808,835)	Noninterest-bearing	Unsecured, no impairment
Techsystems		**–**	245	**1,000**	1,000	Noninterest-bearing	Unsecured, no impairment

a. The Parent Company has a lease agreement with AMDC, an affiliate under common control, in the lease of office space and four parking lots (see Note 31).

b. Compensation of key management personnel of the Parent Company amounted to ₱52.8 million, ₱41.1 million and ₱40.9 million in 2014, 2013 and 2012, respectively. The Parent Company has no standard arrangement with regard to the remuneration of its directors. In 2014, 2013 and 2012, the BOD received a total of ₱9.8 million, ₱8.1 million and ₱8.0 million, respectively.

28. Equity

Capital Stock
The details of the Parent Company's capital stock as of December 31, 2014 and 2013 are as follows:

	2014		2013	
	Number of Shares	**Amount**	Number of Shares	Amount
Common shares - ₱1 par value				
Authorized - 1,000,000,000 shares				
Issued and outstanding (held by 973 and 980 equity holders in 2014 and 2013, respectively)	**948,734,898**	**₱948,734,898**	862,487,439	₱862,487,439
Stock dividend issued during the year	**47,435,850**	**47,435,850**	86,247,459	86,247,459
	996,170,748	**₱996,170,748**	948,734,898	₱948,734,898

Appropriation of Retained Earnings
In 2014, the BOD approved the release of the appropriation of retained earnings as of December 31, 2013. The Company's appropriated retained earnings for building improvements amounted to ₱17.2 million as of December 31, 2013.

Declaration of Dividends
The following are the details of the dividends declared in 2014 and 2013:

Type of Dividend	Date of Declaration	Date of Record	Date of Payment	Dividends per Share
Cash				
	April 8, 2014	May 20, 2014	June 16, 2014	₱0.05
	May 30, 2013	June 18, 2013	June 28,2013	0.05
Stock				
	April 8, 2014	July 14, 2014	August 7, 2014	5%
	May 30, 2013	July 18, 2013	August 13, 2013	10%

As of December 31, 2014 and 2013, outstanding dividends payable amounted to ₱2.8 million and ₱1.2 million, respectively.

During the regular board meeting held on March 6, 2015, the BOD approved a 5% cash dividends for the stockholders of record dated May 20, 2015 to be paid on June 16, 2015.

Restriction on Retained Earnings
Retained earnings account is restricted for the payment of dividends to the extent of the cost of shares held in treasury amounting to ₱7,096.

Deemed Cost Adjustment
As of December 31, 2014 and 2013, the unappropriated retained earnings includes the remaining balance of the deemed cost adjustment which arose when the Group transitioned to PFRS.

The components of the deemed cost adjustment are as follows:

	2014	2013
Real estate inventories	**₱76,676,550**	₱80,453,494
Investment properties	**566,074,010**	566,074,010
Revaluation increment	**642,750,560**	646,527,504
Deferred tax liability	**(192,825,169)**	(193,958,252)
Deemed cost adjustment	**₱449,925,391**	₱452,569,252

The deemed cost adjustment will be realized through sales for both real estate inventories and land under investment properties. The amount of the deemed cost adjustment and undistributed earnings included in the balance of the unappropriated retained earnings are restricted and not available for dividend declaration.

Cost of shares held by a subsidiary
In 2012, MIC transferred to SPPC 25,031,656 shares of MJCI pursuant to the provisions of the MOA signed on August 6, 2012 (see Note 6). The transfer resulted in an increase in additional paid-in capital amounting to ₱27.6 million in 2014 and 2013.

29. Basic/Diluted EPS

Basic/diluted earnings per share were computed as follows:

	2014	2013	2012
Net income attributable to equity holders of the Parent Company	**₱1,754,367**	₱2,109,187,001	₱17,289,659
Divided by weighted average number of outstanding common shares	**996,170,748**	996,170,748	996,170,748
Basic/diluted earnings per share	**₱0.0018**	₱2.1173	₱0.0174

The Parent Company does not have potential dilutive common shares as of December 31, 2014, 2013 and 2012. Therefore, the basic and diluted earnings per share are the same as of those dates.

Weighted average number of outstanding common shares is restated to reflect the effect of stock dividends declared in 2014 (see Note 28).

30. Operating Segment Information

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

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

As of December 31, 2014, 2013 and 2012, the Group has no transactions between reportable segments. The Group measures the segment net income or loss, segment assets and segment liabilities for each reportable segment in a manner similar to the measurement of the Group's total comprehensive income.

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

Segment Revenue and Expenses

The segment results for the years ended December 31 are as follows:

	2014					
	Club Races	**Real Estate**	**Rent**	**Food and Beverage**	**Unallocated**	**Total**
Segment revenue	**₱223,888,768**	**₱45,833,650**	**₱86,065,488**	**₱17,520,185**	**₱82,516,187**	**₱455,824,278**
Cost and expenses	**(170,546,549)**	**(10,360,398)**	**(58,710,930)**	**(16,667,638)**	**(195,310,339)**	**(451,595,854)**
Income (loss) before income tax	**53,342,219**	**35,473,252**	**27,354,558**	**852,547**	**(112,794,152)**	**4,228,424**
Provision for income tax	–	–	–	–	**2,474,057**	**2,474,057**
Net income (loss)	**₱53,342,219**	**₱35,473,252**	**₱27,354,558**	**₱852,547**	**(115,268,209)**	**₱1,754,367**

	2013					
	Club Races	Real Estate	Rent	Food and Beverage	Unallocated	Total
Segment revenue	₱216,425,501	₱158,220,785	₱89,004,920	₱7,100,295	₱2,171,284,317	₱2,642,035,818
Cost and expenses	(170,214,527)	(59,577,315)	(46,259,634)	(14,516,986)	(234,000,856)	(524,569,318)
Income (loss) before income tax	46,210,974	98,643,470	42,745,286	(7,416,691)	1,937,283,461	2,117,466,500
Provision for income tax	–	–	–	–	8,279,499	8,279,499
Net income (loss)	₱46,210,974	₱98,643,470	₱42,745,286	(₱7,416,691)	₱1,929,003,962	₱2,109,187,001

	2012					
	Club Races	Real Estate	Rent	Food and Beverage	Unallocated	Total
Segment revenue	₱280,868,413	₱211,715,787	₱125,818,791	₱–	₱60,617,510	₱679,020,501
Cost and expenses	(203,903,874)	(118,949,777)	(75,692,631)	–	(249,985,356)	(648,531,638)
Income (loss) before income tax	76,964,539	92,766,010	50,126,160	–	(189,367,846)	30,488,863
Provision for income tax	–	–	–	–	(19,936,066)	(19,936,066)
Net income (loss)	₱76,964,539	₱92,766,010	₱50,126,160	₱–	(₱209,303,912)	₱10,552,797

Finance costs, other income (charges) and income taxes are not allocated to individual segments as the underlying instruments are managed on a group basis and are not provided to the chief operating decision maker at the operating segment level in 2014, 2013 and 2012. Equity in net earnings of an interest in joint ventures amounting to ₱17.6 million and nil in 2014 and 2013, respectively, are included in the segment revenue of operating segment "Rent".

Segment Assets and Liabilities and Other Information
The segment assets and liabilities as of December 31, 2014 and 2013 and capital expenditures for the years then ended are as follows:

	2014					
	Club Races	**Real Estate**	**Rent**	**Food and Beverage**	**Unallocated**	**Total**
Assets	**₱1,037,878,879**	**₱368,266,081**	**₱530,051,513**	**₱3,951,380**	**₱3,179,171,658**	**₱5,119,319,511**
Liabilities	**110,663,282**	**264,308,647**	**88,906,656**	–	**361,924,645**	**825,803,230**
Capital expenditures	**8,689,013**	–	–	**458,571**	**68,922,507**	**78,070,091**
Interest income	–	**10,444,721**	–	–	**2,180,326**	**12,625,047**
Finance cost	–	–	–	–	**3,733,470**	**3,733,470**
Depreciation	**38,249,637**	–	**24,214,523**	**464,330**	**14,850,958**	**77,779,448**

	2013					
	Club Races	Real Estate	Rent	Food and Beverage	Unallocated	Total
Assets	₱1,006,676,455	₱1,066,683,038	₱467,916,817	₱559,340	₱2,619,451,705	₱5,161,287,355
Liabilities	84,264,042	316,991,239	65,544,574	–	347,761,152	814,561,007
Capital expenditures	12,574,273	–	–	1,294,895	8,856,240	22,725,408
Interest income	–	9,687,098	–	–	3,320,377	13,007,475
Finance cost	–	–	–	–	4,810,933	4,810,933
Depreciation	39,170,853	–	29,082,392	478,101	16,804,481	85,535,827

	2012					
	Club Races	Real Estate	Rent	Food and Beverage	Unallocated	Total
Assets	₱1,115,985,067	₱1,093,555,345	₱571,644,928	₱–	₱528,838,481	₱3,310,023,821
Liabilities	86,310,284	317,138,508	65,356,592	–	434,030,955	902,836,339
Capital expenditures	27,717,675	–	–	–	4,249,218	31,966,893
Interest income	–	17,522,284	–	–	8,757,003	26,279,287
Finance cost	–	–	–	–	6,095,666	6,095,666
Depreciation	49,377,877	–	43,970,349	–	18,493,484	111,841,710

31. Commitments and Contingencies

The following are the significant commitments and contingencies involving the Group:

a. Operating Lease Commitment - the Parent Company as Lessee

On January 1, 2008, the Parent Company renewed its lease agreement with AMDC, an affiliate, for the lease of office space and four parking lots. The lease is for a period of five years starting 2008 and includes an annual escalation rate of 5.0%. The monthly rate of the lease for the year 2012 amounted to ₱385,923. The lease contract expired in December 2012 and the Parent Company renewed its lease agreement with AMDC on February 5, 2013 with a monthly rate of ₱427,550 and will expire in December 31, 2017.

The future minimum lease payments under this operating lease as of December 31 are as follows:

	2014	2013
Within one year	**₱5,656,484**	₱5,387,127
After one year but not more than five years	**12,175,582**	17,832,066
	₱17,832,066	₱23,219,193

On January 1, 2011, the Parent Company entered into a new lease agreement with AMDC for the lease of office space at 12th floor of Strata 100 building. The lease is for a period of five years starting 2011 with a yearly escalation of 5.0%.

Total rent expense from this operating lease amounted to ₱5.4 million in 2014, ₱6.0 million in 2013, and ₱8.0 million in 2012, respectively (see Note 19). The term of the contract will expire in December 31, 2015.

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

In 2013, the Company entered a lease contract for three years commencing July 10, 2013 with PAGCOR to lease an area of 189.231 square meters for a monthly fixed rental of ₱510.51 per square meter for its casino and related activities.

Rent income from PAGCOR amounted to ₱ 1.2 million in 2014 and 2013, respectively.

The future minimum lease receivables under this lease agreement as of December 31 are as follows:

	2014	2013
Within one year	**₱1,159,252**	₱1,159,252
After one year but not more than five years	**1,159,252**	2,318,504
	₱2,318,504	₱3,477,756

c. On October 2013, the Parent Company entered into a lease agreement with PAGCOR to lease one thousand four hundred twenty seven (1,427) square meters property, with modern slot machines, including the rights to a proprietary system of linking and networking the said slot machines, in Turf Club Bldg., San Lazaro Leisure Park, Carmona, Cavite. The Parent Company shall pay monthly variable rent equivalent to thirty-five percent (35%) of revenues less winnings/prizes and five (5%) franchise tax. The agreement shall be effective until June 30, 2016.

d. In 2014, the Parent Company, together with MMTC, entered into an agreement that allows horse racing aficionados from both clubs to place bets on either clubs' race day using the telephone betting (TELEBET) account of the bettor from the other club, provided that the account has a balance upon placing of wagers.

As of December 31, 2014 and 2013, receivables from MMTC amount to ₱12.6 million and nil, respectively, while payable to MMTC amounted to ₱12.0 million and nil, respectively.

e. Claims and Legal Actions

As of December 31, 2014 and 2013, there are pending claims and legal actions against or in favor of the Parent Company arising from the normal course of business, in addition to the matters already mentioned elsewhere in these financial statements. In the opinion of the Parent Company's management and its legal counsel, liabilities arising from these claims, if any, would not have any material effect on the Parent Company and any liability or loss arising there from would be taken up when the final resolution of the claims and actions are determined.

f. Unclaimed Dividends on Winnings

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

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

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

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

To resolve the foregoing issue, the Parent Company filed a *Petition for Declaratory Relief* on November 6, 2013. As of December 31, 2014, the status is still pending before the Regional Trial Court of Bacoor, Cavite.

The Parent Company recognized provision for probable loss amounted to ₱13.1 million and ₱8.3 million as of December 31, 2014 and 2013, respectively (see Note 17).

32. Financial Instruments

The following tables provide the fair value hierarchy of the Group's AFS and loans and borrowings:

			2014		
			Fair value measurement using		
	Carrying Amounts	**Fair Value**	**Quoted Prices in Active Market (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
AFS financial assets	**₱21,504,218**	**₱21,504,218**	**₱21,434,468**	**₱–**	**₱69,750**
Loans and borrowing	**88,723,214**	**88,723,214**	**–**	**–**	**88,723,214**
	₱110,227,432	**₱110,227,432**	**₱21,434,468**	**₱–**	**₱88,792,964**

			2013		
			Fair value measurement using		
	Carrying Amounts	Fair Value	Quoted Prices in Active Market (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
AFS financial assets	₱21,242,951	₱21,242,951	₱21,242,951	₱–	₱–
Loans and borrowing	115,122,796	115,122,796	–	–	115,122,796
	₱136,365,747	₱136,365,747	₱21,242,951	₱–	₱115,122,796

As of December 31, 2014 and 2013, the Group's quoted held for trading investments and AFS financial assets measured at fair value under the Level 1 hierarchy totaled ₱21.4 million and ₱21.2 million, respectively. Fair value under Level 3 hierarchy pertains to PLDT shares amounting to ₱0.07 million expected to redeemed within 10 years effective January 19, 2012. There were no financial instruments measured at fair value under the Level 2 hierarchies.

Unquoted AFS shares amounted to ₱0.6 million and nil as at December 31, 2014 and 2013. Carrying amount of these shares is equal to its fair value as at December 31, 2014 and 2013, respectively.

In 2014 and 2013, the carrying value of cash and cash equivalents, receivables, deposits and accounts payable and other liabilities and due to related parties approximates its fair value due to the short-term nature of the transaction.

33. Financial Risk Management Objectives and Policies

The Group's financial instruments comprise cash and cash equivalents, receivables, AFS financial assets, deposits, accounts payable and other liabilities, interest-bearing loans and borrowings due to related parties and subscriptions payable. The main purpose of these financial instruments is to finance the Group's operations.

The main risks arising from the use of these financial instruments include cash flow interest rate risk, equity price risk, foreign currency risk, credit risk and liquidity risk. The Group's BOD reviews and approves the policies for managing these risks and these are summarized below.

Cash flow interest rate risk
Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rate relates primarily to the Group's interest-bearing loans and borrowings which carry floating interest rates (see Note 16).

The Group's interest rate risk management policy focuses on reducing the overall interest expense and exposure to changes in interest rates. Risk of changes in market interest rates is related primarily to the Group's interest on financial instruments classified as floating rate as it can cause a change in the amount of interest payments.

Interest on financial instruments classified as floating rate is repriced at intervals of less than a year. The financial instruments of the Group that bear fixed interest rates or are noninterest-bearing are not included in the succeeding analyses. The Group invests excess funds in short-term investments in order to mitigate any increase in interest rate on borrowings.

The following table demonstrates the sensitivity of the Group's income before income tax to a reasonably possible change in interest rates, with all other variables held constant, for the years ended December 31, 2014 and 2013. There is no impact on the Group's equity other than those affecting profit or loss.

	Increase (decrease) in basis points	**Effect on income before income tax**
2014	+1%	**(₱887,232)**
	-1%	**887,232**

	Increase (decrease) in basis points	Effect on income before income tax
2013	+1%	(₱992,946)
	-1%	992,946

Equity price risk
Equity price risk is the risk that the fair values of quoted equity securities will fluctuate because of changes in the level of indices and the value of individual stocks. The Group is exposed to equity price risk because of quoted equity investments held by the Group, which are classified in the consolidated statements of financial position as held for trading investments and AFS financial assets.

The following table demonstrates the sensitivity of the Group's equity to a reasonably possible change in the PSE index (PSEi), with all other variables held constant, for the years ended December 31, 2014 and 2013:

	Increase (decrease) in PSEi	Effect on equity
2014	+14%	**₱3,037,681**
	-14%	**(3,037,681**
2013	+14%	1,831,117
	-14%	(1,831,117)

Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows from the Group's foreign-currency denominated assets or liabilities may fluctuate due to changes in foreign exchange rates.

The Group's foreign currency risk relates to its foreign currency-denominated cash in banks. To manage this risk, management closely monitors the movements in exchange rates and regularly assesses future foreign exchange rate movements.

The Group's outstanding foreign currency-denominated financial asset pertaining to cash in banks as of December 31 and its Peso equivalent are as follows:

	United States (US) Dollar	Philippine Peso
2014	**US$5,609**	**₱250,847**
2013	93,731	4,161,188

As of December 31, 2014 and 2013, the applicable closing exchange rates were ₱44.7 to US$1 and ₱44.4 to US$1, respectively. Net foreign exchange loss amounted to ₱105,077 and nil in 2014 and 2013, respectively.

The sensitivity of the Group's income before income tax to a reasonably possible change in the US Dollar exchange rate against the Peso, with all other variables held constant, has no significant effect in the financial statements for the years ended December 31, 2014 and 2013.

Credit risk

Credit risk arises because the counterparty may fail to discharge its contractual obligations. The Group transacts only with related parties and recognized and creditworthy third parties. Receivable balances are monitored on an ongoing basis. Further, management intensifies its collection efforts to collect from defaulting third parties.

The Group's policy is to enter into transactions with a diversity of creditworthy parties to mitigate any significant concentration of credit risk. There is no significant concentration of credit risk in the Group.

The table below shows the maximum gross exposure to credit risk of the Group as of December 31, 2014 and 2013.

	2014	2013
Loans and receivables:		
Cash and cash equivalents:		
Cash in banks	₱244,728,436	₱151,188,886
Cash equivalents	47,545,719	101,184,014
	292,274,155	252,372,900
Receivables:		
Real estate receivables**	228,964,771	288,434,328
Dividends receivable	29,792,491	17,088,300
Receivable from MMTC	16,360,723	–
Rent receivables	9,399,120	25,120,475
Receivable from PAGCOR	6,995,045	–
Advances and loans to officers and employees	5,243,121	9,427,855
Due from related parties	2,079,161	946,171
Receivables from OTB operators	1,965,943	1,193,961
Receivable from sale of investment property	–	20,000,000
Others	8,467,207	18,374,845
	309,267,582	380,585,935
Deposits*	3,375,580	3,375,580
	₱604,917,317	₱636,334,415

** Included in "Other noncurrent assets" account in the consolidated statements of financial position.*
***Includes non-current real estate receivable*

The tables below show the credit quality of financial assets as of December 31.

	2014			
	Standard Grade	Past Due but not Individually Impaired	Individually Impaired	Total
Loans and receivables:				
Cash and cash equivalents:				
Cash in banks	₱244,728,436	₱–	₱–	₱244,728,436
Cash equivalents	47,545,719	–	–	47,545,719
Receivables:				
Real estate receivable	228,964,771	–	–	228,964,771
Dividends receivable	29,792,491	–	–	29,792,491
Receivable from MMTC	16,360,723	–	–	16,360,723
Rent receivables	9,399,120	–	1,197,798	10,596,918
Receivable from PAGCOR	6,995,045	–	–	6,995,045
Advances and loans to officers and employees	5,243,121	–	–	5,243,121
Due from related parties	2,079,161	–	–	2,079,161
Receivables from OTB operators	1,965,943	–	–	1,965,943
Others	8,467,207	–	10,466,818	18,934,025
Deposits*	3,375,580		–	3,375,580
	₱604,917,317	₱–	₱11,664,616	₱616,581,933

** Included in "Other noncurrent assets" account in the consolidated statements of financial position.*

	2013			
	Standard Grade	Past Due but not Individually Impaired	Individually Impaired	Total
Loans and receivables:				
Cash and cash equivalents:				
Cash in banks	₱151,188,886	₱–	₱–	₱151,188,886
Cash equivalents	101,184,014	–		101,184,014
Receivables:				
Real estate receivable	288,434,328	–	–	288,434,328
Receivables from OTB operators	1,193,961	–	–	1,193,961
Rent receivables	25,120,475	–	1,508,371	26,628,846
Dividends receivable	17,088,300	–	–	17,088,300
Receivable from PAGCOR	–	–	–	–
Receivable from sale of investment property	20,000,000	–	–	20,000,000
Receivable from MMTC	–	–	–	–
Advances and loans to officers and employees	9,427,855	–	–	9,427,855
Due from related parties	946,171	–	–	946,171
Others	18,374,845	–	7,188,405	25,563,250
Deposits*	3,375,580	–	–	3,375,580
	₱636,334,415	₱–	₱8,696,776	₱645,031,191

** Included in "Other noncurrent assets" account in the consolidated statements of financial position.*

The credit quality of the financial assets was determined as follows:

Cash in banks and deposits
These are considered standard grade based on the nature of the counterparty and the Group's internal rating system. Cash and deposits are limited to highly reputable banks and counterparties duly authorized by the BOD.

Receivables
Standard grade pertains to receivables from existing and active buyers, OTB operators, lessees, related parties and other counterparties. These receivables have no history of significant default or delinquency in collections but have a reasonable probability of non-collectibility.

Past due but not impaired loans and receivables amounting to nil as of December 31, 2014 and 2013, are aged more than one year but less than three years.

Liquidity risk
The Group monitors and maintains a certain level of cash and cash equivalents to finance the Group's operation, ensure continuity of funding and to mitigate the effect of fluctuations in cash flows. It maintains a balance between continuity of funding and flexibility by regularly evaluating its projected and actual cash flows through the use of bank loans and extension of suppliers' credit terms. The Group maximizes the net cash inflows from operations to finance its working capital requirements.

The tables below summarize the maturity profile of the Group's financial liabilities as of December 31, 2014 and 2013 based on contractual undiscounted payments (principal and interest) and the profile of the financial assets used to manage the Group's liquidity risk:

December 31, 2014

	Within 1 year	**>1 year to <3 years**	**3 years to <5 years**	**5 years and more**	**Total**
Loans and borrowings:					
Bank loans*	**₱91,975,221**	**₱–**	**₱–**	**₱–**	**₱91,975,221**
Accounts payable and other liabilities**	**321,572,610**	–	–	–	**321,572,610**
Due to related parties	**38,640,000**	–	–	–	**38,640,000**
Subscription payable	**42,808,835**	–	–	–	**42,808,835**
	₱490,592,671	**₱–**	**₱–**	**₱–**	**₱490,592,671**

** Amounts are inclusive of interest amounting to ₱3.0 million.*
*** Amounts are exclusive of nonfinancial liabilities amounting to ₱32.8 million.*

	Within 1 year	**>1 year to <3 years**	**3 years to <5 years**	**Total**
Cash on hand	**₱10,704,469**	**₱–**	**₱–**	**₱10,704,469**
Loans and receivables:			–	
Cash in banks	**244,728,436**	–	–	**244,728,436**
Cash equivalents	**47,545,719**	–	–	**47,545,719**
Receivables*	**311,045,995**	–	–	**311,045,995**
Deposits**	–	–	**3,375,580**	**3,375,580**
	603,320,150	–	**3,375,580**	**606,695,730**
AFS financial assets	–	–	**22,067,765**	**22,067,765**
	₱614,024,619	**₱**	**₱25,443,345**	**₱639,467,964**

** Amounts are exclusive of nonfinancial assets amounting to ₱5.1 million.*
*** Included in the "Other non-current assets" in the consolidated statements of financial position*

December 31, 2013

	Within 1 year	>1 year to <3 years	3 years to <5 years	5 years and more	Total
Loans and borrowings:					
Bank loans*	₱73,786,094	₱14,950,000	₱–	₱–	₱88,736,094
Accounts payable and other liabilities**	229,851,478	–	–	–	229,851,478
Due to related parties	38,640,000	–	–	–	38,640,000
Subscription payable	42,808,835	–	–	–	42,808,835
	₱385,086,407	₱14,950,000	₱–	₱–	400,036,407

** Amounts are inclusive of interest amounting to ₱4.8 million.*
*** Amounts are exclusive of nonfinoncial liabilities amounting to ₱85.6 million.*

	Within 1 year	>1 year to <3 years	3 years to <5 years	Total
Cash on hand	₱11,382,802	₱–	₱–	₱11,382,802
Loans and receivables:				
Cash in banks	151,188,886	–	–	151,188,886
Cash equivalents	101,184,014	–	–	101,184,014
Receivables	384,616,402	–	–	384,616,402
Deposits*	–	–	3,375,580	3,375,580
	636,989,302	–	3,375,580	640,364,882
AFS financial assets	–	–	21,242,951	21,242,951
	₱648,372,104	₱–	₱24,618,531	₱672,990,635

** Amounts are exclusive of nonfinancial assets amounting to ₱4.0 million.*

34. Capital Management

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

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

	2014	2013
Capital stock	**₱996,170,748**	₱948,734,898
Additional paid-in capital	**27,594,539**	27,594,539
Net cumulative changes in fair values of AFS financial assets	**5,216,306**	9,013,593
Remeasurement on retirement benefits	**21,144,472**	24,875,348
Retained earnings:		
Appropriated	**–**	17,180,917
Unappropriated	**3,245,679,278**	3,321,616,115
Treasury shares	**(7,096)**	(7,096)
Noncontrolling interest	**(2,281,966)**	(2,281,966)
	₱4,293,516,281	₱4,346,726,348

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

35. Other Matters

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

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

PFF is responsible for th4e governance, development and promotion of football in the Philippines and the sole controlling body of all provincial football associations. It is a regular member of FIFA, AFF, AFC and the Philippine Olympic Committee.

SGV

Building a better working world

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the accompanying consolidated financial statements of Manila Jockey Club, Inc. and Subsidiaries (the "Group") as at December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014 included in this Form 17-A and have issued our report thereon dated April 13, 2015. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to Consolidated Financial Statements and Supplementary Schedules are the responsibility of the management of the Group. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic consolidated 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. 4751272, January 5, 2015, Makati City

April 13, 2015

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION I
Date APR 15 2015 SDS
RECEIVED
PRECIOSA C. JAVIER

MANILA JOCEKY CLUB, INC.
Schedule A. Financial Assets
As of December 31, 2014

Financial Assets	Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Balance Sheet	Valued Based on Market Quotation at End of Reporting Period	Income Received and Accrued
AFS investments					
Quoted Equity Shares					
	Bank of the Philippine Islands	8,430	792,420	792,420	7,587
	Metropolitan Bank & Trust Company	11,000	913,000	913,000	
	Manila Electric Company	3,390	867,840	867,840	20,035
	Globe Telecom, Inc.	300	519,000	519,000	7,500
	Dizon Copper Silvermines, Inc.	82	518	518	
	Ayala Corporation (Class "B" Series 2 Perpetual Preferred Shares)	10,000	5,040,000	5,040,000	
	PLDT (10% Cumulative Convertible Preferred Stock)	6,975	69,750	69,750	–
	Manila Southwoods	1	400,000	400,000	–
	Sta. Elena Golf	1	3,000,000	3,000,000	–
	Tagaytay Highland	1	500,000	500,000	–
	Club Filipino	1	180,000	180,000	–
	Tower Club, Inc.	–	600,000	600,000	–
Unquoted Equity Shares				0	
	PLDT (Subscriber's Plan - at Cost)	–	370,047	370,047	–
	Banahaw Cable Car	–	5,000	5,000	–
	Metropolitan Theater - Membership	–	20,000	20,000	–
	PLDT (Subs. Investment Plan)	–	165,500	165,500	–
	Executive Suites Stocks - Membership	–	3,000	3,000	–
Treasury Bonds				0	
	Bureau of Treasury, Republic of the Philippines	7,000,000	8,621,690	8,621,690	428,750
Total			**22,067,765**	**22,067,765**	**463,872**

MANILA JOCKEY CLUB, INC.

Schedule B. **Amounts Receivable from Directors, Offieers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)**
As of December 31, 2014

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions		Current	Not Current	Balance at End of Period
			Amounts Collected	Amounts Written Off			

Not Applicable

MANILA JOCKEY CLUB, INC.

Schedule C. Amounts Receivable from Related Parties which are eliminated during the Consolidation of Financial Statements
As of December 31, 2014

Name of Debtor	Designation of debtor	Balance at the Beginning of the Period	Additions	Deductions			Current	Not Current	Balance at End of Period
				Amounts Collected	Amounts Written Off	Others			
Biohitech Philippines, Inc.	Subsidiary	1,000	-	-	-	-	1,000	-	1,000
SLLP Holdings, Inc.	Subsidiary	1,000	-	-	-	-	1,000	-	1,000
MJC Forex Corporation	Subsidiary	-	1,350	336	-	-	1,014.00	-	1,014
Manilacockers Club, Inc.	Subsidiary	(644)	1,142,060	-	-		1,141,416	-	1,141,416
Gametime Sports & Technologies, Inc.	Subsidiary	1,375,823	1,380,303	-	-	-	2,756,126	-	2,756,126
MJC Investments Corporation	Associate	943,081	1,873,731	738,650	-	-	2,078,162	-	2,078,162
Techsystems, Inc.	Associate	1,000	-	-	-	-	1,000	-	1,000
TOTAL		**2,321,260**	**4,397,444**	**738,986**	-	-	**5,979,718**	-	**5,979,718**

MANILA JOCKEY CLUB, INC.
Schedule D. Intangible Assets – Other Assets
As of December 31, 2014

Description	Beginning Balance	Additions at Cost	Charged to Cost and Expenses	Charged to Other Accounts	Other Changes Additions / (Deductions)	Ending Balance

Not Applicable

MANILA JOCKEY CLUB, INC.
Schedule E. Long-term Debt
As of December 31, 2014

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount Shown Under Caption "Current Portion of Long-term Debt" in Related Balance Sheet	Amount Shown Under Caption "Long-term Debt" in Related Balance Sheet						
			Amount - Long-Term	Interest Rate			No. of Periodic Installment	Amount of Periodic Installment	Maturity Date
				Low	High	Average			
BANK LOANS									
PN 824151211576	25,000,000.00	3,571,428	-	4.25%	4.25%	4.25%	4	892,857	11/05/15
PN 824151212122	40,000,000.00	5,714,286	-	4.25%	4.25%	4.25%	4	1,428,572	11/05/15
PN 824151212502	20,000,000.00	2,857,144	-	4.25%	4.25%	4.25%	4	714,286	11/05/15
PN 824151217719	15,000,000.00	2,142,857	-	4.25%	4.25%	4.25%	4	535,714	11/05/15
TOTAL	**100,000,000.00**	**14,285,715**	**-**					**3,571,429**	

MANILA JOCKEY CLUB, INC.

Schedule F. Indebtedness to Related Parties (Long-term Loans from Related Companies)

As of December 31, 2014

Name of Related Party	Balance at Beginning of Period	Balance at End of Period
SLLP Holdings, Inc.	3,667,137	3,667,137
New Victor Technologies, Limited	1,420,209	-
	5,087,346	**3,667,137**

MANILA JOCKEY CLUB, INC.

Schedule G. Guarantees of Securities of Other Issuers

As of December 31, 2014

Name of Issuing Entity of Securities Guaranteed by the Company for which this Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by Person for which this Statement is Filed	Nature of Guarantee
	Not Applicable			

MANILA JOCKEY CLUB, INC.

Schedule H. Capital Stock

As of December 31, 2014

Title of issue	Number of shares authorized	Number of shares issued and outstanding and shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Treasury
Common Stock	**1,000,000,000**	**996,170,748**	**-**	**-**	**83,192,370**	**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, 2014

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

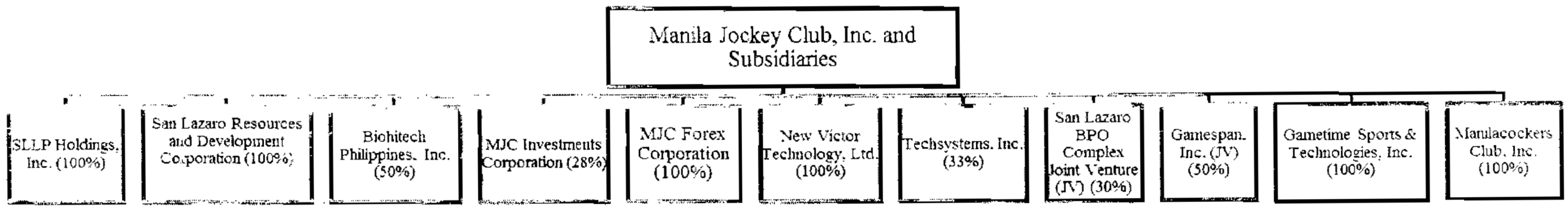
Not Applicable

MANILA JOCKEY CLUB, INC.

Schedule J. **Parent Company Retained Earnings Available for Dividend Declaration**
As at and for the year ended December 31, 2014

Unappropriated retained earnings, beginning as restated	**₱1,716,075,506**
Add: Net income actually earned/realized during the year:	**18,940,983**
Less: Deemed cost adjustment on real estate properties realized through sale, net of deferred income tax	**2,643,855**
Treasury shares	**(7,096)**
Unappropriated retained earnings, as adjusted to amount available for dividend declaration	**1,737,653,248**
Add/(Less): Cash dividends declared during the year	**(47,436,271)**
Reversal of previous appropriation during the year	**17,180,917**
Unappropriated retained earnings available for dividend declaration, end	**₱1,707,397,894**

MANILA JOCKEY CLUB, INC.
Schedule K. Map of Subsidiaries
As of December 31, 2014



MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES

SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS AS OF DECEMBER 31, 2014

[illegible]		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework for Financial Reporting		✓		
PFRS Practice Statement Management Commentary				✓
PFRS				
PFRS 1	First-time Adoption of PFRS			✓
	PFRS 1 and Philippine Accounting Standards (PAS) 27 (Amendments) - *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*			✓
	PFRS 1 (Amendments) - *Additional Exemptions for First-time Adopters*			✓
	PFRS 1 (Amendments) - *Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters*			✓
	PFRS 1 (Amendments) - *Severe Hyperinflation and Removal of Fixed Date of First-time Adopters*			✓
	PFRS 1 (Amendments) - *Government Loans*			✓
PFRS 2	Share-based Payment			✓
	PFRS 2 (Amendments) - *Vesting Conditions and Cancellations*			✓
	PFRS 2 (Amendments) - *Group Cash-settled Share-based Payment Transactions*			✓
PFRS 3 (Revised)	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
	PAS 39 and PFRS 4 (Amendments) - *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	✓		
	PAS 39 and PFRS 7 (Amendments) - *Reclassification of Financial Assets - Effective Date and Transition*			✓
	PFRS 7 (Amendments) - *Improving Disclosures about Financial Instruments*	✓		
	PFRS 7 (Amendments) - *Disclosures - Transfers of Financial Assets*			✓
	PFRS 7 (Amendments) - *Offsetting Financial Assets and Financial Liabilities*			✓
	PFRS 7 (Amendments) - *Mandatory Effective Date of PFRS 9 and Transition Disclosures*	NOT EARLY ADOPTED		
PFRS 8	Operating Segments	✓		
PFRS 9 (2014)	Financial Instruments	NOT EARLY ADOPTED		
PFRS 10	Consolidated Financial Statements	✓		
	PFRS 10 (Amendments) - *Investment Entities*	✓		
	PFRS10 (Amendments) - *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	NOT EARLY ADOPTED		

[illegible]		Adopted	Not Adopted	Not Applicable
PFRS 11	Joint Arrangements	✓		
	PFRS 11 (Amendments) - *Accounting for Acquisitions of Interests in Joint Operations*	NOT EARLY ADOPTED		
PFRS 12	Disclosure of Interests in Other Entities			✓
	PFRS 12 (Amendments) - *Investment Entities*	✓		
PFRS 13	Fair Value Measurement	✓		
Philippine Accounting Standards (PAS)				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	PAS 32 and PAS 1 (Amendments) - *Puttable Financial Instruments and Obligations Arising from Liquidation*			✓
	PAS 1 (Amendments) - *Presentation of Items of Other Comprehensive Income*	✓		
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 Date	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	PAS 12 (Amendments) - *Deferred Tax: Recovery of Underlying Assets*	✓		
PAS 16	Property, Plant and Equipment	✓		
	PAS 16 (Amendments) - *Clarification of Acceptable Methods of Depreciation and Amortization*	NOT EARLY ADOPTED		
	PAS 16 (Amendments) - *Bearer Plants*	NOT EARLY ADOPTED		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	PAS 19 (Amendments) - *Defined Benefit Plans: Employee Contributions*	NOT EARLY ADOPTED		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	PAS 21 (Amendments) - *Net Investment in a Foreign Operation*			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements			✓
	PAS 27 (Amendments) - *Investment Entities*	✓		
	PAS 27 (Amendments) - *Equity Method in Separate Financial Statements*	NOT EARLY ADOPTED		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, [illegible]		Adopted	Not Adopted	Not Applicable
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	PAS 28 (Amendments) - *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	NOT EARLY ADOPTED		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
	PAS 32 and PAS 1 (Amendments) - *Puttable Financial Instruments and Obligations Arising on Liquidation*			✓
	PAS 32 (Amendments) - *Classification of Rights Issues*			✓
	PAS 32 (Amendments) - *Offsetting Financial Assets and Financial Liabilities*			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
	PAS 36 (Amendments) - *Recoverable Amount Disclosures for Non-financial Assets*			✓
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	PAS 38 (Amendments) - *Clarification of Acceptable Methods of Depreciation and Amortization*	NOT EARLY ADOPTED		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	PAS 39 (Amendments) - *Transition and Initial Recognition of Financial Assets and Financial Liabilities*	✓		
	PAS 39 (Amendments) - *Cash Flow Hedge Accounting of Forecast Intragroup Transactions*			✓
	PAS 39 (Amendments) - *The Fair Value Option*			✓
	PAS 39 and PFRS 4 (Amendments) - *Financial Guarantee Contracts*			✓
	PAS 39 and PFRS 7 (Amendments) - *Reclassification of Financial Assets*			✓
	PAS 39 and PFRS 7 (Amendments) - *Reclassification of Financial Assets - Effective Date and Transition*			✓
	Philippine Interpretation IFRIC 9 and PAS 39 (Amendments) - *Embedded Derivatives*			✓
	PAS 39 (Amendments) - *Eligible Hedged Items*			✓
	PAS 39 (Amendments) - *Novation of Derivatives and Continuation of Hedge Accounting*			✓
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
	PAS 41 (Amendments) - *Bearer Plants*	NOT EARLY ADOPTED		
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	*Determining whether an Arrangement Contains a Lease*	✓		

[illegible]		[illegible]	[illegible]	[illegible]
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			✓
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
IFRIC 10	*Interim Financial Reporting and Impairment*			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
IFRIC 15 *	Agreements for the Construction of Real Estate			✓
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			✓
SIC 7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives			✓
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			✓
Annual Improvements to PFRSs (2010-2012 Cycle)				
PAS 16	Property, Plant and Equipment -*Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*	NOT EARLY ADOPTED		
PAS 38	Intangible Assets - *Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*	NOT EARLY ADOPTED		
PAS 24	Related Party Disclosures - *Key Management Personnel*	NOT EARLY ADOPTED		
PFRS 2	Share-based Payment - *Definition of Vesting Condition*	NOT EARLY ADOPTED		
PFRS 3	Business Combinations - *Accounting for Contingent Consideration in a Business Combination*	NOT EARLY ADOPTED		
PFRS 8	Operating Segments - *Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*	NOT EARLY ADOPTED		

[illegible]		[illegible]
Annual Improvements to PFRSs (2011-2013 Cycle)		
PAS 40	Investment Property	NOT EARLY ADOPTED
PFRS 3	Business Combinations - *Scope Exceptions for Joint Arrangements*	NOT EARLY ADOPTED
PFRS 13	Fair Value Measurement - *Portfoliio Exception*	NOT EARLY ADOPTED
Annual Improvements to PFRSs (2012-2014 Cycle)		
PAS 19	Employee Benefits - *Regional Market Issue Regarding Discount Rate*	NOT EARLY ADOPTED
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations - *Changes in Methods of Disposal*	NOT EARLY ADOPTED
PFRS 7	Financial Instruments: Disclosures - *Servicing Contracts*	NOT EARLY ADOPTED

[a] The effective date of this interpretation was deferred until the final Revenue standard is issued.

MANILA JOCKEY CLUB, INC.
Schedule M. Financial Soundness Indicators
As of December 31, 2014

	As of and for the Year Ended December 31		
	2014	2013	2012
Liquidity ratios			
Current ratio[(a)]	**1.09**	1.20	1.45
Interest rate coverage ratio[(b)]	**24.26**	500.15	25.39
Solvency ratios			
Debt to equity ratio[(c)]	**0.02**	0.03	0.05
Asset to equity ratio[(d)]	**1.19**	1.19	1.36
Profitability ratio			
EBITDA margin[(e)]	**0.23**	4.46	0.26

[(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, 2014 and 2013**, 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

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION I
Date APR 15 2015 SDS
RECEIVED
PRECIOSA C. JAVIER

Nestor N. Ubalde
Chief Finance Officer

Signed this 15 day of APR 2015, 2015.

JING-JING S. ROMERO
NOTARY PUBLIC
APPOINTMENT NO. 194 (2014-2015)
UNTIL DECEMBER 31, 2015
PTR NO. 3822(04/01-07-15/PASIG CITY
IBP NO.987930/01-08-15/QUEZON CITY
CITY OF PASIG
ROLL OF ATTORNEY NO. 60827

DOC. NO. 369
PAGE NO. 75;
BOOK NO. I;
SERIES OF 2015;

SGV
Building a better
working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
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 statements of financial position as at December 31, 2014 and 2013, 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.

SGV
Building a better working world

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, 2014 and 2013, 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. 4751272, January 5, 2015, Makati City

April 13, 2015

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION I
Date APR 15 2015 SDS
RECEIVED
PRECIOSA C. JAVIER

MANILA JOCKEY CLUB, INC.

PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31 2014	December 31 2013
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	**₱296,843,220**	₱257,111,458
Receivables (Note 7)	**183,988,349**	223,735,658
Inventories (Note 8)	**95,301,721**	99,364,673
Other current assets (Note 9)	**4,608,945**	4,706,185
Total Current Assets	**580,742,235**	584,917,974
Noncurrent Assets		
Real estate receivables - net of current portion (Note 7)	**128,751,041**	150,661,281
Investments in subsidiaries, associates and joint ventures (Note 10)	**731,316,637**	731,316,637
Available-for-sale (AFS) financial assets (Note 11)	**22,067,765**	21,242,951
Property and equipment (Notes 12 and 29)	**965,560,487**	947,292,419
Investment properties (Notes 10, 13, 15 and 29)	**1,010,782,640**	1,023,209,265
Other noncurrent assets (Note 14)	**31,991,709**	34,403,556
Total Noncurrent Assets	**2,890,470,279**	2,908,126,109
	₱3,471,212,514	₱3,493,044,083
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term loans and borrowings (Notes 13 and 15)	**₱74,437,500**	₱86,437,500
Accounts payable and other liabilities (Notes 12 and 16)	**351,814,449**	311,591,150
Income tax payable	**12,669,247**	2,821,738
Current portion of long-term loans and borrowings (Note 13 and 15)	**14,285,715**	14,285,714
Due to related parties (Note 26)	**6,730,741**	5,087,345
Subscription payable (Note 31)	**42,808,835**	42,808,835
Total Current Liabilities	**502,746,487**	463,032,282
Noncurrent Liabilities		
Long-term loans and borrowings - net of current portion (Notes 13 and 15)	**–**	14,285,715
Accrued retirement benefits (Note 21)	**42,512,894**	35,061,172
Deferred tax liabilities - net (Note 25)	**246,103,418**	264,791,748
Total Noncurrent Liabilities	**288,616,312**	314,138,635
	791,362,799	777,170,917
Equity		
Capital stock (Note 27)	**996,170,748**	948,734,898
Actuarial gains on accrued retirement benefits (Note 21)	**21,144,472**	24,875,348
Net cumulative changes in fair values of AFS financial assets (Note 11)	**5,216,306**	9,013,593
Retained earnings (Note 27):		
Appropriated	**–**	17,180,917
Unappropriated	**1,657,325,285**	1,716,075,506
Treasury shares (Note 27)	**(7,096)**	(7,096)
Total Equity	**2,679,849,715**	2,715,873,166
	₱3,471,212,514	₱3,493,044,083

See accompanying Notes to Parent Company Financial Statements.

MANILA JOCKEY CLUB, INC.

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2014	2013
REVENUES		
Club races	**₱223,888,768**	₱216,425,501
Rent (Notes 12 and 13)	**86,065,488**	61,092,572
Real estate	**35,388,928**	148,533,687
Food and beverages	**17,520,185**	7,100,295
	362,863,369	433,152,055
COST OF SALES AND SERVICES (Note 17)		
Club races	**170,546,549**	170,214,527
Rent	**50,523,486**	28,392,037
Real estate (Note 8)	**4,322,592**	46,508,923
Food and beverages	**16,667,638**	12,904,963
	242,060,265	258,020,450
GROSS INCOME	**120,803,104**	175,131,605
General and administrative expenses (Note 18)	**(166,549,534)**	(179,031,074)
Selling expenses (Note 8)	**(6,037,806)**	(13,068,392)
Interest income (Notes 6, 7, 11, 22 and 26)	**12,624,814**	13,006,555
Finance costs (Note 23)	**(3,733,470)**	(4,668,456)
Other income - net (Note 24)	**64,291,050**	42,611,593
INCOME BEFORE INCOME TAX	**21,398,158**	33,981,831
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 25)		
Current	**19,546,558**	12,114,936
Deferred	**(17,089,383)**	(3,836,423)
	2,457,175	8,278,513
NET INCOME	**18,940,983**	25,703,318
OTHER COMPREHENSIVE LOSS		
Items of other comprehensive loss to be reclassified to profit or loss in subsequent periods		
Net changes in fair values of AFS financial assets (Note 11)	**(3,797,287)**	(9,694,318)
Items of other comprehensive loss that will not be reclassified to profit or loss in subsequent periods		
Actuarial losses on remeasurement of retirement benefits, net of tax (Note 21)	**(3,730,876)**	(3,554,152)
TOTAL COMPREHENSIVE INCOME	**₱11,412,820**	₱12,454,848
Basic/Diluted Earnings Per Share (Note 33)	**₱0.0190**	₱0.0258

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, 2014 AND 2013

	Capital Stock (Note 27)	Treasury Shares (Note 27)	Net Cumulative Changes in Fair Values of Available-for-Sale Financial Assets (Note 11)	Actuarial Gains on Accrued Retirement Benefits (Note 21)	Retained Earnings (Note 27) Appropriated	Retained Earnings (Note 27) Unappropriated	Total
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**
Total comprehensive income for the year	–	–	(3,797,287)	(3,730,876)	–	18,940,983	11,412,820
Stock dividend declared (see Note 27)	47,435,850	–	–	–	–	(47,435,850)	–
Cash dividends declared (see Note 27)	–	–	–	–	–	(47,436,271)	(47,436,271)
Reversal of previous appropriation during the year (see Note 27)	–	–	–	–	(17,180,917)	17,180,917	–
BALANCES AT DECEMBER 31, 2014	**₱996,170,748**	**(₱7,096)**	**₱5,216,306**	**₱21,144,472**	**₱–**	**₱1,657,325,285**	**₱2,679,849,715**
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**
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

	Years Ended December 31	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	[illegible]158	₱33,981,831
Adjustments for:		
Depreciation (Note 19)	[illegible]24	67,790,030
Dividend income (Note 24)	(22,221,236)	(17,088,300)
Interest income (Note 22)	(12,624,814)	(13,006,555)
Gain on reversal of liabilities (Note 24)	(8,004,970)	–
Finance costs (Note 23)	3,733,470	4,668,456
Amortization of franchise fee (Notes 14 and 17)	1,794,000	1,794,000
Gain on sale of:		
AFS financial assets (Note 11)	(1,250,360)	–
Investment property (Notes 13 and 24)	–	(13,351,064)
Operating income before working capital changes	52,037,772	64,788,398
Decrease (increase) in:		
Receivables	74,291,476	(28,266,838)
Inventories	4,062,952	46,204,543
Other current assets	(1,696,759)	(8,006,905)
Increase (decrease) in:		
Accounts payable and other liabilities	46,621,487	(12,490,756)
Accrued retirement benefits (Note 21)	2,121,899	4,485,671
Cash generated from operations	177,438,827	66,714,113
Income taxes paid, including creditable withholding and final taxes	(9,699,049)	(14,298,361)
Net cash provided by operating activities	167,739,778	52,415,752
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment (Note 12)	(75,054,968)	(19,509,702)
Interest received (Notes 22)	12,695,077	13,006,555
Dividends received (Note 10 and 24)	9,517,045	–
Acquisitions of AFS financial assets (Note 11)	(8,129,767)	–
Proceeds from:		
Sale of AFS financial assets	4,758,026	–
Sale of investment property	–	8,392,857
Sale of property and equipment (Note 12)	–	1,494,866
Increase in other noncurrent assets	2,411,847	(1,663,721)
Additional investment in a subsidiary (Note 10)	–	(4,250,000)
Net cash used in investing activities	(53,802,740)	(2,529,145)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid (Note 27)	(45,829,488)	(43,123,899)
Interest paid	(3,733,470)	(4,668,456)
Advances from related parties	1,643,396	847,345
Payments of:		
Long-term loans and borrowings (Note 15)	(14,285,714)	(14,285,714)
Short-term loans and borrowings (Note 15)	(12,000,000)	(14,000,000)
Subscription payable	–	(10,736,014)
Proceeds from short-term loans and borrowings	–	30,000,000
Net cash used in financing activities	(74,205,276)	(55,966,738)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	39,731,762	(6,080,131)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	257,111,458	263,191,589
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	₱296,843,220	₱257,111,458

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 in the Philippine Stock Exchange (PSE) on October 11, 1963.

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

The Company is presently engaged in the construction, operations and maintenance of a racetrack located in Cavite, Philippines, and in the holding or conducting of horse races therein with bettings both directly or indirectly by means of mechanical, electric and/or computerized totalizator. It has a congressional franchise granted on November 23, 1997 under Republic Act (R.A.) No. 8407 to hold such races and to maintain the race track, which will expire on November 23, 2022 (see Note 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 2014	2013
Subsidiaries					
Biohitech Philippines, Inc.(Biohitech) [a]	Philippines	Waste management	Philippine Peso	50.00	50.00
Gametime Sports and Technologies, Inc. (Gametime) [a]	Philippines	Gaming	Philippine Peso	100.00	100.00
Manilacockers Club, Inc. (MCC) [a]	Philippines	Gaming	Philippine Peso	100.00	100.00
MJC Forex Corporation (MFC)	Philippines	Money changer	Philippine Peso	100.00	100.00
New Victor Technology, Ltd.(NVTL)	Hong Kong	Gaming	Philippine Peso	100.00	100.00
San Lazaro Resources and Development Corporation (SLRDC) [a]	Philippines	Real estate	Philippine Peso	100.00	100.00
SLLP Holdings, Inc. (SLLPHI) [a]	Philippines	Holdings	Philippine Peso	100.00	100.00
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) [b]	Philippines	Real estate and Gaming	Philippine Peso	28.32	28.32
Techsystems, Inc. (Techsystems) [a]	Philippines	Information Technology	Philippine Peso	33.00	33.00

[a] *Not yet started commercial operation as of December 31, 2014*
[b] *Became an associate effective January 18, 2013*

In 2013, the 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 Company owning less than majority shares.

On October 2013, the Company entered into a lease agreement with PAGCOR to lease 1,427 sq. m. property, with modern slot machines, including the rights to a proprietary system of linking and networking the said slot machines, in Turf Club Bldg., San Lazaro Leisure Park, Carmona, Cavite. The Company shall receive monthly variable rent equivalent to 35% of revenues less winnings/prizes and 5% franchise tax. The agreement shall be effective until June 30, 2016.

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, 2014 and 2013 were authorized for issuance by the Board of Directors (BOD) on April 13, 2015.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation

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

Statement of Compliance

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

3. Summary of Significant Changes in Accounting Policies and Disclosures

New and amended standards and interpretation

The Company applied for the first time certain standards and interpretation, which are effective for annual periods beginning on or after January 1, 2014. Except when otherwise indicated, these standards and interpretation have no impact on the Company's financial position, performance and/or disclosures:

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively.

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Nonfinancial Assets* (Amendments)
  These amendments remove the unintended consequences of PFRS 13, *Fair Value Measurement*, on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period.

- 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 and retrospective application is required.

- PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities* and PAS 27, *Separate Financial Statements* (Amendments) - *Investment Entities*
  These amendments 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 (FVPL). The amendments must be applied retrospectively, subject to certain transition relief.

- Philippine Interpretation of International Financial Reporting Interpretations Committee (IFRIC) 21, *Levies*
  Philippine Interpretation of 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. Retrospective application is required for this interpretation.

<u>Standards Issued but not yet Effective</u>
The Company will adopt the following new and amended standards and interpretations when these become effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended standards and interpretations to have significant impact on the parent company financial statements.

Effective in 2015

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (effective for annual periods beginning on or after January 1, 2015 and are applied retrospectively) (Amendments)
  PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service.

Annual Improvements to PFRSs (2010-2012 Cycle) (effective for annual periods beginning on or after January 1, 2015)

These annual improvements include:

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization*
  The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

- PAS 24, *Related Party Disclosures - Key Management Personnel*
  The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

  - A performance condition must contain a service condition.
  - A performance target must be met while the counterparty is rendering service.
  - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group.
  - A performance condition may be a market or non-market condition.
  - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at FVPL whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement.*

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments are applied retrospectively and clarify that:

  - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
  - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

Annual Improvements to PFRSs (2011-2013 Cycle) (effective for annual periods beginning on or after January 1, 2015)

These annual improvements include:

- PAS 40, *Investment Property*
  The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
  The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:

  - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
  - This scope exception applies only to the accounting in the parent company financial statements of the joint arrangement itself.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*
  The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39.

Effective in 2016

- PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets* (Amendments) - *Clarification of Acceptable Methods of Depreciation and Amortization* (effective for annual periods beginning on or after January 1, 2016 and are applied prospectively)
  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

- PAS 16, *Property, Plant and Equipment* and PAS 41, *Agriculture* (Amendments) - *Bearer Plants* (effective for annual periods beginning on or after January 1, 2016 and are applied retrospectively)
  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply.

- PAS 27 (Amendments), *Separate Financial Statements - Equity Method in Separate Financial Statements* (effective for annual periods beginning on or after January 1, 2016 and are applied retrospectively)
  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures* - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after January 1, 2016 and are applied retrospectively)
  These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

- PFRS 11 (Amendments), *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (effective for annual periods beginning on or after January 1, 2016 and are applied prospectively)
  The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

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

- PFRS 14, *Regulatory Deferral Accounts*
  PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income (OCI). The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016.

Annual Improvements to PFRSs (2012-2014 Cycle) (effective for annual periods beginning on or after January 1, 2016)

These annual improvements include:

- PAS 19, *Employee Benefits - Regional Market Issue Regarding Discount Rate*
  This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated,

rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

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

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

Effective in 2018

- PFRS 9, *Financial Instruments* (effective for annual periods beginning on or after January 1, 2018 and are applied retrospectively)
  In July 2014, the final version of PFRS 9, *Financial Instruments*, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

  The adoption of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Company's financial liabilities. The Company is currently assessing the impact of adopting this standard.

Interpretation whose effective date was deferred

- Philippine Interpretation of 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 Philippne SEC and the Financial Reporting Standards Council (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.

Standard issued by the IASB but not yet been adopted by the FRSC

- IFRIC 15, *Revenue from Contracts with Customers*
  IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an

amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted.

The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

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 statement of financial position when it becomes a party to the contractual provisions of the instrument.

All regular way purchases and sales of financial assets are recognized on the trade date, which is the date that the 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 market place.

Financial assets and financial liabilities are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets and financial liabilities, except for financial instruments measured at 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, 2014 and 2013, 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 reporting 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 Company 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 statement of financial position. Amortization is determined using the effective interest method (EIR) method. Loans and receivables are included in current assets if maturity is within 12 months from the reporting 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 parent company statement of financial position) as of December 31, 2014 and 2013.

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 parent company statement of financial position. Changes in the fair value of investments classified as AFS financial assets are recognized in OCI, 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 parent company 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, 2014 and 2013.

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

Included in this category are the 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, 2014 and 2013.

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 Company 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 parent company statement of financial position 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 parent company statement of financial position.

Impairment of Financial Assets
The Company assesses at each reporting 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 EIR (i.e., the EIR 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 EIR 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 - net" account. Any subsequent reversal of an impairment loss is recognized in profit or loss under "Other income - 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 OCI 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 (NRV). NRV is the fair value less cost to sell in the ordinary course of business less the estimated costs of completion.

Real Estate Inventories
Real estate inventories include completed and on-going projects of the Company, and are stated at the lower of cost and net realizable value of the land contributed. Real estate inventories include properties held for future development and properties being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation.

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

Investments in Subsidiaries, Associates and Joint Ventures
Investment in associate in which the Company exercises significant influence and which is neither a subsidiary nor a joint venture of the Company is accounted for under the equity method of accounting.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. The Company's investment in a joint venture is accounted for using the equity method.

Under the equity method, the cost of investment in associate and joint venture is carried in the statement of financial position at cost plus post acquisition changes in the Company's share of net assets of the associate and the joint venture. Goodwill, if any, relating to an associate or a joint venture is included in the carrying amount of the investment and is not amortized or separately tested for impairment. The statement of comprehensive income reflects the share of the results of operations of the associate and joint venture. Where there has been a change recognized directly in the equity of the associate and the joint venture, the Company recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealized profits or losses resulting from transactions between the Company and the associate and joint venture are eliminated to the extent of the interest in the associate and joint venture.

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

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

Fair Value Measurement
The Company measures financial instruments and non-financial assets such as investment properties, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

Investment Properties

The 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 profit or loss 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 statement of financial position) and does not treat it as inventory. Similarly, if an entity begins to redevelop an existing investment property for continued future use as investment property, the property remains as investment property and is not reclassified as owner-occupied property during the redevelopment.

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

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

Impairment of Nonfinancial Assets
The Company assesses at each reporting date whether there is an indication that its investments in subsidiaries and associate, interest in joint venture, 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 CGU's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

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

Capital Stock

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 reporting date are dealt with as a non-adjusting event after the reporting date.

Earnings Per Share (EPS)

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

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

The Company currently does not have potential dilutive common shares.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. 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
The Company assesses whether it is probable that the economic benefits will flow to the Company when the contract price is collectible. Collectability of the contract price is demonstrated by the buyer's commitment to pay, which is supported by the buyer's initial and continuous investments that motivates the buyer to honor its obligation. Collectability is also assessed by considering factors such as collections and credit standing of the buyer.

Revenue from sales of completed real estate projects from the joint venture is aecounted for using the full accrual method. In accordance with Philippine Interpretations Committee Q&A No. 2006-01, the percentage-of-completion method is used to recognize income from sales of projects where the Company has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished), and the costs incurred or to be incurred can be measured reliably. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

Any excess of collections over the recognized revenue are included in the "Trade payable and buyers' deposits" under the "Accounts payable and other liabilities" account in the consolidated statement of financial position. If any of the criteria under the full accrual or percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers are presented under the Trade payable and buyers' deposits" under the "Accounts payable and other liabilities" account in the consolidated statement of financial position.

Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of condominium units sold before the completion of the development is determined on the basis of the acquisition cost of the land.

The cost of inventory recognized in the consolidated statement of income upon sale is determined with reference to the costs of the land contributed for the property, allocated to saleable area based on relative size and takes into account the percentage of completion used for revenue recognition purposes.

For income tax purposes, full recognition is applied when more than 25% of the selling price has been collected in the year of sale. Otherwise, the installment method is applied.

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

Interest income
Revenue is recognized as the interest acerues 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.

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

OCI of the Company pertains to gains and losses on remeasuring AFS financial assets and actuarial gains and losses on remeasurement of retirement plan.

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

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

Defined benefit costs comprise service cost, net interest on the net defined benefit liability or asset and remeasurements of net defined benefit liability or asset.
Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

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

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

Plan assets are assets that are held by a long-term employee benefit fund 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 profit or loss 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 profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which these are earned.

Borrowing Costs

Borrowing costs 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 reporting date.

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

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

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

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

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

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

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

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

<u>Foreign Currency Denominated Transactions and Translations</u>
Transactions denominated in foreign currency are recorded using the exchange rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rate at reporting date. All foreign exchange gains and losses are recognized in profit or loss.

<u>Provisions</u>
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.

Contingencies

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 Reporting Date

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

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 it has control by virtue of its power to cast the majority votes at meetings of the BOD in all of its subsidiaries.

Determination if joint control exists in a joint venture
Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Management has determined that it has joint control in San Lazaro BPO Complex Joint Venture and Gamespan since the strategic financial and operating decisions of the entity are made jointly by the venturers through its BOD.

Determination of functional currency
The Company's functional currency was determined to be the Peso. It is the currency of the primary economic environment in which the Company operates.

Revenue recognition for real estate sales
Selecting an appropriate revenue recognition method for a particular real estate sale transaction requires certain judgments based on the buyer's commitment on the sale which may be ascertained through the significance of the buyer's initial investment and completion of development. The buyer's commitment is evaluated based on collections, credit standing and location of the property. Completion of development is determined based on engineer's judgments and estimates on the physical portion of contract work done and the completion of development beyond the preliminary stage by the parties to the joint venture.

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 reporting date whether there is any indication that its investments in subsidiaries, an associate and interest in 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 CGU's fair value less costs to sell and its value in use.

There were no indicators of impairment present on movement of financial assets, as such, there were no impairment losses recognized in 2014 and 2013. Total carrying value of the Company's investment in subsidiaries, an associates and interest in joint venture, property and equipment, investment property, and franchise fee of December 31, 2014 and 2013 are disclosed in Notes 10, 12, 13 and 14 to the parent company financial statements, respectively.

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

As of December 31, 2014 and 2013, 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 reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

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 referred with prices in active market. There are no financial assets and financial liabilities carried at fair value derived from valuation techniques.

As of December 31, 2014 and 2013, 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, 2014 and 2013, 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 2014 and 2013, provision for doubtful accounts are disclosed in Note 7 and 18 to the parent company financial statements, and written off receivable accounts without previous impairment allowance are disclosed in Notes 7 and 24 to the parent company financial statements.

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

As of December 31, 2014 and 2013, the cost of the real estate inventories, the amount written down to the cost and carrying value of the real estate 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 2014 and 2013, cost of real estate sales are disclosed in Notes 8 and 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.

As of December 31, 2014 and 2013, 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 2014 and 2013.

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

As of December 31, 2014 and 2013, the carrying amount of depreciable property and equipment are disclosed in Note 12 to the parent company financial statements. The carrying amount of depreciable investment property as of December 31, 2014 and 2013 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 reporting date, net of any estimated amount that may be reimbursed to the Company. No provisions were recognized as of December 31, 2014 and 2013.

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, 2014 and 2013, carrying value of accrued retirement benefits are disclosed in Note 21 to the parent company financial statement. Retirement benefits cost in 2014 and 2013 are disclosed in Note 21 to the parent company financial statements.

6. Cash and Cash Equivalents

This account consists of:

	2014	2013
Cash on hand	**₱10,339,056**	₱10,497,670
Cash in banks	**238,958,445**	145,429,774
Cash equivalents	**47,545,719**	101,184,014
	₱296,843,220	₱257,111,458

Cash in banks generally earns interest at the respective bank deposit rates. Cash equivalents are short-term deposits made for varying periods of up to three months and earn interest at the respective short-term deposit rates. Interest income earned amounted to ₱1.8 million and ₱2.7 million in 2014 and 2013, respectively (see Note 22).

7. Receivables

This account consists of:

	2014	2013
Real estate receivables - current portion	**₱100,213,730**	₱137,773,047
Dividends receivable (see Note 10)	**29,792,491**	17,088,300
Receivable from Metro Manila Turf Club (MMTC) (see Note 29)	**16,360,723**	–
Rent receivables (see Notes 12 and 13)	**10,596,918**	20,653,265
Receivable from Philippine Amusement and Gaming Corporation (PAGCOR) (see Note 29)	**6,995,045**	–
Due from related parties (see Note 26)	**5,979,717**	2,322,548
Advances and loans to officers and employees (see Note 26)	**5,239,315**	9,424,048
Claims for tax credit certificates (TCC)	**2,252,054**	2,252,054
Receivables from off-track betting (OTB) operators	**1,965,943**	1,193,961
Deposits and advances to contractors (see Note 12)	**1,778,413**	1,778,413
Receivable from sale of investment property	**–**	20,000,000
Others	**14,478,616**	19,946,798
	195,652,965	232,432,434
Less allowance for doubtful accounts	**11,664,616**	8,696,776
	₱183,988,349	₱223,735,658

Real Estate Receivables

The real estate receivables of the Company are as follows:

	2014	2013
Current	**₱100,213,730**	₱137,773,047
Noncurrent	**128,751,041**	150,661,281
	₱228,964,771	₱288,434,328

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

Interest income earned from real estate receivables amounted to ₱10.4 million and ₱9.7 million in 2014 and 2013, 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 April 13, 2015.

Other receivables
Other receivables include accrued interest and other various receivables.

Allowance for Doubtful Accounts
The following table shows the rollforward of the allowance for doubtful accounts pertaining to rent receivables as of December 31, 2014 and 2013:

	2014	2013
Balance at beginning of year	**₱8,696,776**	₱6,000,000
Provision during the year (see Note 18)	**3,278,413**	7,188,405
Amounts written off during the year	**(310,573)**	(4,491,629)
Balance at end of year	**₱11,664,616**	₱8,696,776

Allowance for doubtful accounts amounting to ₱11.6 million and ₱8.7 million as of December 31, 2014 and 2013, respectively, were based on specific assessment made by the management.

The Company directly wrote-off receivables amounting to ₱5.0 million and ₱0.2 million in 2014 and 2013, respectively (see Note 24).

8. Inventories

This account consists of:

	2014	2013
Real estate		
Condominium units for sale - at cost	**₱42,928,254**	₱44,621,436
Land held for development - at cost	**38,189,898**	38,189,898
Memorial lots for sale - at net realizable value	**8,870,166**	11,618,882
Residential units for sale - at cost	**4,749,383**	4,630,076
	94,737,701	99,060,292
Food and beverages - at cost	**564,020**	304,381
	₱95,301,721	₱99,364,673

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

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

	2014	2013
Balance at beginning of year	**₱99,060,293**	₱145,569,216
Cost of real estate sold (see Note 17)	**4,322,592**	46,508,923
Balance at end of year	**₱94,737,701**	₱99,060,293

In 2014 and 2013, no impairment loss was recognized. The cost as at December 31, 2014 and 2013 amounted to ₱10.9 million and ₱13.6 million, respectively.

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

Condominium units for sale
On February 26, 2005, the Company entered into Joint Development Agreements (JDAs) with Avida 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 its rights, title and interest in the Project and the Project Areas, while Avida and Alveo agreed and provided the necessary capital to finance the Project and expertise to develop the Project Areas. In return for their respective contributions to the Project, the Company, Avida and Alveo received their respective allocation as described in the JDAs.

Towers 1 to 5 of AVIDA and Towers 1 and 2 of Alveo are fully completed as of December 31, 2014 and 2013. The construction of Tower 3 of Alveo is 39.82% and 13.55% complete as of December 31, 2014 and 2013, respectively.

Residential units for sale
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 residential subdivision with some commercial areas. As of December 31, 2014, the project is complete.

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 CCC in accordance with the JDA/JVA. The amount of marketing cost in 2014 and 2013 amounted to ₱6.0 million and ₱13.1 million, respectively.

9. Other Current Assets

This account consists of:

	2014	2013
Prepayments	**₱4,530,854**	₱4,667,943
Others	**78,091**	38,242
	₱4,608,945	₱4,706,185

10. Investments in Subsidiaries, Associates and Interest in Joint Ventures

This account consists of:

	2014		2013	
	% 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%	4,000,000
Biohitech	**50.00%**	**1,500,000**	50.00%	1,500,000
Gametime	**100.00%**	**625,000**	100.00%	625,000
MCC	**100.00%**	**625,000**	100.00%	625,000
SLRDC	**100.00%**	**156,500**	100.00%	156,500
		13,156,500		13,156,500
Associate:				
MIC	**28.32%**	**708,160,137**	28.32%	708,160,137
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		732,316,637
Less allowance for impairment of investment in associate		**1,000,000**		1,000,000
		₱731,316,637		₱731,316,637

Investment in associates

MIC. Investment in MIC pertains to the Company's 28.32% interest in MIC (see Note 1).

The summarized financial information of MIC are as follows:

	2014	2013
Total assets	**₱2,492,588,611**	₱2,390,239,507
Total liabilities	**209,906,893**	83,338,756
Equity	**2,282,681,718**	2,306,900,751
Income	**10,178,114**	10,917,012
Expenses	**34,397,147**	40,704,803
Net loss	**24,219,033**	31,917,168

Techsystems. The investment in associate, Techsystems, pertains to the acquisition cost of ₱1.0 million 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, 2014 and 2013, investment in Techsystems is fully provided with allowance. As of April 13, 2015, Techsystems has not yet started commercial operations.

The summarized financial information of Techsystems are as follows:

	2014	2013
Total liabilities	**₱5,167,650**	₱5,167,650
Capital deficiency	**(5,167,650)**	(5,167,650)
Expenses	–	1,000
Net loss	–	(1,000)

Investment in joint ventures

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

Dividend income from the JV amounted to ₱21.4 million and ₱17.1 million in 2014 and 2013, respectively, and dividend receivable from the JV amounted to ₱29.8 million and ₱17.1 million, respectively (see Notes 7 and 24).

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

	2014	2013
Current assets	**₱226,959,095**	₱154,617,532
Noncurrent assets	**6,916,636**	1,433,440
Current liabilities	**169,336,009**	109,448,602
Noncurrent liabilities	**39,426,738**	29,929,094
Equity	**25,112,984**	16,673,276
Income	**90,205,228**	86,379,273
Expenses	**10,354,776**	54,662,669
Net income	**79,850,452**	31,716,604

The Company has no share in any contingent liabilities or capital commitments of the JV as of December 31, 2014 and 2013. There are also no accumulated earnings that are restricted as of December 31, 2014 and 2013.

Gamespan. Gamespan was incorporated on June 20, 2012 to operate and manage the totalizator hardware and software owned by the Company, set-up new media infrastructure for offering and taking bets in horse racing and other sports. It shall also have the exclusive broadcast rights to all the races and other games operated by the Company which it may distribute to different broadcasters to maximize viewership and participation. As of December 31, 2014, Gamespan has not yet started its commercial operations.

The summarized financial information of the Gamespan is as follows:

	2014	2013
Current assets	**₱20,184,979**	₱20,184,979
Noncurrent assets	**29,167**	29,167
Current liabilities	**629,824**	629,824
Equity	**19,584,322**	19,584,322
Expenses	–	415,678
Net loss	–	415,678

11. AFS Financial Assets

This account consists of:

	2014	2013
Quoted equity securities	**₱3,092,778**	₱9,029,654
Treasury bond	**8,621,690**	7,000,000
Club membership shares:		
Quoted	**4,680,000**	4,580,000
Unquoted	**193,500**	193,500
Preferred shares:		
Quoted	**5,109,750**	69,750
Unquoted	**370,047**	370,047
	₱22,067,765	₱21,242,951

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

	2014	2013
Balance at beginning of year	**₱21,242,951**	₱30,937,269
Additions during the year	**8,129,767**	–
Disposal during the year	**(8,987,827)**	–
Unrealized mark-to-market gains (losses) during the year	**1,682,874**	(9,694,318)
Balance at end of year	**₱22,067,765**	₱21,242,951

The Company's AFS financial assets are carried at fair value with net cumulative gains reflected as "Net cumulative changes in fair values of AFS financial asset" in the equity section of the parent company statement of financial position", amounted to ₱5.2 million and ₱9.0 million as of December 31, 2014 and 2013, respectively.

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

	2014	2013
Balance at beginning of year	**₱9,013,593**	₱18,707,911
Unrealized mark-to-market gains (losses) during the year	**1,682,874**	(9,694,318)
Realized mark-to-market gains during the year	**(5,480,161)**	–
Balance at end of year	**₱5,216,306**	₱9,013,593

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

Dividend income from these investments amounted ₱0.8 million in 2014 and nil in 2013 (see Note 24).

Interest income on treasury bond amounted to ₱0.4 million and ₱0.5 million in 2014 and 2013, respectively (see Note 22).

12. Property and Equipment

Movement in this account are as follows:

	2014				
	January 1	Additions	Disposals	Reclassifications and adjustments	December 31
Cost					
Land	₱304,869,383	₱–	₱–	₱–	₱304,869,383
Land improvements	337,492,757	–	–	–	337,492,757
Building and improvements	647,281,808	740,992	–	7,525,988	655,548,788
Machinery and equipment	264,507,908	69,499,228	(126,971)	–	333,880,165
Transportation equipment	28,974,488	830,000	–	–	29,804,487
Furniture and fixtures	12,114,721	456,122	–	–	12,570,843
	1,595,241,065	71,526,342	(126,971)	7,525,988	1,674,166,423
Accumulated depreciation					
Land improvements	139,302,268	13,405,910	–	–	152,708,178
Building and improvements	256,332,182	27,808,613	–	–	284,140,795
Machinery and equipment	235,979,794	12,820,864	–	–	248,800,658
Transportation equipment	22,844,590	2,220,195	–	–	25,064,784
Furniture and fixtures	10,925,295	531,317	–	–	11,456,612
	665,384,129	56,786,899	–	–	722,171,027
Net book value	929,856,936	14,739,443	(126,971)	7,525,988	951,995,396
Construction in progress	17,435,483	3,655,596	–	(7,525,988)	13,565,091
	₱947,292,419	₱18,395,039	(₱126,971)	₱–	₱965,560,487

	2013				
	January 1	Additions	Disposals	Reclassifications and adjustments	December 31
Cost					
Land	₱304,869,383	₱–	₱–	₱–	₱304,869,383
Land improvements	337,046,417	446,340	–	–	337,492,757
Building and improvements	644,519,341	2,762,467	–	–	647,281,808
Machinery and equipment	255,576,090	8,931,818	–	–	264,507,908
Transportation equipment	28,014,665	2,575,893	(1,616,071)	–	28,974,487
Furniture and fixtures	11,513,771	600,950	–	–	12,114,721
	1,581,539,667	15,317,468	(1,616,071)	–	1,595,241,064
Accumulated depreciation					
Land improvements	125,991,451	13,310,817	–	–	139,302,268
Building and improvements	228,531,407	27,800,775	–	–	256,332,182
Machinery and equipment	224,867,525	11,112,269	–	–	235,979,794
Transportation equipment	20,388,398	2,577,396	(121,205)	–	22,844,589
Furniture and fixtures	10,363,147	562,148	–	–	10,925,295
	610,141,928	55,363,405	(121,205)	–	665,384,128
Net book value	971,397,739	(40,045,937)	(1,494,866)	–	929,856,936
Construction in progress	13,243,248	4,192,235	–	–	17,435,483
	₱984,640,987	(₱35,853,702)	(₱1,494,866)	₱–	₱947,292,419

Depreciation Charges

The amount of depreciation is allocated as follows:

	2014	2013
Cost of club races (see Notes 17 and 19)	**₱38,249,637**	₱39,170,853
General and administrative expenses (see Notes 18 and 19)	**14,850,958**	15,699,268
Cost of rental services (see Notes 17 and 19)	**3,221,974**	15,183
Cost of food and beverages (see Notes 17 and 19)	**464,330**	478,101
	₱56,786,899	₱55,363,405

Capitalized Borrowing Costs
No interest on loans was capitalized in 2014 and 2013. Undepreciated capitalized interest relating to land improvements, building and improvements and machinery and equipment as of December 31, 2014 and 2013 amounted to ₱41.1 million and ₱43.9 million, respectively.

Carmona Property
In 2001, the Company acquired a parcel of land located in Carmona, Cavite, from KPPI Land Corporation (KPPI) valued at ₱523.6 million payable in 12 equal quarterly installments from 2001 to 2004. The remaining installment payments due in 2004 were rescheduled as part of the requirements of the term loan obtained from a local bank. Total payments made by the Company amounted to ₱433.7 million. No payments were made in 2014 and 2013. The outstanding payable amounting to ₱89.9 million as of December 31, 2014 and 2013 is included under "Accounts payable and other liabilities" in the parent company statements of financial position (see Note 16).

Assets Under Operating Lease
The Company has various operating lease agreements for its building and improvements, specifically, cluster stables, with horse owners. The lease agreements provide for fixed monthly payments which are subject to rental escalations and renewal options. The carrying value of the cluster stables that are leased out on these operating leases amounted to ₱30.0 million and ₱31.8 million as of December 31, 2014 and 2013, respectively. Rent income from stable rentals in 2014 and 2013 amounted to ₱43.5 million and ₱46.9 million, respectively.

The Company has various operating lease agreements with concessionaires to lease certain areas within the Turf Club. The lease shall be for a period of two to five years. Rent income from concessionaires amounted to ₱0.6 million and ₱1.7 million in 2014 and 2013, respectively.

Operating Lease Commitment with PAGCOR - the Company as Lessor
In 2013, the Company entered a lease contract for three years commencing July 10, 2013 with PAGCOR to lease an area of 189.231 square meters for a monthly fixed rental of ₱510.51 per square meter for its casino and related activities.

Rent income from PAGCOR amounted to ₱1.2 million in 2014 and 2013.

13. Investment Properties

This account consists of:

	2014	2013
Land:		
Sta. Cruz property held for capital appreciation (see Note 15)	**₱359,631,580**	₱359,631,580
Sta. Cruz property held for lease	**238,168,692**	238,168,692
Carmona property (see Note 15)	**109,750,785**	109,750,785
Undivided interest in a parcel of land in Carmona	**56,723,976**	56,723,976
	764,275,033	764,275,033
Building:		
Developed office units (see Note 10)	**208,501,675**	218,926,759
Retail development area	**38,005,932**	40,007,473
	246,507,607	258,934,232
	₱1,010,782,640	₱1,023,209,265

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

	2014		
	Land	**Building**	**Total**
Cost	**₱764,275,033**	**₱310,665,629**	**₱1,074,940,662**
Accumulated Depreciation			
Balance at beginning of year	–	(51,731,397)	(51,731,397)
Depreciation (see Notes 17 and 19)	–	(12,426,625)	(12,426,625)
Balance at end of year	–	(64,158,022)	(64,158,022)
Net Book Value	**₱764,275,033**	**₱246,507,607**	**₱1,010,782,640**

	2013		
	Land	Building	Total
Cost			
Balance at beginning of year	₱777,709,684	₱310,665,629	₱1,088,375,313
Disposals	(13,434,651)	–	(13,434,651)
Balance at the end of year	764,275,033	310,665,629	1,074,940,662
Accumulated Depreciation			
Balance at beginning of year	–	(39,304,772)	(39,304,772)
Depreciation (see Notes 17 and 19)	–	(12,426,625)	(12,426,625)
Balance at end of year	–	(51,731,397)	(51,731,397)
Net Book Value	₱764,275,033	₱258,934,232	₱1,023,209,265

The Carmona property with carrying value of ₱109.8 million and the 5.1 hectare property in Sta. Cruz with carrying value of ₱359.6 million as of December 31, 2014 and 2013, respectively, are used by the Company as collateral for its long-term loans obtained from a bank, which is expected to be paid at the November of 2015. A property used as collateral respective to this loan agreement is also expected to be unrestricted and available upon completion of payment (see Note 15). Depreciation amounting to ₱12.4 million for the period ended December 31, 2014 and 2013, are included as part of "Cost of rental services" (see Note 17).

Philippine Economic Zone Authority (PEZA) zones

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

The registration as an Econozone Developer/Operator shall entitle the Company to establish, develop, construct, administer, manage and operate a Special Economic Zone to be known as San Lazaro Leisure and Business Park (SLLBP) with an area of 542,294 square meters.

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

Pursuant to the proclamation, the Company and the PEZA signed the Registration Agreement to entitle the Company to develop and operate the aforementioned special economic zone on February 29, 2009. A certificate of registration was thereafter issued.

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

Under the JDA, the Company agreed to contribute the necessary cash to fully finance the construction and development of the retail development area and its corresponding share (30%) of the development of the office units. In return for their respective contributions, the parties will distribute and allocate the developed units among themselves. As of December 31, 2014 and 2013, the Company's contribution to the JDA amounting to ₱310.7 million is presented as the cost of "Building" under "Investment properties" account in the parent company statements of financial position.

On December 12, 2008, the Company and ALI executed a Deed of Partition for the distribution and allocation of the developed units. The entire retail development area and the appurtenant parking lots were allocated to the Company in return for its contribution for the construction and development of the said area. For the Company's contribution in the construction and development of the office building, the Company was allocated with developed office building with gross leasable area of 5,793 square meters located at various floors and the appurtenant parking lots. In 2014 and 2013, rental income amounted to ₱14.7 million and ₱10.7 million, respectively.

No interest on loans was capitalized in 2014 and 2013. Undepreciated capitalized interest relating to the Building Complex as of December 31, 2014 and 2013 amounted to ₱6.4 million and ₱6.7 million, respectively.

Fair Market Values
As of December 31, 2014, the aggregate fair value of the Company's investment properties amounted to ₱3.3 billion. Fair values of the Carmona property and Sta. Cruz property have been determined based on valuation performed by independent professional appraisers using the sales comparison approach and income approach by land residual technique with reports dated January 18, 2012 and May 5, 2010, respectively. Management believes that there are no material changes in fair value on these investment properties as of December 31, 2014 from the most recent revaluations performed by independent appraisers.

Investment property was classified as Level 3 in 2014 and 2013 as to the qualification of fair value hierarchy.

14. Other Noncurrent Assets

This account consists of:

	2014	2013
Franchise fee (see Note 1)	**₱14,384,839**	₱16,178,839
Deferred input VAT	**8,884,652**	9,267,193
Deposits	**8,485,789**	8,727,233
Others	**236,429**	230,291
	₱31,991,709	₱34,403,556

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

	2014	2013
Acquisition cost	**₱44,850,000**	₱44,850,000
Accumulated amortization:		
Balance at beginning of year	**28,671,161**	26,877,161
Amortization for the year (see Note 17)	**1,794,000**	1,794,000
Balance at end of year	**30,465,161**	28,671,161
	₱14,384,839	₱16,178,839

15. **Short-term and Long-term Loans and Borrowings**

Short-term Loans
As of December 31, 2014 and 2013, outstanding balance of short-term loans and borrowings amounted to ₱74.4 million and ₱86.4 million, respectively. These loans were obtained for working capital requirements and bear average interest of 3.25% and 4.65% in 2014 and 2013, respectively. The promissory notes covering these loans have terms of one year or less and are renewed upon maturity.

Interest expense on short-term loans amounted to ₱2.7 million and ₱2.9 million in 2014 and 2013, respectively (see Note 23).

Short-term loans amounting to ₱12.0 million and ₱14.0 million were paid in 2014 and 2013, respectively.

Long-term Loans

	2014	2013
Bank loans	**₱14,285,715**	₱28,571,429
Less current portion	**14,285,715**	14,285,714
Noncurrent portion	**₱–**	₱14,285,715

These loans bear interest of 4.25% with maturity date of November 2015. These loans are payable in equal quarterly installments and interest rates are subject to quarterly repricing. Loans amounting to ₱14.3 million were paid in 2014 and 2013. The loans are secured by real estate mortgages on Carmona property and Sta. Cruz property with carrying values of ₱109.8 million as of December 31, 2014 and 2013 and ₱359.6 million as of December 31, 2014 and 2013. Interest expense on bank loans amounted to ₱0.9 million and ₱1.6 million in 2014 and 2013, respectively (see Note 23).

16. Accounts Payable and Other Liabilities

This account consists of:

	2014	2013
Due to KPPI (see Note 12)	**₱89,900,000**	₱89,900,000
Accounts payable	**83,218,206**	37,117,047
Cash bond on OTB operators	**32,094,081**	32,547,769
Documentary stamps payable	**28,888,879**	30,297,828
Due to contractors	**27,558,182**	48,563,671
Provision for probable losses (see Note 29)	**13,135,947**	8,343,827
Due to MMTC	**12,006,725**	–
Accrued expenses	**9,150,467**	14,017,108
Taxes on winnings	**8,458,554**	7,387,574
Due to concessionaires	**7,961,441**	6,707,770
VAT payable	**6,643,393**	3,671,282
Trade payable and buyers' deposits	**5,687,887**	6,203,814
Due to horse owners	**3,345,922**	4,886,178
Dividends payable - racing	**3,340,275**	2,878,325
Due to OTB operators	**2,528,019**	2,968,499
Due to Philracom	**2,352,250**	2,614,296
Retention payable	**1,775,464**	1,824,907
Others	**13,768,757**	11,661,255
	₱351,814,449	₱311,591,150

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

Accrued expenses include normal and recurring expenses incurred by the Company. Accounts payable account pertains to normal purchases and expenses made in a regular basis. Deposits made by tenants are recorded to due to concessionaries account.

17. Cost of Sales and Services

Cost of club races consists of:

	2014	2013
Personnel costs (see Note 20)	**₱50,120,651**	₱52,238,163
Depreciation (see Notes 12 and 19)	**38,249,637**	39,170,853
Commission	**23,750,220**	23,349,788
Utilities	**21,008,302**	16,532,357
Transportation and travel	**7,318,151**	7,125,528
Contracted services	**4,841,069**	6,424,604
Taxes and licenses	**3,430,793**	1,658,288
Rent	**3,358,549**	3,259,102
Supplies	**3,145,157**	3,921,892
Meetings and conferences	**2,596,248**	2,434,029
Repairs and maintenance	**2,458,525**	2,941,770

(Forward)

	2014	2013
Security services	**₱2,206,574**	₱1,871,265
Amortization of franchise fee (see Note 14)	**1,794,000**	1,794,000
Gas, fuel and oil	**1,679,311**	1,527,660
Others	**4,589,362**	5,965,228
	₱170,546,549	₱170,214,527

Cost of real estate sold amounted to ₱4.3 million and ₱46.5 million in 2014 and 2013, respectively (see Note 8).

Cost of rental services consists of:

	2014	2013
Depreciation (see Notes 12, 13 and 19)	**₱15,648,599**	₱12,441,808
Utilities	**13,390,309**	6,976,219
Contracted services	**4,859,511**	2,925,905
Food and beverages expenses	**4,774,949**	–
Personnel costs (see Note 20)	**3,173,929**	2,612,784
Repairs and maintenance	**2,025,954**	1,174,902
Security services	**1,862,542**	1,612,933
Meetings and conferences	**180,622**	194,704
Others	**4,607,071**	452,782
	₱50,523,486	₱28,392,037

Cost of food and beverages consists of:

	2014	2013
Purchased stocks	**₱7,423,966**	₱4,026,785
Contracted services	**2,924,445**	3,058,534
Personnel cost (see Note 20)	**2,288,610**	1,533,536
Utilities	**1,460,291**	2,537,702
Meetings and conferences	**517,763**	276,402
Depreciation (see Notes 12 and 19)	**464,330**	478,101
Communication	**172,028**	120,665
Supplies	**140,853**	41,963
Rent	**108,443**	52,429
Security	**57,974**	135,941
Gas, fuel and oil	**51,850**	37,610
Repairs	**35,165**	96,026
Transportation and travel	**7,926**	8,314
Membership dues	**3,000**	–
Advertisement	–	31,518
Miscellaneous	**1,010,994**	469,437
	₱16,667,638	₱12,904,963

18. General and Administrative Expenses

This account consists of:

	2014	2013
Personnel costs (see Note 20)	**₱64,115,684**	₱70,922,974
Depreciation (see Note 12 and 19)	**14,850,958**	15,699,268
Contracted services	**12,970,236**	14,400,299
Utilities	**12,523,288**	10,721,203
Gas, fuel and oil	**8,479,734**	8,290,788
Repairs and maintenance	**6,835,805**	5,698,162
Professional fees	**6,829,721**	8,174,932
Meetings and conferences	**6,709,823**	9,013,140
Rent (see Note 29)	**5,430,755**	5,903,446
Security services	**4,460,809**	5,010,780
Transportation and travel	**3,988,885**	3,700,013
Provision for doubtful accounts (see Note 7)	**3,278,413**	7,188,405
Taxes and licenses	**1,378,359**	4,659,220
Membership dues	**1,326,341**	–
Commission expense	**1,153,573**	980,864
Insurance	**878,757**	1,184,532
Supplies	**685,096**	896,783
Others	**10,653,297**	6,586,265
	₱166,549,534	₱179,031,074

19. Depreciation

This account consists of:

	2014	2013
Cost of club races (see Notes 12 and 17)	**₱38,249,637**	₱39,170,853
Cost of rental services (see Notes 12, 13 and 17)	**15,648,599**	12,441,808
General and administrative expense (see Notes 12 and 18)	**14,850,958**	15,699,268
Cost of food and beverage (see Notes 12 and 17)	**464,330**	478,101
	₱69,213,524	₱67,790,030

20. Personnel Costs

This account consists of:

	2014	2013
Salaries and wages	**₱99,106,227**	₱104,201,968
Retirement benefits costs (see Note 21)	**7,578,888**	12,966,686
Other employee benefits	**13,013,759**	10,138,803
	₱119,698,874	₱127,307,457

21. Retirement Benefits Costs

The Company has two tax-qualified, funded, noncontributory retirement plans covering both regular permanent and race day operation employees. The retirement plans provide for benefits on retirement, death and disability equivalent to a certain percentage of salary for every year of service based on the final monthly salary of the employee at the time of retirement, death or disability. An independent actuary, using the projected unit credit method, conducted the actuarial valuation of the fund. The latest actuarial valuation reports are as of December 31, 2014.

The details of the retirement benefits costs are as follows:

	2014	2013
Current service costs	**₱5,762,681**	₱6,090,929
Interest costs	**1,816,207**	2,060,608
Past service costs	–	4,815,149
	₱7,578,888	₱12,966,686

The details of accrued retirement benefits as of are as follows:

	2014	2013
Defined benefit obligation	**₱75,474,088**	₱65,147,410
Fair value of plan assets	**(32,961,194)**	(30,086,238)
	₱42,512,894	₱35,061,172

Movements in the accrued retirement benefits follow:

	2014	2013
Balance at beginning of year	**₱35,061,172**	₱25,354,867
Net retirement benefits costs for the year	**7,578,888**	12,966,686
Contributions for the year	**(5,456,989)**	(7,275,719)
Defined benefit cost recognized in OCI	**5,329,823**	5,554,938
Direct payments from book reserve	–	(1,539,600)
Balance at end of year	**₱42,512,894**	₱35,061,172

Changes in present value of defined benefit obligation are as follows:

	2014	2013
Defined benefit obligation at beginning of year	**₱65,147,410**	₱70,777,341
Current service costs	**5,762,681**	6,090,929
Interest costs	**3,322,518**	4,310,340
Actuarial loss (gain) due to:		
Experience adjustments	**8,248,874**	5,204,526
Change in demographic assumptions	**1,277,551**	(2,478,848)
Change in financial assumptions	**(1,726,512)**	2,205,411
Benefits paid	**(6,558,434)**	(24,237,838)
Past service cost - plan amendments	–	4,815,149
Direct payments from book reserve	–	(1,539,600)
Defined benefit obligation at end of year	**₱75,474,088**	₱65,147,410

Changes in fair value of plan assets are as follows:

	2014	2013
Fair value of plan assets at beginning of year	**₱30,086,238**	₱45,422,474
Benefits paid	**(6,558,434)**	(24,237,838)
Contributions	**5,456,989**	7,275,719
Actuarial gain (loss)	**2,470,090**	(623,849)
Interest income	**1,506,311**	2,249,732
Fair value of plan assets at end of year	**₱32,961,194**	₱30,086,238
Actual return on plan assets	**₱3,976,401**	₱1,625,883

The plan assets of the Company are being held by its trustee banks. The investing decisions of the plan are made by the authorized officers of the Company. The following table presents the carrying amounts and fair values of the combined assets of the plan less liabilities:

	2014	2013
Cash and cash equivalents	**₱6,585,579**	₱2,091,939
Investment in unit investment trust fund	**11,627,783**	12,109,124
Investment in government securities	**12,981,968**	16,050,647
Investment in other securities and debt instruments	**1,988,364**	–
Others	**239,936**	292,806
	33,423,630	30,544,516
Liabilities	**(462,436)**	(458,278)
	₱32,961,194	₱30,086,238

The plan assets' carrying amount approximates its fair value since these are either short-term in nature or mark-to-market.

The plan assets consist of the following:
- Cash and cash equivalents, which includes regular savings and time deposits;
- Investments in corporate debt instruments, consisting of both short-term and long-term corporate loans, notes and bonds, which bears interest rates ranging from 3.5% to 8.5% and have maturities from 2015 to 2031; and
- Investments in government securities consist of AFS financial assets.

The carrying amounts of investments in government securities also approximate their fair values since they are mark-to-market.

- Other financial assets held by the plan are primarily accrued interest income on cash deposits and debt securities held by the plan.
- Liabilities of the plan pertain to trust fee payable and retirement benefits payable.

The principal assumptions used in determining retirement benefits costs of the Company as of January 1 are as follows:

	2014	2013
Discount rates	**5.78%**	5.10%
Expected rate of salary increase	**4.00%**	4.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant. Established on historical data, the behavior in error of the standard deviation is within the range:

	Effect on Net Retirement Liability		
	Increase (decrease)	**2014**	2013
Discount rate	+0.5%	**(₱2,312,290)**	(₱2,226,471)
	-0.5%	**2,586,080**	2,490,675
Salary increase rate	+0.5%	**2,310,352**	2,190,984
	-0.5%	**(2,116,805)**	(2,006,769)

The weighted average duration of the defined benefit obligation as of December 31, 2014 and December 31, 2013 are 4.5 and 4.9 years, respectively.

Shown below are the expected future benefit payments as of December 31, 2014 and 2013, respectively:

	2014	2013
Less than 1 year	**₱13,859,679**	₱4,744,479
More than 1 year to 5 years	**15,112,834**	17,925,416
More than 5 years to 10 years	**34,765,812**	27,800,765

22. Interest Income

Interest income related to:

	2014	2013
Real estate receivables (see Note 7)	**₱10,444,722**	₱9,687,098
Cash and cash equivalent (see Note 6)	**1,751,342**	2,724,621
Due from related parties (see Note 26)	**–**	139,884
Treasury bond (see Note 11)	**428,750**	454,952
	₱12,624,814	₱13,006,555

23. Finance Costs

Interest expense related to:

	2014	2013
Short-term loans (see Note 15)	**₱2,679,558**	₱2,857,247
Long-term loans (see Note 15)	**928,296**	1,560,671
Bank charges and others	**125,616**	250,538
	₱3,733,470	₱4,668,456

24. Other Income - net

	2014	2013
Dividend income from ALI (see Note 10)	**₱21,423,223**	₱17,088,300
Service income	**18,018,089**	7,677,461
Gain on use of usufruct rights	**14,196,429**	–
Gain on reversal of liabilities	**8,004,970**	–
Loss on receivable write-off (see Note 7)	**(4,976,169)**	(222,529)
Income from advertisement campaign	**1,937,560**	1,955,514
Gain (loss) on sale of AFS (see Note 11)	**1,250,360**	–
Dividend income from AFS financial assets (see Note 11)	**798,013**	–
Gain on sale of investment property	–	13,351,064
Foreign exchange gain (loss) - net	–	(95,690)
Others - net	**3,638,575**	2,857,473
	₱64,291,050	₱42,611,593

Service income pertains to technical services rendered to MMTC.

Gain on use of usufruct rights pertain to payments for the use of the roads within the property of the Company in Carmona, Cavite.

25. Income Taxes

a. The components of the Company's net deferred tax liabilities are as follows:

	2014	2013
Deferred tax assets on (recognized in profit or loss):		
Accrued retirement benefits	**₱12,753,868**	₱10,518,352
Allowance for doubtful accounts	**3,499,385**	2,609,033
Unamortized past service cost	**1,023,556**	1,233,799
Provision for inventory write-down	**619,218**	619,218
Rent receivable	**415,034**	200,454
Allowance for impairment on investment in associate	**300,000**	300,000
Unearned income	**198,159**	171,500
	18,809,220	15,652,356
Deferred tax liabilities on (recognized in profit or loss):		
Unrealized gain from real estate transactions	**(55,086,817)**	(70,196,531)
Undepreciated capitalized borrowing costs	**(14,232,588)**	(15,184,252)
Rent receivable	**(2,767,672)**	(1,104,677)
Unrealized foreign exchange gain - net	**(392)**	(392)
Deferred tax liabilities on (recognized directly in other comprehensive income):		
Unrealized deemed cost adjustment on real estate properties*	**(192,825,169)**	(193,958,252)
	(264,912,638)	(280,444,104)
Net deferred tax liabilities	**(₱246,103,418)**	(₱264,791,748)

** Reversal of deferred tax liabilities is through profit or loss, except for investment properties.*

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

	2014	2013
RCIT	**₱19,116,255**	₱11,487,155
Final tax on interest income	**430,303**	627,781
	₱19,546,558	₱12,114,936

c. The reconciliation of the Company's provision for income tax at statutory tax rate to the provision for income tax shown in the parent company statements of comprehensive income is as follows:

	2014	2013
Income tax at statutory rate	**₱6,419,447**	₱10,194,550
Additions to (reductions in) income tax resulting from tax effects of:		
Nontaxable income (see Note 10)	**(7,169,832)**	(5,126,490)
Interest income subjected to final tax	**(95,099)**	(189,498)
Nondeductible interest expense	**175,134**	272,426
Nondeductible expenses and others	**3,127,525**	3,127,525
Provision for income tax	**₱2,457,175**	₱8,278,513

26. Related Party Transactions

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

The following are the transactions with related parties:

a. Advances from/to subsidiaries, associate, SPE and stockholder:

		Amount		Receivable/(Payable)			
	Nature	2014	2013	2014	2013	Terms	Conditions
Subsidiaries:							
NVTL	Advances	**₱1,643,396**	₱3,338,871	**(₱3,063,604)**	(₱1,420,208)	Interest bearing	Unsecured, no impairment
	Interest on advances	–	139,883	–	–	Non-interest bearing	Unsecured, no impairment
SLLPHI	Cash Advances[1]	–	1,049	**1,000**	1,000	Non-interest bearing	Unsecured, no impairment
	Advances	–	572,864	**(3,667,137)**	(3,667,137)	Non-interest bearing	Unsecured, no impairment
MFC	Advances[1]	**1,014**	50,000	**1,014**	–	Non-interest bearing	Unsecured, no impairment
Biohitech	Advances[1]	–	1,000	**1,000**	1,000	Non-interest bearing	Unsecured, impaired
ManilaCockers	Advances[1]	**1,142,060**	92,076	**1,141,416**	644	Non-interest bearing	Unsecured, impaired
Gametime	Advances[1]	**1,380,303**	1,407,873	**2,756,126**	1,375,823	Non-interest bearing	Unsecured, impaired

(Forward)

	Nature	Amount 2014	Amount 2013	Receivable/(Payable) 2014	Receivable/(Payable) 2013	Terms	Conditions
Associates:							
Techsystems	Advances[1]	**₱–**	₱245	**₱1,000**	₱1,000	Non-interest bearing	Unsecured, no impairment
MIC	Advances[1]	**1,135,080**	661,939	**2,078,161**	943,081	Non-interest bearing	Unsecured, no impairment
Affiliate:							
Arco Management and Development Corporation (AMDC)	Lease of office space	**6,667,610**	8,111,241	**–**	(1,431,711)	Non-interest bearing	Unsecured impairment

[1] *Included in the "Receivables" account (see Note 7)*

b. Advances to NVTL were extended by the Company to finance the purchase of slot machines for use in the casino operations and for NVTL's operational requirements. The Company received the proceeds from casino operations from PAGCOR and remits the same to NVTL subsequently.

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

d. The Company grants salary loans and advances to its officers payable through salary deductions. The loans bear an average interest rate of 9% in 2014 and 2013 (see Note 7).

e. Compensation of key management personnel of the Company amounted to ₱52.8 million and ₱41.9 million in 2014 and 2013, respectively. The Company has no standard arrangement with regards to the remuneration of its directors. In 2014 and 2013, the BOD received a total of ₱9.8 million and ₱8.1 million, respectively.

27. Equity

Capital Stock

The details of the Company's capital stock as of December 31, 2014 and 2013 are as follows:

	2014 Number of Shares	2014 Amount	2013 Number of Shares	2013 Amount
Common shares - ₱1 par value				
Authorized - 1,000,000,000 shares				
Issued and outstanding (held by 973 and 980 equity holders in 2014 and 2013, respectively)	**948,734,898**	**₱948,734,898**	862,487,439	₱862,487,439
Stock dividends issued during the year	**47,435,850**	**47,435,850**	86,247,459	86,247,459
	996,170,748	**₱996,170,748**	948,734,898	₱948,734,898

Appropriation of Retained Earnings

In 2014, the Parent Company released the appropriation of retained earnings as of December 31, 2013. The Parent Company's appropriated retained earnings for building improvements amounted to ₱17.2 million as of December 31, 2013.

Declaration of Dividends

The following are the details of dividends declared in 2014 and 2013:

Type of dividend	Date of Declaration	Date of Record	Date of Payment	Dividends per share
Cash				
	April 8, 2014	May 20, 2014	June 16, 2014	₱0.05
	May 30, 2013	June 18, 2013	June 28,2013	0.05
Stock				
	April 8,2014	July 14, 2014	August 7, 2014	5%
	May 30, 2013	July 18, 2013	August 13, 2013	10%

As of December 31, 2014 and 2013, outstanding dividends payable amounted to ₱2.8 million and ₱1.2 million, respectively.

During the regular board meeting held on March 6, 2015, the BOD approved a 5% cash dividends for stockholders of record dated May 20, 2015 to be paid on June 16, 2015.

Restriction on Retained Earnings

Retained earnings account is restricted for the payment of dividends to the extent of the cost of shares held in treasury amounting to ₱7,096.

Deemed Cost Adjustment

As of December 31, 2014 and 2013, the unappropriated retained earnings include the remaining balance of the deemed cost adjustment which arose when the Company transitioned to PFRS.

The components of the deemed cost adjustment are as follows:

	2014	2013
Real estate inventories	**₱76,676,550**	₱80,453,494
Investment properties	**566,074,010**	566,074,010
Revaluation increment	**642,750,560**	646,527,504
Deferred income tax liability	**(192,825,169)**	(193,958,252)
Deemed cost adjustment	**₱449,925,391**	₱452,569,252

The deemed cost adjustment will be realized through sale for both real estate inventories and land under investment properties. The amount of the deemed cost adjustment and undistributed earnings included in the balance of the unappropriated retained earnings are restricted and not available for dividend declaration.

28. Operating Segment Information

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

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

As of December 31, 2014 and 2013, the Company has no transactions between reportable segments. The Company measures the segment net income or loss, segment assets and segment liabilities for each reportable segment in a manner similar to the measurement of the Company's total comprehensive income.

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

Segment Revenue and Expenses

The segment results for the years ended December 31 are as follow:

	2014					
	Club Races	**Real Estate**	**Rent**	**Food and Beverage**	**Unallocated**	**Total**
Segment revenue	**₱223,888,768**	**₱45,833,650**	**₱102,385,199**	**₱17,520,185**	**₱50,151,431**	**₱439,779,233**
Costs and expenses	**170,546,549**	**4,322,592**	**50,523,486**	**16,667,638**	**176,320,810**	**418,381,075**
Income before income tax	**53,342,219**	**41,511,058**	**51,861,713**	**852,547**	**(126,169,379)**	**21,398,158**
Provision for income tax	–	–	–	–	**2,457,175**	**2,457,175**
Net income	**₱53,342,219**	**₱41,511,058**	**₱51,861,713**	**₱852,547**	**(₱128,626,554)**	**₱18,940,983**

	2013					
	Club Races	Real Estate	Rent	Food and Beverage	Unallocated	Total
Segment revenue	₱216,425,501	₱175,309,084	₱61,092,572	₱7,100,295	₱28,842,751	₱488,770,203
Costs and expenses	170,214,528	46,508,923	28,392,037	12,904,963	196,767,921	454,788,372
Income before income tax	46,210,973	128,800,161	32,700,535	(5,804,668)	(167,925,170)	33,981,831
Provision for income tax	–	–	–	–	8,278,513	8,278,513
Net income (loss)	₱46,210,973	₱128,800,161	₱32,700,535	(₱5,804,668)	(₱(176,203,683)	₱25,703,318

Finance costs, other income (charges) and income taxes are not allocated to individual segments as the underlying instruments are managed on a group basis, and are not provided to the chief operating decision maker at the operating segment level in 2014 and 2013.

Segment Assets and Liabilities and Other Information

The segment assets and liabilities as of December 31, 2014 and 2013 and capital expenditures for the years then ended are as follows:

	2014					
	Club Races	**Real Estate**	**Rent**	**Food and Beverage**	**Unallocated**	**Total**
Assets	**₱1,037,878,879**	**₱368,266,081**	**₱530,051,513**	**₱3,951,380**	**₱1,531,064,661**	**₱3,471,212,514**
Liabilities	**110,663,282**	**264,308,647**	**88,906,656**	–	**327,484,214**	**791,362,799**
Capital expenditures	**8,689,013**	–	–	**458,571**	**9,824,352**	**18,971,936**
Interest income	–	**10,444,722**	–	–	**2,180,092**	**12,624,814**
Finance cost	–	–	–	–	**3,733,470**	**3,733,470**
Depreciation	**38,249,637**	–	**15,648,599**	**464,330**	**14,850,958**	**69,213,524**

	2013					
	Club Races	Real Estate	Rent	Food and Beverage	Unallocated	Total
Assets	₱1,004,493,200	₱936,486,717	₱564,763,429	₱1,437,873	₱985,862,864	₱3,493,044,083
Liabilities	103,206,674	316,991,240	57,925,588	–	299,047,415	777,170,917
Capital expenditures	9,639,000	–	–	1,294,895	3,176,842	14,110,737
Interest income	–	10,281,932	–	–	2,724,623	13,006,555
Finance cost	–	–	–	–	4,668,456	4,668,456
Depreciation	39,170,853	–	12,444,808	478,101	15,699,268	67,793,030

29. Commitments and Contingencies

The following are the significant commitments and contingencies involving the Company:

a. Operating Lease Commitment - the Company as Lessee

On January 1, 2008, the Company renewed its lease agreement with AMDC, an affiliate, for the lease of office space and four parking lots. The lease is for a period of five years starting 2008 and includes an annual escalation rate of 5.0%. The monthly rate of the lease for the year 2012 amounted to ₱385,923. The lease contract expired in December 2012 and the Company renewed its lease agreement with AMDC on February 5, 2013 with a monthly rate of ₱427,550 and will expire in December 31, 2017.

The future minimum lease payments under this operating lease as of December 31 are as follows:

	2014	2013
Within one year	**₱5,656,484**	₱5,387,127
After one year but not more than five years	**12,175,582**	17,832,066
	₱17,832,066	₱23,219,193

On January 1, 2011, the Company entered into a new lease agreement with AMDC for the lease of office space at 12th floor of Strata 100 Building. The lease is for a period of five years starting 2011 with a yearly escalation of 5.0%.

Total rent expense from this operating lease amounted to ₱5.4 million in 2014 and ₱6.0 million in 2013 (see Note 18). The term of the contract will expire on December 31, 2015.

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

In 2013, the Company entered a lease contract for three years commencing July 10, 2013 with PAGCOR to lease an area of 189.231 square meters for a monthly fixed rental of 510.51 per square meter for its casino and related activities.

Rent income from PAGCOR amounted to ₱1.2 million in 2014, and 2013.

The future minimum lease receivables under this lease agreement as of December 31 are as follows:

	2014	2013
Within one year	**₱1,159,252**	₱1,159,252
After one year but not more than five years	**1,159,252**	2,318,504
	₱2,318,504	₱3,477,756

c. On October 2013, the Company entered into a lease agreement with PAGCOR to lease one thousand four hundred twenty seven (1,427) square meters property, with modern slot machines, including the rights to a proprietary system of linking and networking the said slot machines, in Turf Club Bldg., San Lazaro Leisure Park, Carmona, Cavite. The Company shall receive monthly variable rent equivalent to thirty-five percent (35%) of revenues less winnings/prizes and five (5%) franchise tax. The agreement shall be effective until June 30, 2016.

d. In 2014, the Company, together with MMTC, entered into an agreement that allows horse racing aficionados from both clubs to place bets on either clubs' race day using the telephone betting (TELEBET) account of the bettor from the other club, provided that the account has a balance upon placing of wagers.

   As of December 31, 2014 and 2013, receivables from MMTC amount to ₱12.6 million and nil, respectively, while payable to MMTC amounted to ₱12.0 million and nil, respectively.

e. Claims and Legal Actions

   As of December 31, 2014 and 2013, there are pending claims and legal actions against or in favor of the Company arising from the normal course of business, in addition to the matters already mentioned elsewhere in these financial statements. In the opinion of the Company's management and its legal counsel, liabilities arising from these claims, if any, would not have any material effect on the Company and any liability or loss arising there from would be taken up when the final resolution of the claims and actions are determined.

f. Unclaimed Dividends on Winnings

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

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

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

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

To resolve the foregoing issue, the Company filed a *Petition for Declaratory Relief* on November 6, 2013, As of December 31, 2014, the status is still pending before the Regional Trial Court of Bacoor, Cavite.

Provision for probable loss amounted to ₱13.1 million and ₱8.3 million as of December 31, 2014 and 2013, respectively (see Note 16).

30. Financial Instruments

The following tables present the fair value hierarchy of the Company's AFS, and loans and borrowings:

			2014		
			Fair value measurement using		
	Carrying Amounts	**Fair Value**	**Quoted Prices in Active Market (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
AFS financial assets	**₱21,504,218**	**₱21,504,218**	**₱21,434,468**	**₱–**	**₱69,750**
Loans and borrowing	**88,723,214**	**88,723,214**	–	–	**88,723,214**
	₱110,227,432	**₱110,227,432**	**₱21,434,468**	**₱–**	**₱88,792,964**

			2013		
			Fair value measurement using		
	Carrying Amounts	Fair Value	Quoted Prices in Active Market (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
AFS financial assets	₱21,242,951	₱21,242,951	₱21,242,951	₱–	₱–
Loans and borrowing	115,122,796	115,122,796	–	–	115,122,796
	₱136,365,747	₱136,365,747	₱21,242,951	₱–	₱115,122,796

As of December 31, 2014 and 2013, the Company's quoted held for trading investments and AFS financial assets measured at fair value under the Level 1 hierarchy totaled ₱21.4 million and ₱21.2 million, respectively. Fair value under Level 3 hierarchy pertains to PLDT shares amounting to ₱0.07 million expected to redeemed within 10 years effective January 19, 2012. There were no financial instruments measured at fair value under the Level 2 hierarchies.

Unquoted AFS shares amounted to ₱0.6 million and nil for the year ended 2014 and 2013. Carrying amount of these shares is equal to its fair value as at December 31, 2014 and 2013, respectively.

In 2014 and 2013, the carrying value of cash and cash equivalents, receivables, deposits, accounts payable and other liabilities and due to related parties approximates its fair value due to the short-term nature of the transaction.

31. **Financial Risk Management Objectives and Policies**

The Company's financial instruments comprise cash and cash equivalents, receivables, AFS financial assets, deposits, accounts payable and other liabilities, interest-bearing loans and borrowings, due to related parties and subscription payable. The main purpose of these financial instruments is to finance the Company's operations.

The main risks arising from the use of these financial instruments include cash flow interest rate risk, equity price risk, foreign currency risk, credit risk and liquidity risk. The Company's BOD reviews and approves the policies for managing these risks and these are summarized below.

Cash flow interest rate risk
Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's interest-bearing loans and borrowings, which carry floating interest rates (see Note 15).

The Company's interest rate risk management policy focuses on reducing the overall interest expense and exposure to changes in interest rates. Risk of changes in market interest rates is related primarily to the Company's interest on financial instruments classified as floating rate as it can cause a change in the amount of interest payments.

Interest on financial instruments classified as floating rate is repriced at intervals of less than a year. The financial instruments of the Company that bear fixed interest rates or are noninterest-bearing are not included in the succeeding analyses. The Company invests excess funds in short-term investments in order to mitigate any increase in interest rate on borrowings.

The following table demonstrates the sensitivity of the Company's income before income tax to a reasonably possible change in interest rates, with all other variables held constant, for the years ended December 31, 2014 and 2013. There is no impact on the Company's equity other than those affecting the Company profit or loss.

	Increase (decrease) in basis points	**Effect on income before income tax**
2014	+1%	**(₱887,232)**
	-1%	**887,232**
2013	+1%	(992,946)
	-1%	992,946

Equity price risk
Equity price risk is the risk that the fair values of quoted equity securities will fluctuate because of changes in the level of indices and the value of individual stocks. The Company is exposed to equity price risk because of quoted equity investments held by the Company, which are classified in the parent company statements of financial position as AFS financial assets.

The following table demonstrates the sensitivity of the Company's equity to a reasonably possible change in the PSE index (PSEi), with all other variables held constant, for the years ended December 31, 2014 and 2013:

	Increase (decrease) in PSEi	Effect on equity
2014	+14%	**₱3,037,681**
	-14%	**(3,037,681)**
2013	+14%	1,831,117
	-14%	(1,831,117)

Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows from the Company's foreign-currency denominated assets or liabilities may fluctuate due to changes in foreign exchange rates.

The Company's foreign currency risk relates to its foreign currency-denominated cash in banks. To manage this risk, management closely monitors the movements in exchange rates and regularly assesses future foreign exchange rate movements.

The Company's outstanding foreign currency-denominated financial asset pertaining to cash in banks as of December 31 and its Peso equivalent are as follows:

	United States (US) Dollar	Philippine Peso
2014	**US$5,074**	**₱226,895**
2013	1,793	79,585

As of December 31, 2014 and 2013, the applicable closing exchange rates were ₱44.7 to US$1 and ₱44.4 to US$1, respectively. Net foreign exchange loss amounted to ₱105,077 and nil in 2014 and 2013, respectively.

The sensitivity of the Company's income before income tax to a reasonably possible change in the US Dollar exchange rate against the Peso, with all other variables held constant, has no significant effect in the financial statements for the years ended December 31, 2014 and 2013.

Credit risk
Credit risk arises because the counterparty may fail to discharge its contractual obligations. The Company transacts only with related parties and recognized and creditworthy third parties. Receivable balances are monitored on an ongoing basis. Further, management intensifies its collection efforts to collect from defaulting third parties.

The Company's policy is to enter into transactions with a diversity of creditworthy parties to mitigate any significant concentrations of credit risk. There is no significant concentration of credit risk in the Company.

The table below shows the maximum exposure to credit risk of the Company as of December 31, 2014 and 2013.

	2014	2013
Loans and receivables:		
Cash and cash equivalents:		
Cash in banks	**₱238,958,445**	₱145,429,774
Cash equivalents	**47,545,719**	101,184,014
	286,504,164	246,613,788
Receivables:		
Real estate receivables**	**228,964,771**	288,434,328
Dividends receivable	**29,792,491**	17,088,300
Receivable from MMTC	**16,360,723**	–
Rent receivables	**9,399,120**	19,144,894
Receivable from PAGCOR	**6,995,045**	–
Due from related parties	**5,979,717**	2,321,260
Advances and loans to officers and employees	**5,239,315**	9,424,048
Receivables from OTB operators	**1,965,943**	1,193,961
Receivable from sale of investment property	–	20,000,000
Others	**4,011,797**	12,758,392
	308,708,922	370,365,183
Deposits*	**3,375,580**	3,375,580
	₱598,588,666	₱620,354,551

** Included in "Other noncurrent assets" in the parent company statements of financial position*
***Inclusive of non-current real estate receivable*

The tables below show the credit quality of financial assets as of December 31.

	2014			
	Standard Grade	**Past Due but Not Individually Impaired**	**Individually Impaired**	**Total**
Loans and receivables:				
Cash and cash equivalents				
Cash in banks	**₱238,958,445**	**₱–**	**₱–**	**₱238,958,445**
Cash equivalents	**47,545,719**	–	–	**47,545,719**
	286,504,164	–	–	**286,504,164**
Receivables				
Real estate receivables	**228,964,771**	–	–	**228,964,772**
Dividends receivable	**29,792,491**	–	–	**29,792,491**
Receivable from MMTC	**16,360,723**	–	–	**16,360,723**
Rent receivables	**9,399,120**	–	**1,197,798**	**10,596,918**
Receivable from PAGCOR	**6,995,045**	–	–	**6,995,045**
Due from related parties	**5,979,717**	–	–	**5,979,717**
Advances and loans to officers and employees	**5,239,315**	–	–	**5,239,315**
Receivables from OTB operators	**1,965,943**	–	–	**1,965,943**
Others	**4,011,797**	–	**10,466,819**	**14,478,616**
	308,708,922	–	**11,664,617**	**320,373,540**
Deposits*	**3,375,580**	–	–	**3,375,580**
	₱598,588,666	**₱–**	**₱11,664,617**	**₱610,253,284**

	2013			
	Standard Grade	Past Due but Not Individually Impaired	Individually Impaired	Total
Loans and receivables:				
Cash and cash equivalents				
Cash in banks	₱145,429,774	₱–	₱–	₱145,429,774
Cash equivalents	101,184,014	–	–	101,184,014
	246,613,788	–	–	246,613,788
Receivables				
Real estate receivables	288,434,328	–	–	288,434,328
Receivables from OTB operators	1,193,961	–	–	1,193,961
Due from related parties	2,321,260	–	–	2,321,260
Receivable from sale of investment property	20,000,000	–	–	20,000,000
Rent receivables	19,144,894	–	1,508,371	20,653,265
Advances and loans to officers and employees	9,424,048	–	–	9,424,048
Dividends receivable	17,088,300	–	–	17,088,300
Receivable from MMTC	–	–	–	–
Advances and loans to officers	–	–	–	–
Others	12,758,392	–	7,188,406	19,943,390
	370,365,183	–	8,696,777	379,058,552
Deposits*	3,375,580	–	–	3,375,580
	₱620,354,551	₱–	₱8,696,777	₱629,047,920

The credit quality of each of the financial assets was determined as follows:

Cash in banks and deposits
These are considered standard grade based on the nature of the counterparty and the Company's internal rating system. Cash and deposits are limited to highly reputable banks and counterparties duly authorized by the BOD.

Receivables
Standard grade pertains to receivables from existing and active buyers, OTB operators, lessees, related parties, and other counterparties. These receivables have no history of significant default or delinquency in collections but have a reasonable probability of non-collectability.

Past due but not impaired loans and receivables amounting to nil as of December 31, 2014 and 2013, are aged more than one year but less than three years.

Liquidity risk
The Company monitors and maintains a certain level of cash and cash equivalents to finance the Company's operation, ensure continuity of funding and to mitigate the effect of fluctuations in cash flows. It maintains a balance between continuity of funding and flexibility by regularly evaluating its projected and actual cash flows through the use of bank loans and extension of suppliers' credit terms. The Company maximizes the net cash inflows from operations to finance its working capital requirements.

The tables below summarize the maturity profile of the Company's financial liabilities as of December 31, 2014 and 2013 based on contractual undiscounted payments (principal and interest) and the profile of financial assets used by the Company to manage its liquidity risk:

December 31, 2014

	Within 1 year	>1 year to <3 years	3 years to <5 years	5 years and more	Total
Loans and borrowings:					
Bank loans*	**₱88,723,214**	**₱–**	**₱–**	**₱–**	**₱88,723,214**
Accounts payable and other liabilities**	**317,907,849**	–	–	–	**317,907,849**
Due to related parties	**6,730,741**	–	–	–	**6,730,741**
Subscription payable	**42,808,835**	–	–	–	**42,808,835**
	₱456,170,639	**₱–**	**₱–**	**₱–**	**₱456,170,639**

* *Amounts are inclusive of interest amounting to ₱3.0 million.*
** *Amounts are exclusive of nonfinancial liabilities amounting to ₱33.9 million*

	Within 1 year	>1 year to <3 years	3 years to <5 years	Total
Loans and receivables:				
Cash in banks	**₱238,958,445**	**₱–**	**₱–**	**₱238,958,445**
Cash equivalents	**47,545,719**	–	–	**47,545,719**
Receivables*	**310,701,066**	–	–	**310,701,066**
Deposits**	–	–	**3,375,580**	**3,375,580**
	607,544,286	–	**3,375,580**	**610,919,866**
AFS financial assets	–	–	**22,067,765**	**22,067,765**
	₱894,048,450	**₱–**	**₱25,443,345**	**₱919,491,795**

* *Amounts are exclusive of nonfinancial assets amounting to₱2.3 for December 31, 2014.*
** *Included in "Other noncurrent assets" in the parent company statements of financial position.*

December 31, 2013

	Within 1 year	>1 year to <3 years	3 years to <5 years	5 years and more	Total
Loans and borrowings:					
Bank loans*	₱73,786,094	₱14,950,000	₱–	₱–	₱88,736,094
Accounts payable and other liabilities**	252,690,568	–	–	–	252,690,568
Due to related parties	5,087,345	–	–	–	5,087,345
Subscription payable	42,808,835	–	–	–	42,808,835
	₱374,372,842	₱14,950,000	₱–	₱–	₱389,322,842

* *Amounts are inclusive of interest amounting to ₱3.7 million.*
** *Amounts are exclusive of nonfinancial liabilities amounting to ₱64.6 million*

	Within 1 year	>1 year to <3 years	3 years to <5 years	Total
Cash on hand	₱10,497,670	₱–	₱–	₱10,497,670
Loans and receivables:				
Cash in banks	145,429,774	–	–	145,429,774
Cash equivalents	101,184,014	–	–	101,184,014
Receivables*	219,705,192	150,661,281	–	370,366,473
Deposits**	–	–	3,375,580	3,375,580
	466,318,980	150,661,281	3,375,580	620,355,841
AFS financial assets	–	–	21,242,951	21,242,951
	₱466,318,980	₱150,661,281	₱24,618,531	₱641,598,792

* *Amounts are exclusive of nonfinancial assets amounting to₱36.4.*
** *Included in "Other noncurrent assets" in the parent company statements of financial position.*

32. Capital Management

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

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

	2014	2013
Capital stock	**₱996,170,748**	₱948,734,898
Net cumulative changes in fair values of AFS financial assets	**5,216,306**	9,013,593
Remeasurement on retirement benefits	**21,144,472**	24,875,348
Retained earnings		
Appropriated	**–**	17,180,917
Unappropriated	**1,657,325,285**	1,716,075,506
Treasury shares	**(7,096)**	(7,096)
	₱2,679,849,715	₱2,715,873,166

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

33. Basic/Diluted EPS

Basic/diluted EPS were computed as follows:

	2014	2013
Net income	**₱18,940,983**	₱25,703,318
Divided by weighted average number of outstanding common shares	**996,170,748**	996,170,748
Basic/diluted earnings per share	**₱0.0190**	₱0.0258

The Company does not have potential dilutive common shares as of December 31, 2014 and 2013. Therefore, the basic and diluted earnings per share are the same as of those dates.

Weighted average number of outstanding common share are restated to reflect the effect of stock dividends declared in 2014 (see Note 27).

34. Other Matters

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

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

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

35. Supplementary Information Required Under Revenue Regulations (RR) 15-2010

In compliance with the requirements set forth by RR 15-2010, hereunder are the information on taxes and license fees paid or accrued during the taxable year 2014.

a. The Company is a VAT-registered company with VAT output tax declaration of ₱45,825,419 for the year based on the totals of the amounts reflected in revenue from club races, real estate and rent and other income of ₱381,878,492.

b. The amount of VAT input taxes claimed are broken down as follows:

Balance at the beginning of the year	₱651,850
Current year's purchases:	
Services lodged under cost of goods sold	13,423,609
Services lodged under other accounts	3,981,961
Capital goods not subject to amortization	237,508
Claims for tax credit/refund and other adjustments	(17,511,575)
Balance at the end of the year	₱783,353

c. As of December 31, 2014, the VAT payable amounted to ₱6,643,393.

d. The documentary stamp tax (DST) paid/accrued on loan instruments amounted to ₱302,616.

e. Other taxes and licenses:

National:	
BIR annual registration	₱2,500
Local:	
Mayor's permit	746,621
Racing permit	411,215
Annual inspection fee	71,343
Barangay clearance	14,515
CTC (Community tax certificate)	10,500
Others:	
Annual tote license	2,301,117
Annual listing fee(SEC)	368,458
Fire code realty tax	170,526
License of racing officials	67,350
Registration of vehicles	61,711
GAB License for tellers	44,058
Real property tax	40,183
Sanitary permit	4,580
Others	191,859
	₱4,506,536

f. The amount of withholding taxes paid/accrued for the year amounted to:

Tax on compensation and benefits	₱9,810,269
Creditable withholding taxes	6,113,883
	₱15,924,152