MANILA JOCKEY CLUB, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

Supplementary Schedules

MANILA JOCKEY CLUB, INC.

RACING SINCE 1867

April 12, 2017

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of **MANILA JOCKEY CLUB, INC.** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, as of **December 31, 2016 and 2015** and for the years ended **December 31, 2016, 2015 and 2014**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to the going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Alfonso R. Reyno, Jr.	**Alfonso G. Reyno III**	**Nestor N. Ubalde**
Chairman and CEO	President and COO	Chief Finance Officer

SUBSCRIBED AND SWORN to before me this 12 day of APR 2017, affiants personally appeared before me, exhibiting to me their respective government issued identification cards with photographs as follows:

NAMES	PASSPORT / DRIVER'S LICENSE NO.	DATE OF ISSUE	PLACE OF ISSUE
Alfonso R. Reyno, Jr.	EB8557161	July 4, 2013	Manila
Alfonso G. Reyno III	EB6074546	August 2, 2012	DFA Manila
Nestor N. Ubalde	NO4-89-106906	March 3, 2015	Rizal

Doc. No. 321
Page No. 066
Book No. III
Series of 2017.

JING-JING S. ROMERO
NOTARY PUBLIC
APPOINTMENT NO. 153 (2016-2017)
UNTIL DECEMBER 31, 2017
PTR NO. [illegible]/01-05-17/PASIG CITY
IBP NO. [illegible]/01-07-17/QUEZON CITY
CITIES OF PASIG, SAN JUAN AND PATEROS
ROLL OF ATTORNEY NO. 60827

14th Floor, Strata 100 Bldg., Emerald Avenue, Ortigas Center, Pasig City 1605, Philippines
E-mail executive@manilajockey.com Web site: www.manilajockey.com Tels: (632) 6879889 Fax: (632) 9144846
San Lazaro Leisure Park: Governor's Drive, Barangay Lantic, Carmona, Cavite Tel: (632) [illegible]

SGV
Building a better working world

SyCip Gorres Velayo & Co
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Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Manila Jockey Club, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and of its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2016 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Accounting for Acquisition of Apo Reef World Resort, Inc.

On May 27, 2016, the Group acquired 56.87% of the capital stock of Apo Reef World Resorts, Inc. (ARWRI) for a total acquisition cost of ₱89.9 million, which the Group accounted for as an acquisition of a group of assets. This is significant to our audit because this is a major acquisition during the year and the amount is material to the consolidated financial statements. In addition, the accounting for this acquisition required significant management judgment and estimates which include determining whether the transaction is an acquisition of a business or an acquisition of assets, and allocating the acquisition cost to the assets acquired and liabilities assumed based on fair values. The valuation of the assets required the assistance of an external appraiser whose calculations involved certain assumptions, such as sales price of similar properties and adjustments to sales price based on internal and external factors.

The Group's disclosure about the acquisition of ARWRI are included in Note 1 to the consolidated financial statements.

Audit response

We reviewed the agreements and documents related to these acquisitions as basis in assessing management judgment on whether these acquisitions qualify as businesses or assets. We also reviewed the allocation of the acquisition cost which involved the valuation of the assets acquired and liabilities assumed. We assessed the competence, capabilities and objectivity of the external appraisers engaged by management to determine the fair values of the assets acquired. We involved our internal specialist in evaluating the methodologies and assumptions used. We reviewed the relevant information supporting the sales price of similar properties and inquired from the external appraiser the basis of adjustments made to the sales price. We also reviewed the Company's disclosures with respect to this acquisition.

Investment in a Significant Associate

The Group has an investment in MJC Investments Corporation (MIC) that is accounted for under the equity method. As of December 31, 2016, the Group's investment in MIC amounted to ₱2.2 billion, representing 45.3% of the total consolidated assets. For the year ended December 31, 2016, the Group's equity in the net loss of MIC amounted to ₱97.3 million. As discussed in Note 30 to the consolidated financial statements, MIC was granted a Permit to Operate by PAGCOR for the establishment, maintenance and operation of PAGCOR San Lazaro within the San Lazaro Tourism and Business Park in Sta. Cruz, Manila. The Permit to Operate shall be for a period of fifteen (15) years commencing on January 6, 2016, the date of actual operation of PAGCOR San Lazaro. The same agreement provides PAGCOR an exclusive and direct control to supervise and manage PAGCOR San Lazaro's casino operation, on account of PAGCOR's expertise, experience and competence in gaming operations.

We considered this as a key audit matter because the commencement of the permit to operate requires management to exercise significant judgment in determining the accounting treatment and such accounting treatment affects the Group's equity in the net loss of MIC.

Audit Response

We obtained an understanding of the terms and conditions of the Permit to Operate through inquiry with management and their legal counsel. We reviewed and evaluated the accounting treatment based on the underlying relevant documents and applicable accounting standards. We also obtained an understanding of the associate's business transactions and reviewed the process in recognizing the Group's equity in net loss of MIC. We also recomputed the Group's equity in net loss of MIC.

Other Information

Management is responsible for the other information. The other information comprises the SEC Form 17A for the year ended December 31, 2016 but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the SEC Form 20 IS (Definitive Information Statement) and Annual Report for the year ended December 31, 2016, which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Adeline D. Lumbres.

SYCIP GORRES VELAYO & CO.

Adeline D. Lumbres

Adeline D. Lumbres
Partner
CPA Certificate No. 0107241
SEC Accreditation No. 1555-A (Group A),
April 14, 2016, valid until April 14, 2019
Tax Identification No. 224-024-746
BIR Accreditation No. 08-001998-118-2016,
February 15, 2016, valid until February 14, 2019
PTR No. 5908715, January 3, 2017, Makati City

April 25, 2017

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2016	**2015**
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	**₱171,837,642**	₱134,470,762
Receivables (Note 7)	**188,435,626**	200,069,482
Inventories (Note 8)	**83,933,984**	94,804,252
Other current assets (Note 9)	**11,252,575**	11,331,636
Total Current Assets	**455,459,827**	440,676,132
Noncurrent Assets		
Real estate receivables - net of current portion (Note 7)	**108,575,994**	45,121,918
Investments in associates and joint ventures (Note 10)	**2,205,395,607**	2,301,262,044
Available-for-sale (AFS) financial assets (Note 11)	**13,261,812**	31,942,805
Property and equipment (Notes 12 and 30)	**920,939,075**	957,207,789
Investment properties (Notes 10, 13, 15 and 30)	**1,099,639,271**	998,356,015
Other noncurrent assets (Notes 1 and 14)	**29,388,986**	30,959,981
Total Noncurrent Assets	**4,377,200,745**	4,364,850,552
	₱4,832,660,572	₱4,805,526,684
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term loans and borrowings (Note 15)	**₱90,000,000**	₱39,000,000
Accounts payable and other liabilities (Note 16)	**312,387,628**	301,126,960
Income tax payable	**572,086**	6,907
Due to related parties (Note 26)	**14,734,481**	–
Total Current Liabilities	**417,694,195**	340,133,867
Noncurrent Liabilities		
Accrued retirement benefits (Note 21)	**44,035,776**	38,982,230
Deferred tax liabilities - net (Note 25)	**228,672,946**	228,578,560
Total Noncurrent Liabilities	**272,708,722**	267,560,790
	690,402,917	607,694,657
Equity		
Capital stock (Note 27)	**996,170,748**	996,170,748
Additional paid-in capital	**27,594,539**	27,594,539
Actuarial gains on accrued retirement benefits (Note 21)	**24,133,722**	21,621,047
Net cumulative changes in fair values of AFS financial assets (Note 11)	**4,962,621**	3,923,214
Retained earnings (Note 27)	**3,023,263,901**	3,150,149,222
Treasury shares (Note 27)	**(7,096)**	(7,096)
Equity attributable to equity holders of the parent company	**4,076,118,435**	4,199,451,674
Noncontrolling interests (Note 1)	**66,139,220**	(1,619,647)
Total Equity	**4,142,257,655**	4,197,832,027
	₱4,832,660,572	₱4,805,526,684

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2016	2015	2014
REVENUES			
Club races	**₱188,544,440**	₱199,811,373	₱223,888,768
Cockfighting	**120,386,418**	422,065	–
Real estate (Note 8)	**113,821,575**	46,567,719	35,388,928
Rent (Notes 12 and 13)	**89,991,462**	87,163,618	86,065,488
Food and beverages	**16,179,911**	18,972,040	17,520,185
Others	**6,293,366**	18,397,073	19,686,768
	535,217,172	371,333,888	382,550,137
COST OF SALES AND SERVICES (Note 17)			
Club races	**167,391,019**	175,111,876	168,656,048
Cockfighting	**82,568,983**	3,843,988	–
Real estate (Note 8)	**12,409,471**	1,008,078	4,322,592
Rent	**59,134,068**	62,600,842	59,579,622
Food and beverages	**18,878,743**	19,324,889	16,667,638
Others	**10,652,341**	18,296,866	19,595,144
	351,034,625	280,186,539	268,821,044
GROSS INCOME	**184,182,547**	91,147,349	113,729,093
General and administrative expenses (Note 18)	**(208,834,259)**	(188,535,895)	(171,849,961)
Selling expense (Note 8)	**(9,675,864)**	(4,446,269)	(7,191,379)
Interest income (Notes 6, 7, 11 and 22)	**11,520,608**	5,143,074	12,820,019
Finance costs (Notes 15 and 23)	**(2,442,332)**	(2,385,464)	(3,733,470)
Equity in net earnings (losses) of associates and joint ventures (Note 10)	**(70,529,999)**	12,478,009	17,098,728
Other income - net (Note 24)	**27,906,430**	28,176,692	43,355,394
INCOME (LOSS) BEFORE INCOME TAX	**(67,872,869)**	(58,422,504)	4,228,424
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 25)			
Current	**10,569,906**	4,366,275	19,564,964
Deferred	**(982,473)**	(17,729,105)	(17,090,907)
	9,587,433	(13,362,830)	2,474,057
NET INCOME (LOSS)	**(77,460,302)**	(45,059,674)	1,754,367
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 11)	**1,039,407**	(1,293,092)	(3,797,287)
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 21)	**2,512,675**	476,575	(3,730,876)
TOTAL COMPREHENSIVE LOSS	**(₱73,908,220)**	(₱45,876,191)	(₱5,773,796)
Net income (loss) attributable to:			
Equity holders of the parent company	**(₱77,077,258)**	(₱45,721,993)	₱1,754,367
Noncontrolling interests	**(383,044)**	662,319	–
	(₱77,460,302)	(₱45,059,674)	₱1,754,367
Total comprehensive income (loss) attributable to:			
Equity holders of the parent company	**(₱73,525,176)**	(₱46,538,510)	(₱5,773,796)
Noncontrolling interests	**(383,044)**	662,319	–
	(₱73,908,220)	(₱45,876,191)	(₱5,773,796)
Basic/Diluted Earnings (Loss) Per Share (Note 28)	**(₱0.0774)**	(₱0.0459)	₱0.0018

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, 2016, 2015 AND 2014

	Capital Stock (Note 27)	Additional Paid-In Capital	Actuarial Gains on Accrued Retirement Benefits (Note 21)	Net Cumulative Changes in Fair Values of AFS Financial Assets (Note 11)	Retained Earnings (Note 27)		Treasury Shares (Note 27)	Subtotal	Noncontrolling Interests	Total
					Appropriated	Unappropriated				
BALANCES AT DECEMBER 31, 2015	**₱996,170,748**	**₱27,594,539**	**₱21,621,047**	**₱3,923,214**	**₱–**	**₱3,150,149,222**	**(₱7,096)**	**₱4,199,451,674**	**(₱1,619,647)**	**₱4,197,832,027**
Share in acquisition of net assets (Note 1)	–	–	–	–	–	–	–	–	68,141,911	68,141,911
Total comprehensive loss for the year	–	–	2,512,675	1,039,407	–	(77,077,258)	–	(73,525,176)	(383,044)	(73,908,220)
Cash dividends declared (Note 27)	–	–	–	–	–	(49,808,063)	–	(49,808,063)	–	(49,808,063)
BALANCES AT DECEMBER 31, 2016	**₱996,170,748**	**₱27,594,539**	**₱24,133,722**	**₱4,962,621**	**₱–**	**₱3,023,263,901**	**(₱7,096)**	**₱4,076,118,435**	**₱66,139,220**	**₱4,142,257,655**
BALANCES AT DECEMBER 31, 2014	**₱996,170,748**	**₱27,594,539**	**₱21,144,472**	**₱5,216,306**	**₱–**	**₱3,245,679,278**	**(₱7,096)**	**₱4,295,798,247**	**(₱2,281,966)**	**₱4,293,516,281**
Total comprehensive loss for the year	–	–	476,575	(1,293,092)	–	(45,721,993)	–	(46,538,510)	662,319	(45,876,191)
Cash dividends declared (Note 27)	–	–	–	–	–	(49,808,063)	–	(49,808,063)	–	(49,808,063)
BALANCES AT DECEMBER 31, 2015	**₱996,170,748**	**₱27,594,539**	**₱21,621,047**	**₱3,923,214**	**₱–**	**₱3,150,149,222**	**(₱7,096)**	**₱4,199,451,674**	**(₱1,619,647)**	**₱4,197,832,027**
BALANCES AT DECEMBER 31, 2013	**₱948,734,898**	**₱27,594,539**	**₱24,875,348**	**₱9,013,593**	**₱17,180,917**	**₱3,321,616,115**	**(₱7,096)**	**₱4,349,008,314**	**(₱2,281,966)**	**₱4,346,726,348**
Total comprehensive loss for the year	–	–	(3,730,876)	(3,797,287)	–	1,754,367	–	(5,773,796)	–	(5,773,796)
Stock dividends declared (Note 27)	47,435,850	–	–	–	–	(47,435,850)	–	–	–	–
Cash dividends declared and paid (Note 27)	–	–	–	–	–	(47,436,271)	–	(47,436,271)	–	(47,436,271)
Reversal of previous appropriation during the year (Note 27)	–	–	–	–	(17,180,917)	17,180,917	–	–	–	–
BALANCES AT DECEMBER 31, 2014	**₱996,170,748**	**₱27,594,539**	**₱21,144,472**	**₱5,216,306**	**₱–**	**₱3,245,679,278**	**(₱7,096)**	**₱4,295,798,247**	**(₱2,281,966)**	**₱4,293,516,281**

See accompanying Notes to Consolidated Financial Statements.

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

APR 2 6 2017

	Years Ended December 31		
	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**(₱67,872,869)**	(₱58,422,504)	₱4,228,424
Adjustments for:			
Depreciation (Notes 12, 13 and 19)	**82,283,581**	81,133,631	77,779,448
Equity in net losses (earnings) of associates and joint ventures (Note 10)	**70,529,999**	(12,478,009)	(17,098,728)
Interest income (Note 22)	**(11,520,608)**	(5,143,074)	(12,820,019)
Gain on sale of:			
AFS financial assets (Note 24)	**(364,020)**	(2,582,792)	(1,250,360)
Property and equipment (Notes 13 and 24)	**(467,712)**	–	–
Finance costs (Note 23)	**2,442,332**	2,385,464	3,733,470
Loss on impairment of AFS financial assets (Note 24)	**1,983,500**	–	–
Amortization of franchise fee (Note 17)	**1,794,000**	1,794,000	1,794,000
Dividend income (Note 24)	**(451,750)**	(350,485)	(798,013)
Unrealized foreign exchange loss - net	**191,722**	93,642	106,752
Gain on reversal of provision for probable losses (Note 24)	**(13,135,947)**	–	(8,004,970)
Operating income before working capital changes	**65,412,228**	6,429,873	47,670,004
Decrease (increase) in:			
Receivables	**(49,667,736)**	42,148,164	84,274,223
Inventories	**10,870,268**	497,469	4,062,952
Other current assets	**(840,540)**	(1,654,902)	62,109
Increase (decrease) in:			
Accounts payable and other liabilities	**18,472,135**	(55,408,133)	45,297,846
Accrued retirement benefits (Note 21)	**8,643,081**	(2,849,842)	2,121,899
Due to related parties	**(2,308,906)**	–	–
Cash generated from (used in) operations	**50,580,530**	(10,837,371)	183,489,033
Income taxes paid, including creditable withholding and final taxes	**(9,085,126)**	(22,000,191)	(9,699,056)
Net cash provided by (used in) operating activities	**41,495,404**	(32,837,562)	173,789,977
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property and equipment (Note 12)	**(34,000,742)**	(35,085,533)	(78,070,091)
Acquisitions of investment property (Note 13)	**(9,268,938)**	–	–
Acquisition of a subsidiary, net of cash received (Note 1)	**(14,306,870)**	–	–
Acquisitions of AFS financial assets (Note 11)	–	(21,297,900)	(8,129,767)
Proceeds from sale of:			
AFS financial assets (Note 11)	**18,100,920**	12,712,560	4,758,026
Property and equipment	**467,712**	–	–
Dividends received (Notes 10 and 24)	**23,656,616**	47,866,140	9,517,045
Interest received (Note 22)	**11,912,196**	4,949,905	12,695,310
Decrease (increase) in other noncurrent assets	**1,995**	(761,769)	617,846
Net cash provided by (used in) investing activities	**(3,437,111)**	8,383,403	(58,611,631)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term loans and borrowings (Note 15)	**98,000,000**	–	–
Payments of:			
Short-term loans and borrowings (Note 15)	**(47,000,000)**	(35,437,500)	(12,000,000)
Long-term loans and borrowings (Note 15)	–	(14,285,715)	(14,285,714)
Subscriptions	–	(42,808,835)	–
Interest paid	**(2,442,332)**	(2,385,464)	(3,733,470)
Dividends paid by the Parent Company (Note 27)	**(49,057,359)**	(49,042,547)	(45,829,488)
Net cash used in financing activities	**(499,691)**	(143,960,061)	(75,848,672)

(Forward)

	Years Ended December 31		
	2016	2015	2014
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(₱191,722)**	(₱93,642)	(₱106,752)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**37,366,880**	(168,507,862)	39,222,922
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**134,470,762**	302,978,624	263,755,702
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱171,837,642**	₱134,470,762	₱302,978,624

See accompanying Notes to Consolidated Financial Statements

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

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

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

The Parent Company is presently engaged in the construction, operations and maintenance of a racetrack located in Cavite, Philippines and in the holding or conducting of horse races therein with bettings both directly or indirectly by means of mechanical, electric and/or computerized totalizator. It has a congressional franchise granted on November 23, 1997 under Republic Act (R.A.) No. 8407 to hold such races and to maintain the race track, which will expire on November 23, 2022 (see Note 14). The Parent Company is also engaged in the development and sale of condominium units and residential properties, and lease of an office building through joint venture (JV) arrangements with certain developers.

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

Subsidiaries, Joint Ventures and Associates

	Place of incorporation	Nature of business	Functional currency	Percentage of ownership	
				2016	2015
Subsidiaries					
Biohitech Philippines, Inc. (Biohitech) [a]	Philippines	Waste management	Philippine Peso	**50.00**	50.00
Gametime Sports and Technologies, Inc. (Gametime)	Philippines	Gaming	Philippine Peso	**100.00**	100.00
Manilacockers Club, Inc. (MCI)	Philippines	Gaming	Philippine Peso	**100.00**	100.00
MJC Forex Corporation (MFC)	Philippines	Money changer	Philippine Peso	**100.00**	100.00
New Victor Technology, Ltd. (NVTL)	Hong Kong	Gaming	Philippine Peso	**100.00**	100.00
San Lazaro Resources and Development Corporation (SLRDC) [a]	Philippines	Real estate	Philippine Peso	**100.00**	100.00
SLLP Holdings, Inc. (SLLPHI) [a]	Philippines	Holdings	Philippine Peso	**100.00**	100.00
Hi-Tech Harvest Limited [a]	Hong Kong	Marketing	Philippine Peso	**100.00**	100.00
Apo Reef World Resorts, Inc. (ARWRI) [a]	Philippines	Beach Resorts Complex	Philippine Peso	**56.87**	–
Joint Ventures					
Gamespan, Inc. (Gamespan) [a]	Philippines	Gaming	Philippine Peso	**50.00**	50.00
San Lazaro BPO Complex (SLBPO)	Philippines	Real estate	Philippine Peso	**30.00**	30.00
Associates					
MJC Investments Corporation Doing business under the name and style of Winford Leisure and Entertainment Complex and Winford Hotel and Casino (MIC)	Philippines	Real estate and Gaming	Philippine Peso	**22.31**	22.31
Techsystems, Inc. (Techsystems) [a]	Philippines	Information Technology	Philippine Peso	**33.33**	33.00

[a] *Not yet started commercial operation as of December 31, 2016*

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

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

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

As of December 31, 2016, the Parent Company has an outstanding subscription payable to ARWRI amounting to ₱60.0 million which is eliminated in the consolidated financial statements against the subscription receivable above.

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

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

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, 2016 and 2015 was authorized for issuance by the Board of Directors (BOD) on April 25, 2017.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation

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

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

3. **Summary of Significant Changes in Accounting Policies and Disclosures**

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

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

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

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

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

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

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

- PFRS 14, *Regulatory Deferral Accounts*

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

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

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

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

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

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

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

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

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

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

- Annual Improvements to PFRSs 2012 - 2014 Cycle

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

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

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

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

  - Amendment to PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
    This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

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

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

  - Amendment to PAS 34, *Interim Financial Reporting, Disclosure of Information 'Elsewhere in the Interim Financial Report'*

    The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Future Changes in Accounting Policies

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

Effective beginning on or after January 1, 2017

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

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

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

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

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

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

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

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

Effective beginning on or after January 1, 2018

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

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

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

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

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

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

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

- PFRS 9, *Financial Instruments*

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

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

- PFRS 15, *Revenue from Contracts with Customers*

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

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

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

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

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

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

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

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

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

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*

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

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

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

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

Deferred effectivity

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

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

  On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

4. Summary of Significant Accounting and Financial Reporting Policies

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

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

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

Non-controlling Interests. Non-controlling interests represent the portion of profit or loss and net assets in Biohitech in 2016 and 2015 and ARWRI in 2016 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 consolidated financial statements are presented in Philippine Peso, which is the Parent Company's functional and presentation currency. Each entity in the Group determines its own functional currency, which is the currency that best reflects the economic substance of the underlying transactions, events and conditions relevant to that entity, and items included in the financial statements of each entity are measured using that functional currency.

<u>Business Combinations and Goodwill</u>

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred at acquisition date fair value, and the amount of any noncontrolling interest in the acquiree. For each business combination, the Group elects to measure the noncontrolling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in the profit or loss under "General and administrative expenses" account.

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

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

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

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

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

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

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

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

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

All other assets are classified as noncurrent.

A liability is current when:

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

The Group classifies all other liabilities as noncurrent.

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

Fair Value Measurement
The Group measures financial instruments at fair value at each reporting date. Additional fair value related disclosures including fair values of financial instruments measured at amortized cost are disclosed in Note 31.

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial assets are classified into the following categories:
a. Financial assets at FVPL
b. Loans and receivables
c. Held-to-maturity (HTM) investments
d. AFS financial assets

Financial liabilities, on the other hand, are classified into the following categories:
a. Financial liabilities at FVPL
b. Other financial liabilities

As of December 31, 2016 and 2015, the Group has no financial assets or financial liabilities at FVPL and HTM investments.

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

a. *Loans and receivables*
   This category is the most relevant to the Group. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statements of comprehensive income. The losses arising from impairment are recognized in the consolidated statements of comprehensive income in finance costs for loans and in cost of sales or other operating expenses for receivables.

   Included in this category are the Group's cash in banks and cash equivalents, receivables and deposits (presented as part of "Other noncurrent assets" in the consolidated statements of financial position) as of December 31, 2016 and 2015.

b. *AFS financial assets*
   AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held-for-trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

   After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses recognized in OCI and credited in the AFS reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statements of comprehensive income in finance costs. Interest earned whilst holding AFS financial assets is reported as interest income using the EIR method.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on the asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of income.

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

The Group's AFS financial assets consist of investments in quoted and unquoted equity securities, quoted debt securities, preferred shares and club membership shares as of December 31, 2016 and 2015.

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

Included in this category are the Group's short-term loans and borrowings, accounts payable and other liabilities, and due to related parties as of December 31, 2016 and 2015.

<u>Derecognition of Financial Assets and Financial Liabilities</u>

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Inventories

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

Real Estate Inventories

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

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

Investments in Associates and Joint Ventures

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

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

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

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

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

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

- Assets which include real estate inventories, developed office units and retail development units presented under "Investment Properties" account (see Notes 8 and 13)
- Liabilities, including its share of any liabilities jointly incurred, recorded as "Accrued Expenses"

- Revenue from the sale of its share of the real estate inventories, recorded as "Real Estate Revenue"
- Share of the revenue from services rendered jointly, recorded as part of the "Rental Income"
- Expenses, including its share of expenses incurred jointly, recorded as part of "Selling Expenses"

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

Property and Equipment

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

Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance costs, are normally charged to income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

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

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

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

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

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of comprehensive income when the asset is derecognized.
Construction in progress is stated at cost. This includes cost of construction, borrowing costs incurred during the development or construction phase and other direct costs. Borrowing costs are

capitalized until the property is completed and becomes available for use. Construction in progress is not depreciated until such time as the relevant assets are completed and are available for use. The capitalized interest is amortized over the estimated useful life of the related assets.

Investment Properties

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

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

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

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

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

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

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

Franchise Fee

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

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

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

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

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

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

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

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

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

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

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

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

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts and sales taxes. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

The Group has concluded that it is acting as an agent in its club racing and cockfighting operations and as principal in all other arrangements (i.e., real estate sales and rental services).

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

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

Commission income from cockfighting
Revenue is recognized as earned based on a percentage of gross receipts from ticket sales of cockfighting operations.

Revenue from food and beverages
Revenue from food and beverages are recognized when services are rendered or the goods are sold.

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

Revenue from sales of completed real estate projects from the joint venture is accounted for using the full accrual method. In accordance with Philippine Interpretations Committee Q&A No. 2006-01, the percentage-of-completion method is used to recognize income from sales of projects where the Company has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished), and the costs incurred or to be incurred can be measured reliably. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

Any excess of collections over the recognized revenue are included in the "Trade payable and buyers' deposits" under the "Accounts payable and other liabilities" account in the consolidated statements of financial position. If any of the criteria under the full accrual or percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers are presented under the "Trade payable and buyers' deposits" under the "Accounts payable and other liabilities" account in the consolidated statements of financial position.

Cost of real estate sales pertains to the cost of the land and is recognized under the percentage-of-completion method, if the criteria of the full accrual method are not satisfied.
The cost of inventory recognized in the consolidated statements of comprehensive income upon sale is determined with reference to the costs of the land contributed for the property, allocated to saleable area based on relative size and takes into account the percentage of completion used for revenue recognition purposes.

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

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

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

Dividend income
Revenue is recognized when the Parent Company's right to receive the payment is established.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Segment Reporting
The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit

that offers different products and serves different markets. Financial information on the Group's operating segments is presented in Note 29 to the consolidated financial statements.

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

5. Significant Accounting Judgments, Estimates and Assumptions

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

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

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

Determination if control exists in an investee company
Control is presumed to exist when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. On the other hand, joint control is presumed to exist when the investors contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Management has determined that it has control by virtue of its power to cast the majority votes at meetings of the BOD in all of its subsidiaries (see Note 1).

Determination if joint control exists in a joint venture
Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Management has determined that it has joint control in San Lazaro BPO Complex Joint Venture and Gamespan Inc. since the strategic financial and operating decisions of the entity are made jointly for all relevant activities by the venturers through its BOD (see Note 1).

Determination if significant influence exist in an associate
Significant influence exist when an investor has the power to participate in the financial and operating policy decisions of the investee but is not control or joint control. Management has determined that the Group has significant influence in MIC since the Group has the power to appoint representatives to the BOD of MIC to participate in the financial and operating policy decision (see Note 1).

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

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

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

On August 25, 2016, the Parent Company acquired 56.87 percent of the total capital stock of Apo Reef World Resorts, Inc. for ₱89.9 million. The acquisition did not qualify as an acquisition of a business in accordance with PFRS 3 since the Parent Company acquired only inputs in the form of parcels of land situated in Mamburao, Mindoro and was not able to acquire any processes. There were no indicators of substantive processes and/or services acquired or provided as of acquisition date (see Note 13).

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

a. *Operating lease commitments - the Group as a lessor*
   The Group has entered into lease agreements on certain items of its property and equipment and investment properties. The Group has determined that it retains all the significant risks and rewards of ownership of these properties. i.e. ownership of the assets remains with the Group at the end of the lease terms. Accordingly, the lease agreements are accounted for as operating leases (see Notes 12, 13 and 30).

b. *Operating lease commitments - the Parent Company as lessee*
   The Parent Company has entered into a lease agreement for the lease of office and parking lots where it has determined that the risks and rewards related to the leased assets are retained by the lessor. i.e. ownership of the assets remains with the lessor at the end of the lease term. As such, the lease agreement was accounted for as an operating lease (see Note 30).

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

amount of the asset, which is the higher of an asset's or CGU's fair value less costs to sell and its value in use.

There are no impairment of noncurrent nonfinancial assets in 2016, 2015 and 2014. The carrying values of the Group's interest in associates and joint ventures, property and equipment, investment properties, and franchise fee of December 31, 2016 and 2015 are disclosed in Notes 10, 12, 13 and 14 to the consolidated financial statements, respectively.

Estimates and Assumptions

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

Estimation of allowance for doubtful accounts

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

As of December 31, 2016 and 2015, the carrying value of receivables (including noncurrent portion of real estate receivables), net of allowance for doubtful accounts, are disclosed in Note 7 to the consolidated financial statements.

In 2016, 2015, and 2014, provision for doubtful accounts are disclosed in Notes 7 and 18 to the consolidated financial statements, and written off receivable accounts without previous impairment allowance are disclosed in Notes 7 and 24 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, 2016 and 2015, the cost of the real estate inventories, the amount written down to NRV and the carrying value of the real estate inventories are disclosed in Note 8 to the consolidated financial statements.

Estimation of impairment of 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, 2016 and 2015, the carrying value of the Group's AFS financial assets are disclosed in Note 11 to the consolidated financial statements. Impairment loss of ₱2.0 million was recognized in 2016 and nil in 2015 and 2014.

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

There were no changes in the useful lives of property and equipment and investment properties in 2016, 2015, and 2014. As of December 31, 2016 and 2015 the carrying amount of depreciable property and equipment are disclosed in Note 12 to the consolidated financial statements. The carrying amount of depreciable investment property as of December 31, 2016 and 2015 are disclosed in Note 13 to the consolidated financial statements.

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

As of December 31, 2016 and 2015, the Parent Company's deferred tax assets and subsidiaries' unrecognized deferred tax assets are disclosed in Note 25 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 21 and include among others, discount rates, expected rate of return on plan assets and expected rate of salary increase. Actual results that differ from the Group's assumptions are accumulated and amortized over the future periods and therefore generally affect the recognized expense and recorded obligation in such future period. While the Group believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's retirement and other retirement obligations.

As of December 31, 2016 and 2015, the carrying value of accrued retirement benefits are disclosed in Note 21 to the consolidated financial statements. Retirement benefits cost in 2016, 2015 and 2014 are disclosed in Note 21 to the consolidated financial statements.

6. Cash and Cash Equivalents

This account consists of:

	2016	2015
Cash on hand	**₱13,676,015**	₱9,742,835
Cash in banks	**133,995,064**	95,908,691
Cash equivalents	**24,166,563**	28,819,236
	₱171,837,642	₱134,470,762

Cash in banks generally earns interest at the respective bank deposit rates. Cash equivalents are short-term deposits made for varying periods of up to three months and earn interest at the respective short-term deposit rates. Interest income earned amounted to ₱0.6 million, ₱2.0 million, and ₱1.8 million in 2016, 2015 and 2014, respectively (see Note 22).

7. Receivables

This account consists of:

	2016	2015
Trade		
Real estate receivables - current portion	**₱136,036,096**	₱168,468,704
Rent receivables (see Notes 12 and 13)	**11,192,382**	9,253,915
Receivables from off-track betting (OTB) operators	**9,498,330**	1,150,427
Receivable from Philippine Amusement and Gaming Corporation (PAGCOR) (Note 30)	**6,996,536**	8,061,391
Non-trade		
Receivable from third parties	**15,252,500**	1,969,000
Advances and loans to officers and employees (Note 26)	**14,892,438**	6,201,609
Receivable from contractors	**7,141,495**	7,796,446
Dividends receivable (Note 10)	**5,772,409**	3,640,837
Due from related parties (Note 26)	**4,999,109**	4,116,424
Claims for tax credit certificates (TCC)	**2,252,054**	2,252,054
Advances to suppliers	**1,735,093**	2,296,102
Receivable from Metro Manila Turf Club (MMTC) (Note 30)	**–**	653,863
Others	**10,522,758**	8,761,323
	226,291,200	224,622,095
Less allowance for doubtful accounts	**37,855,574**	24,552,613
	₱188,435,626	₱200,069,482

Real Estate Receivables

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

	2016	2015
Current	**₱136,036,096**	₱168,468,704
Noncurrent	**108,575,994**	45,121,918
	₱244,612,090	₱213,590,622

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

Interest income from accretion of real estate receivables amounted to ₱7.9 million, ₱2.6 million, ₱10.4 million in 2016, 2015, and 2014, respectively (see Note 22).

Receivable from Third Parties

Receivable from third parties bear an interest of 12% per annum and are generally settled within 30-90 day term. Interest income earned on receivable from third parties amounted to ₱2.1 million in 2016, ₱0.1 million in 2015, and nil in 2014 (see Note 22).

Advances and Loans to Officers and Employees

The Parent Company grants salary loans and advances to its officers, payable through salary deductions. The loans bear an average interest rate of 9% per annum. Interest income earned on advances and loans to officers and employees amounted to ₱0.6 million in 2016 and ₱0.2 million in 2015 and 2014 (see Note 22).

Receivable from contractors

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

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 25, 2017.

Advances to Suppliers

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

Other Receivables

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

Allowance for Doubtful Accounts

The following table shows the rollforward of the allowance for doubtful accounts as of December 31, 2016 and 2015:

	2016	2015
Balance at beginning of year	**₱24,552,613**	₱11,664,616
Provision during the year (Note 18)	**13,658,247**	13,249,397
Amounts written off during the year	**(276,673)**	(324,890)
Recovery of doubtful accounts	**(78,613)**	(36,510)
Balance at end of year	**₱37,855,574**	₱24,552,613

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

	2016	2015
Trade	**₱24,386,627**	₱11,393,551
Non-trade	**13,468,947**	13,159,062
Balance at end of year	**₱37,855,574**	₱24,552,613

Allowance for doubtful accounts as of December 31, 2016 and 2015 were based on collective assessment made by management.

The Parent Company directly wrote-off receivables amounting to ₱0.5 million, ₱1.4 million, and ₱5.0 million in 2016, 2015, and 2014 respectively (see Note 24).

8. Inventories

This account consists of:

	2016	2015
Real estate:		
Land held for development - at cost	**₱38,189,898**	₱38,189,898
Condominium units for sale - at cost	**30,233,390**	42,771,653
Memorial lots for sale - at net realizable value	**8,379,931**	8,449,965
Residential units for sale - at cost	**4,516,933**	4,318,107
	81,320,152	93,729,623
Food and beverages - at cost	**561,832**	527,629
Gamefowls - at cost	**2,052,000**	547,000
	₱83,933,984	₱94,804,252

Condominium units for sale and residential units for sale pertain to the completed condominium and residential projects of the Parent Company. In 2016 and 2015, revenue from real estate pertains to sale of completed condominium units and residential units.

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

	2016	2015
Balance at beginning of year	**₱93,729,623**	₱94,737,701
Cost of real estate sold (Note 17)	**12,409,471**	1,008,078
Balance at end of year	**₱81,320,152**	₱93,729,623

In 2016, 2015 and 2014, no impairment loss was recognized. The cost of memorial lots for sale as at December 31, 2016 and 2015 amounted to ₱9.8 million.

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

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

Towers 1 to 5 of AVIDA and Towers 1 and 2 of Alveo are fully completed as of December 31, 2016 and 2015. The construction of Tower 3 of Alveo is 88.10%, 63.00% and 39.82% complete as of December 31, 2016, 2015 and 2014, respectively.

Residential units for sale
On February 24, 2004, the Parent Company entered into an agreement with Century Communities Corporation (CCC) for the development of 17.09 hectares of the Parent Company's 33-hectare property in Carmona, Cavite into an exclusive residential subdivision with some commercial areas. As of December 31, 2016, the project is 100% complete.

Marketing expense, presented as "Selling expense" in the consolidated statements of comprehensive income, is the share of the Parent Company in the marketing cost pertaining to real estate operations. The amount of marketing cost in 2016, 2015 and 2014 amounted to ₱9.7 million, ₱4.4 million, and ₱7.2 million, respectively.

Gamefowls
The movements in the gamefowl inventory account are as follows:

	2016	2015
Balance at beginning of year	**₱547,000**	₱–
Purchases	**12,020,520**	1,623,000
Cost of gamefowls used (Note 17)	**10,515,520**	1,076,000
Balance at end of year	**₱2,052,000**	₱547,000

There were no write-down of inventories in 2016 and 2015.

9. Other Current Assets

This account consists of:

	2016	2015
Prepaid expenses	**₱5,993,868**	₱6,099,400
Prepaid income tax	**4,048,517**	4,968,118
Input VAT	**681,327**	72,548
Deposit	**351,569**	80,000
Others	**177,294**	111,570
	₱11,252,575	₱11,331,636

Prepaid expenses include prepayments made for insurance and licenses.

Others include prepaid insurance and rental deposit.

10. Investment in Associates and Joint Ventures

Investment in associates and joint ventures consist of:

	2016	2015
Cost	**₱2,312,510,445**	₱2,312,510,445
Equity in net earnings (losses) of associates and joint ventures		
Beginning balance	**(11,248,401)**	(2,362,409)
Equity in net earnings (losses) during the year	**(70,529,999)**	12,478,009
Share on dividends declared	**(25,336,438)**	(21,364,001)
	(107,114,838)	(11,248,401)
	₱2,205,395,607	₱2,301,262,044

	2016	2015
Investment in associates		
MIC	**₱2,185,285,142**	₱2,282,630,067
Techsystems	–	–
	2,185,285,142	2,282,630,067
Investment in joint ventures		
Gamespan	**9,792,161**	9,792,161
SLLBPO	**10,318,304**	8,839,816
	20,110,465	18,631,977
	₱2,205,395,607	₱2,301,262,044

Investment in Associates

MIC. Investment in MIC pertains to the Group's 22.31% interest in MIC as of December 31, 2016 and 2015. MIC started its commercial operations on January 6, 2016. The movements and details of the accounts are as follows:

	2016	2015
Investment in associate	**₱2,282,630,067**	₱2,294,664,038
Equity in net losses of the associate	**(97,344,925)**	(12,033,971)
	₱2,185,285,142	₱2,282,630,067

The summarized financial information of MIC is as follows:

	2016	2015
Current assets	**₱796,509,099**	₱2,164,115,672
Noncurrent assets	**5,894,901,689**	3,902,539,758
Current liabilities	**660,273,522**	625,230,122
Noncurrent liabilities	**3,472,787,465**	2,475,451,860
Equity	**2,558,349,801**	2,965,973,448
Income	**223,525,258**	4,767,659
Expenses	**669,888,624**	58,707,468
Net loss	**446,363,366**	53,939,809

Movement in equity pertains to collection of subscription receivable amounting to ₱38.7 million in 2016.

The difference between the carrying values of investment in MIC against the share in net asset of MIC as of December 31, 2016 and December 31, 2015 represents goodwill amounting to ₱1.6 billion.

Fair value of the investment in MIC as of December 31, 2016 and 2015 amounted to ₱2.47 billion and ₱2.48 billion, respectively.

Techsystems. The investment in associate, Techsystems, pertains to the acquisition cost of ₱1.0 million representing 33.33% ownership of the Parent Company. Techsystems undertakes to facilitate the short message service betting or online betting for the races conducted by the Parent Company. As of December 31, 2016 and 2015, investment in Techsystems is fully provided with allowance. As of December 31, 2016, Techsystems has not yet started commercial operations.

The summarized financial information of Techsystems is as follows:

	2016	2015
Total liabilities	**₱5,184,317**	₱5,167,650
Capital deficiency	**(5,184,317)**	(5,167,650)

Investment in Joint Ventures

Gamespan. Gamespan was incorporated on June 20, 2012 to operate and manage the totalizator hardware and software owned by the Parent Company, set-up new media infrastructure for offering and taking bets in horse racing and other sports. It shall also have the exclusive broadcast rights to all the races and other games operated by the Parent Company which it may distribute to different broadcasters to maximize viewership and participation. As of December 31, 2016, Gamespan has not yet started its commercial operations.

The summarized financial information of the Gamespan is as follows:

	2016	2015
Current assets	**₱20,184,979**	₱20,184,979
Noncurrent assets	**29,167**	29,167
Current liabilities	**629,824**	629,824
Equity	**19,584,322**	19,584,322

Equity in joint venture in Gamespan amounted to ₱9.8 million in 2016 and 2015. Equity in net earnings amounted to nil in 2015 and 2016.

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

The movement of the equity in joint venture of the San Lazaro JV for period ended December 31, 2016 and 2015 is as follows:

	2016	2015
Balance at beginning of year	**₱8,839,816**	₱5,691,837
Equity in net earnings for the year	**26,814,926**	24,511,980
Share on dividends declared	**(25,336,438)**	(21,364,001)
Balance at end of year	**₱10,318,304**	₱8,839,816

Dividend receivable from the JV amounted to ₱5.8 million and ₱3.6 million in 2016 and 2015, respectively (see Note 7).

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

	2016	2015
Current assets	**₱172,139,600**	₱170,004,540
Noncurrent assets	**18,603,188**	15,837,279
Current liabilities	**113,616,679**	107,827,582
Noncurrent liabilities	**27,628,073**	33,444,496
Equity	**49,498,036**	44,569,741
Dividends	**84,454,792**	71,213,336
Income	**147,950,707**	95,060,877
Expenses	**58,567,620**	13,354,278
Net income	**89,383,087**	81,706,599

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

	2016	2015	2014
MIC	**(₱97,344,925)**	(₱12,033,971)	(₱6,856,407)
SLBPO	**26,814,926**	24,511,980	23,955,135
Gamespan	–	–	–
	(₱70,529,999)	₱12,478,009	₱17,098,728

11. AFS Financial Assets

This account consists of:

	2016	2015
At fair value:		
Quoted equity securities	**₱12,628,515**	₱14,772,592
Quoted debt securities	–	16,536,916
At cost:		
Unquoted equity securities	**633,297**	633,297
	₱13,261,812	₱31,942,805

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

	2016	2015
Balance at beginning of year	**₱31,942,805**	₱22,067,765
Additions during the year	–	21,297,900
Disposal during the year	**(17,663,916)**	(11,713,950)
Unrealized mark-to-market gains (losses) during the year	**(1,017,077)**	291,090
Balance at end of year	**₱13,261,812**	₱31,942,805

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

	2016	2015
Balance at beginning of year	**₱3,923,214**	₱5,216,306
Impairment loss reclassified to profit or loss (see Note 24)	**1,983,500**	–
Unrealized mark-to-market gains (losses) during the year	**(1,017,077)**	291,090
Realized mark-to-market gains (losses) during the year	**72,984**	(1,584,182)
Balance at end of year	**₱4,962,621**	₱3,923,214

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

Gain on sale of AFS financial assets amounted to ₱0.4 million in 2016, ₱2.6 million in 2015, and ₱1.3 million in 2014 (see Note 24). Dividend income from these investments amounted to

₱0.5 million in 2016, ₱0.4 million in 2015, and ₱0.8 million in 2014 (see Note 24). Interest income on quoted debt securities amounted to ₱0.4 million in 2016, ₱0.2 million in 2015, and ₱0.4 million in 2014 (see Note 22).

12. Property and Equipment

Movements in this account are as follows:

2016

	January 1	Additions	Disposals	Reclassifications and adjustments	December 31
Cost					
Land	₱304,869,383	₱–	₱–	₱–	₱304,869,383
Land improvements	347,337,228	–	–	85,359	347,422,587
Building and improvements	668,447,375	702,164	–	2,783,733	671,933,272
Machinery and equipment	524,608,616	22,650,720	–	–	547,259,336
Transportation equipment	34,790,311	4,962,533	(2,432,758)	(412,500)	36,907,586
Furniture and fixtures	25,870,761	1,101,243	–	–	26,972,004
	1,905,923,674	29,416,660	(2,432,758)	2,456,592	1,935,364,168
Accumulated depreciation					
Land improvements	166,660,852	14,782,216	–	–	181,443,068
Building and improvements	311,790,077	27,312,783	–	–	339,102,860
Machinery and equipment	441,554,463	23,259,819	–	–	464,814,282
Transportation equipment	26,876,141	2,876,524	(2,432,758)	–	27,319,907
Furniture and fixtures	21,762,364	1,625,614	–	–	23,387,978
	968,643,897	69,856,956	(2,432,758)	–	1,036,068,095
Net book value	937,279,777	(40,440,296)	–	2,456,592	899,296,073
Construction in progress	19,928,012	4,584,082	–	(2,869,092)	21,643,002
	₱957,207,789	(₱35,856,214)	₱–	(₱412,500)	₱920,939,075

2015

	January 1	Additions	Disposals	Reclassifications and adjustments	December 31
Cost					
Land	₱304,869,383	₱–	₱–	₱–	₱304,869,383
Land improvements	337,492,757	1,237,262	–	8,607,209	347,337,228
Building and improvements	661,605,396	1,407,286	–	5,434,693	668,447,375
Machinery and equipment	555,443,590	6,362,671	(37,197,645)	–	524,608,616
Transportation equipment	29,804,488	4,985,823	–	–	34,790,311
Furniture and fixtures	25,183,095	687,666	–	–	25,870,761
	1,914,398,709	14,680,708	(37,197,645)	14,041,902	1,905,923,674
Accumulated depreciation					
Land improvements	152,708,178	13,952,674	–	–	166,660,852
Building and improvements	284,186,659	27,603,418	–	–	311,790,077
Machinery and equipment	417,945,108	23,609,355	–	–	441,554,463
Transportation equipment	25,064,785	1,811,356	–	–	26,876,141
Furniture and fixtures	20,032,161	1,730,203	–	–	21,762,364
	899,936,891	68,707,006	–	–	968,643,897
Net book value	1,014,461,818	(54,026,298)	(37,197,645)	14,041,902	937,279,777
Construction in progress	13,565,089	20,404,825	–	(14,041,902)	19,928,012
	₱1,028,026,907	(₱33,621,473)	(₱37,197,645)	₱–	₱957,207,789

Gain on sale of transportation equipment amounted to ₱0.5 million in 2016 and nil in 2015 and 2014 (see Note 24).

Depreciation Charges
The amount of depreciation is allocated as follows:

	2016	2015	2014
Cost of club races (Notes 17 and 19)	**₱39,173,091**	₱38,200,787	₱38,249,637
Cost of rental services (Notes 17 and 19)	**12,513,033**	14,256,668	10,347,828
General and administrative expenses (Notes 18 and 19)	**17,163,151**	15,648,673	16,291,028
Cost of cockfighting (Notes 17 and 19)	**613,941**	146,087	–
Cost of food and beverages (Notes 17 and 19)	**393,740**	454,791	464,330
	₱69,856,956	₱68,707,006	₱65,352,823

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

Capitalized Borrowing Costs
No interest on loans was capitalized in 2016 and 2015. Undepreciated capitalized interest relating to land improvements, building and improvements and machinery and equipment as of December 31, 2016 and 2015 amounted to ₱35.4 million and ₱38.3 million, respectively.

Land
In 2001, the Parent Company acquired a parcel of land located in Carmona, Cavite from Royal Asia Land, Inc. (RALI), formerly known as KPPI Land Corporation, valued at ₱523.6 million payable in 12 equal quarterly installments from 2001 to 2004. The remaining installment payments due in 2004 were rescheduled as part of the requirements of the term loan obtained from a local bank. Total payments made by the Parent Company amounted to ₱433.7 million. No payments were made in 2016, 2015 and 2014. The outstanding balance of ₱89.9 million as of December 31, 2016 and 2015 is included under "Accounts payable and other liabilities" in the consolidated statements of financial position (see Note 16).

In 2016, the Parent Company acquired new short-term loans amounting to ₱88.0 million. These loans are secured by real estate mortgages on land with carrying value of ₱216.0 million as of December 31, 2016.

Assets Under Operating Lease
The Parent Company has various operating lease agreements for its building improvements, specifically, cluster stables, with horse owners. The lease agreements provide for fixed monthly payments which are subject to rental escalations and renewal options. The carrying value of the cluster stables that are leased out on these operating leases amounted to ₱26.6 million and ₱28.3 million as of December 31, 2016 and 2015, respectively. Rent income from stable rentals in 2016, 2015, and 2014 amounted to ₱46.4 million, ₱44.3 million, and ₱43.5 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 ₱0.5 million in 2016 and 2015 and ₱0.6 million in 2014.

Operating Lease Commitment with PAGCOR - the Parent Company as Lessor
In 2013, the Parent Company entered a lease contract for three years commencing July 10, 2013 with PAGCOR to lease an area of 189.231 square meters (sqm.) for a monthly fixed rental of ₱510.51 per sqm. for its casino and related activities. As of December 31, 2016, the lease contract is still under renewal.

Rent income from PAGCOR amounted to ₱1.2 million in 2016, 2015, and 2014 (see Note 30).

Lease of Equipment with PAGCOR
In October 2013, the Parent Company entered into a lease agreement with PAGCOR to lease 1,427 sqm. property, with modern slot machines, including the rights to a proprietary system of linking and networking the said slot machines in Turf Club Bldg., San Lazaro Leisure Park, Carmona, Cavite. The Parent Company shall receive monthly variable rent equivalent to thirty-five percent (35%) of revenues less winnings/prizes and five (5%) franchise tax. The agreement shall be effective until December 31, 2016. In 2016, 2015 and 2014, income from the lease agreement with PAGCOR amounted to ₱26.5 million, ₱28.1 million, and ₱26.1 million, respectively.

13. **Investment Properties**

This account consists of:

	2016	2015
Land:		
Sta. Cruz property held for capital appreciation	**₱359,631,580**	₱359,631,580
Sta. Cruz property held for lease	**238,168,692**	238,168,692
Carmona property (Note 15)	**109,750,785**	109,750,785
Mamburao property (Note 1)	**113,709,881**	–
Undivided interest in a parcel of land in Batangas	**56,723,976**	56,723,976
	877,984,914	764,275,033
Building:		
Developed office units (Note 10)	**187,651,509**	198,076,593
Retail development area (Note 10)	**34,002,848**	36,004,389
	221,654,357	234,080,982
	₱1,099,639,271	₱998,356,015

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

	2016		
	Land	**Building**	**Total**
Cost			
Balance at beginning of year	**₱764,275,033**	**₱310,665,629**	**₱1,074,940,662**
Additions	**113,709,881**	**–**	**113,709,881**
Balance at end of year	**877,984,914**	**310,665,629**	**1,188,650,543**
Accumulated Depreciation			
Balance at beginning of year	**–**	**76,584,647**	**76,584,647**
Depreciation (Notes 17 and 19)	**–**	**12,426,625**	**12,426,625**
Balance at end of year	**–**	**89,011,272**	**89,011,272**
Net Book Value	**₱877,984,914**	**₱221,654,357**	**₱1,099,639,271**

		2016	
	Land	**Building**	**Total**
		2015	
	Land	Building	Total
Cost	₱764,275,033	₱310,665,629	₱1,074,940,662
Accumulated Depreciation			
Balance at beginning of year	–	64,158,022	64,158,022
Depreciation (Notes 17 and 19)	–	12,426,625	12,426,625
Balance at end of year	–	76,584,647	76,584,647
Net Book Value	₱764,275,033	₱234,080,982	₱998,356,015

Depreciation amounting to ₱12.4 million for the period ended December 31, 2016 and 2015, are included as part of "Cost of rental services" (see Note 17). Direct operating expenses related to the investment properties amounted to ₱0.1 million in 2016, 2015 and 2014.

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, 2016 and 2015, 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 2016, 2015 and 2014, rental income amounted to ₱15.4 million, ₱13.1 million and ₱14.7 million, respectively.

Undepreciated capitalized interest relating to the Building Complex as of December 31, 2016 and 2015 amounted to ₱5.7 million and ₱6.1 million respectively.

Fair Market Values
As of December 31, 2016 and 2015, the aggregate fair value of the Parent Company's investment properties amounted to ₱8.7 billion. Fair values of the Carmona property, Sta. Cruz properties and the building as of August 5, 2016 and August 10, 2016 have been determined based on valuation performed by independent professional appraisers using replacement cost approach method and market data approach method. Management believes that there are no material changes in fair value on these investment properties as of December 31, 2016 from the most recent revaluations performed by independent appraisers.

Carrying value of the Mamburao property amounting to ₱113.7 million as of December 31, 2016 approximates it fair value since the property is only acquired in 2016.

Investment property was classified as Level 3 in 2016 and 2015 as to the qualification of fair value hierarchy.

14. Other Noncurrent Assets

This account consists of:

	2016	2015
Franchise fee (Note 1)	**₱10,796,839**	₱12,590,839
Deferred input VAT	**9,290,729**	9,512,949
Deposits	**9,064,990**	8,619,765
Others	**236,428**	236,428
	₱29,388,986	₱30,959,981

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

	2016	2015
Acquisition cost	**₱44,850,000**	₱44,850,000
Accumulated amortization:		
Balance at beginning of year	**32,259,161**	30,465,161
Amortization for the year (Note 17)	**1,794,000**	1,794,000
Balance at end of year	**34,053,161**	32,259,161
	₱10,796,839	₱12,590,839

Franchise fee has a remaining amortization period of 6 years as of December 31, 2016.

15. **Short-term Loans and Borrowings**

As of December 31, 2016 and 2015, outstanding balance of short-term loans and borrowings amounted to ₱90.0 million and ₱39.0 million, respectively. These loans were obtained for working capital requirements and bear average interest of 3.0% and 3.5% in 2016 and 2015, respectively. The promissory notes covering these loans have terms of one year or less and are renewed upon maturity.

In 2016, the Parent Company acquired new short-term loans amounting to ₱88.0 million. These loans are secured by real estate mortgages on the land with carrying value of ₱216.0 million as of December 31, 2016.

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

Short-term loans amounting to ₱47.0 million and ₱35.4 million were paid in 2016 and 2015, respectively.

Interest expense on short-term loans amounted to ₱2.3 million, ₱1.9 million, and ₱2.7 million in 2016, 2015 and 2014, respectively (see Note 23).

There were no long-term loans acquired in 2016. Long-term loans were fully paid in 2015. Interest expense on long-term loans amounted to nil, ₱0.4 million, and ₱0.9 million in 2016, 2015 and 2014, respectively (see Note 23).

16. **Accounts Payable and Other Liabilities**

This account consists of:

	2016	2015
Due to RALI (Note 12)	**₱89,900,000**	₱89,900,000
Accounts payable	**86,988,490**	85,568,757
Cash bond on OTB operators	**28,529,268**	30,398,961
Documentary stamps payable	**20,647,935**	22,354,124
Accrued expenses	**14,864,114**	12,244,673
Percentage tax payable	**10,720,733**	79,708
Trade payable and buyers' deposits	**10,379,338**	5,888,432
Unclaimed winnings	**10,175,431**	5,642,733
Due to concessionaires	**9,579,415**	8,619,334
Due to contractors	**7,083,538**	7,083,538
Taxes on winnings	**4,979,896**	6,576,083
Dividends payable (Note 27)	**4,341,602**	3,590,898
VAT payable	**2,272,339**	1,095,862
Retention payable	**1,960,343**	2,211,943
Due to OTB operators	**1,808,509**	1,983,749
Due to horse owners	**1,378,580**	1,238,769
Probable losses	**–**	13,135,947
Others	**6,778,097**	3,513,449
	₱312,387,628	₱301,126,960

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

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

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

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

17. **Cost of Sales and Services**

Cost of club races consists of:

	2016	2015	2014
Personnel costs (Note 20)	**₱52,157,866**	₱52,318,151	₱50,120,651
Depreciation (Notes 12 and 19)	**39,173,091**	38,200,787	38,249,637
Commission	**19,374,126**	21,043,268	23,750,220
Utilities	**17,565,093**	21,127,337	21,008,302
Transportation and travel	**6,716,499**	7,308,208	7,318,151
Contracted services	**4,850,812**	4,703,036	4,841,069
Meetings and conferences	**3,553,408**	2,953,576	2,596,248
Repairs and maintenance	**3,417,993**	2,446,007	2,458,525
Rent (Note 30)	**2,768,240**	4,142,214	3,358,549
Security services	**2,067,864**	1,790,698	2,206,574
Gas, fuel and oil	**1,820,590**	1,286,808	1,679,311
Amortization of franchise fee (Note 14)	**1,794,000**	1,794,000	1,794,000
Supplies	**1,426,712**	3,918,577	3,145,157
Software license	**1,399,763**	3,178,613	2,640,815
Taxes and licenses	**929,895**	1,293,589	789,978
Others	**8,375,067**	7,607,007	2,698,861
	₱167,391,019	₱175,111,876	₱168,656,048

Cost of real estate sold amounted to ₱12.4 million, ₱1.0 million, ₱4.3 million in 2016, 2015 and 2014, respectively (see Note 8).

Cost of cockfighting consists of:

	2016	2015	2014
Percentage tax	**₱21,669,555**	₱79,708	₱–
Support guarantee prize	**14,117,719**	–	–
Commission	**10,610,873**	10,921	–
Gamefowls (Note 8)	**10,515,520**	1,076,000	–
Teller's allowances	**7,017,375**	–	–
Professional fees	**5,183,273**	1,317,292	–
Communication	**2,200,853**	11,140	–
Transportation and travel	**2,138,074**	61,047	–
Rent (Note 30)	**1,469,159**	181,850	–
Supplies	**1,275,201**	93,743	–
Security services	**1,004,237**	–	–
Depreciation (Notes 12 and 19)	**613,941**	146,087	–
Taxes and licenses	**511,556**	–	–
Semi expendable equipment	**345,620**	234,162	–
Repairs and maintenance	**237,518**	7,083	–
Fuel and oil	**277,525**	130,478	–
Others	**3,380,984**	494,477	–
	₱82,568,983	₱3,843,988	₱–

Cost of rental services consists of:

	2016	2015	2014
Depreciation (Notes 12, 13 and 19)	**₱24,939,658**	₱26,683,293	₱22,774,453
Utilities	**9,767,528**	11,878,061	13,390,309
Meetings and conferences	**6,142,331**	6,129,034	4,936,448
Contracted services	**4,410,255**	4,181,523	4,859,511
Personnel costs (Note 20)	**3,183,738**	2,923,951	3,173,929
Rent (Note 30)	**2,619,677**	2,164,512	1,061,590
Repairs and maintenance	**1,939,274**	2,183,892	2,025,954
Security services	**1,703,955**	1,714,771	1,862,542
Franchise tax - gaming	**1,324,861**	1,404,724	1,302,495
Software license	**1,055,849**	2,474,021	1,609,638
Others	**2,046,942**	863,060	2,582,753
	₱59,134,068	₱62,600,842	₱59,579,622

Cost of food and beverages consists of:

	2016	2015	2014
Purchased stocks	**₱6,067,167**	₱6,561,429	₱7,423,966
Utilities	**4,272,947**	2,405,963	1,460,291
Contracted services	**4,265,731**	4,048,458	2,924,445
Personnel cost (Note 20)	**1,465,083**	1,988,168	2,288,610
Meetings and conferences	**785,919**	1,060,192	517,763
Depreciation (Notes 12 and 19)	**393,740**	454,791	464,330
Supplies	**223,124**	124,080	140,853
Communication	**191,787**	172,190	172,028
Semi-expendable equipment	**118,880**	256,241	39,053
Repairs and maintenance	**118,835**	1,119,074	35,165
Others	**975,530**	1,134,303	1,201,134
	₱18,878,743	₱19,324,889	₱16,667,638

18. General and Administrative Expenses

This account consists of:

	2016	2015	2014
Personnel costs (Note 20)	**₱69,933,935**	₱64,642,134	₱64,020,163
Depreciation (Notes 12 and 19)	**17,163,151**	15,648,673	16,291,028
Contracted services	**13,707,990**	12,399,938	12,540,743
Provision for doubtful accounts (Note 7)	**13,658,247**	13,249,397	3,278,413
Utilities	**11,098,944**	11,374,415	12,667,071
Service fee	**9,395,943**	199,286	–
Repairs and maintenance	**8,874,026**	7,060,877	6,836,035
Professional fees	**8,823,025**	12,896,290	6,464,221
Rent (Note 30)	**8,740,857**	7,975,468	5,868,550
Meetings and conferences	**7,685,300**	7,063,883	6,755,242
Security services	**6,810,480**	4,099,370	4,460,809
Gas, fuel and oil	**4,315,708**	7,396,709	8,554,734
Patronage fee	**4,197,231**	–	–
Transportation and travel	**3,911,430**	3,438,746	3,993,268
Taxes and licenses	**2,060,452**	2,253,275	1,424,653
Entertainment, amusement, and recreation	**1,953,741**	1,976,390	2,025,655
Supplies	**1,787,468**	1,544,309	1,174,165
Advertising	**1,559,931**	1,657,669	1,945,147
Insurance	**1,003,235**	1,327,166	1,213,943
Directors' fee	**919,500**	1,044,000	965,500
Membership dues	**887,739**	1,058,473	1,326,341
Semi-expendable equipment	**658,274**	317,459	533,874
Others	**9,687,652**	9,911,968	9,510,406
	₱208,834,259	₱188,535,895	₱171,849,961

19. Depreciation

This account consists of:

	2016	2015	2014
Cost of club races (Notes 12 and 17)	**₱39,173,091**	₱38,200,787	₱38,249,637
Cost of rental services (Notes 12, 13 and 17)	**24,939,658**	26,683,293	22,774,453
General and administrative expense (Notes 12 and 18)	**17,163,151**	15,648,673	16,291,028
Cost of cockfighting (Notes 12 and 17)	**613,941**	146,087	–
Cost of food and beverages (Notes 12 and 17)	**393,740**	454,791	464,330
	₱82,283,581	₱81,133,631	₱77,779,448

20. Personnel Costs

This account consists of:

	2016	2015	2014
Salaries and wages	**₱105,222,332**	₱101,681,488	₱99,106,227
Retirement benefits costs (Note 21)	**9,129,671**	8,646,931	7,578,888
Other employee benefits	**12,388,619**	11,543,985	12,918,238
	₱126,740,622	₱121,872,404	₱119,603,353

21. Retirement Benefits Costs

The Parent Company has four tax-qualified, funded, noncontributory retirement plans covering both regular permanent and race day operation employees. The retirement plans provide for benefits on retirement, death and disability equivalent to a certain percentage of salary for every year of service based on the final monthly salary of the employee at the time of retirement, death or disability. An independent actuary, using the projected unit credit method, conducted the actuarial valuation of the fund. The latest actuarial valuation reports are as of December 31, 2016. The details of the retirement benefits costs are as follows:

	2016	2015	2014
Current service costs	**₱6,057,113**	₱6,189,686	₱5,762,681
Interest costs – net of interest income	**2,299,051**	2,457,245	1,816,207
Past service costs	**773,507**	–	–
	₱9,129,671	₱8,646,931	₱7,578,888

The components of remeasurements included in the consolidated statements of comprehensive income are as follows:

	2016	2015	2014
Actuarial loss (gain) in defined benefit obligation	**(₱5,669,926)**	(₱2,190,324)	₱7,799,913
Remeasurement loss (gain) in plan assets	**2,080,391**	1,509,502	(2,470,090)
	(3,589,535)	(680,822)	5,329,823
Less tax effect	**(1,076,860)**	(204,247)	1,598,947
	(₱2,512,675)	(₱476,575)	₱3,730,876

The details of accrued retirement benefits as are as follows:

	2016	2015
Defined benefit obligation	**₱82,671,995**	₱77,267,484
Fair value of plan assets	**(38,636,219)**	(38,285,254)
	₱44,035,776	₱38,982,230

Movements in the accrued retirement benefits are as follows:

	2016	2015
Balance at beginning of year	**₱38,982,230**	₱42,512,894
Net retirement benefits costs for the year	**9,129,671**	8,646,931
Contributions for the year	**(486,590)**	(11,496,773)
Defined benefit income recognized in OCI	**(3,589,535)**	(680,822)
Balance at end of year	**₱44,035,776**	₱38,982,230

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

	2016	2015
Defined benefit obligation at beginning of year	**₱77,267,484**	₱75,474,088
Current service costs	**6,057,113**	6,189,686
Interest costs	**4,829,218**	4,362,402
Past service cost	**773,507**	–
Actuarial loss (gain) due to:		
Change in financial assumptions	**1,095,432**	(1,253,639)
Experience adjustments	**(6,703,681)**	(935,617)
Change in demographic assumptions	**(61,678)**	(1,068)
Benefits paid	**(585,400)**	(6,568,368)
Defined benefit obligation at end of year	**₱82,671,995**	₱77,267,484

Changes in fair value of plan assets are as follows:

	2016	2015
Fair value of plan assets at beginning of year	**₱38,285,254**	₱32,961,194
Interest income	**2,530,167**	1,905,157
Contributions	**486,590**	11,496,773
Actuarial loss	**(2,080,391)**	(1,509,502)
Benefits paid	**(585,401)**	(6,568,368)
Fair value of plan assets at end of year	**38,636,219**	38,285,254
Actual return on plan assets	**₱449,776**	₱395,655

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:

	2016	2015
Cash and cash equivalents	**₱4,622,944**	₱4,025,980
Investment in unit investment trust fund	**13,101,924**	7,840,192
Investment in government securities	**19,079,491**	21,967,957
Others	**2,307,298**	4,932,186
	39,111,657	38,766,315
Liabilities	**(475,438)**	(481,061)
	₱38,636,219	₱38,285,254

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 2.5% to 8.5% and have maturities from 2017 to 2031; and,
- AFS financial assets consist of investments in government securities.

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; and
- 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 December 31 are as follows:

	2016	2015	2014
Discount rates	**5.68%**	6.25%	5.78%
Expected rate of salary increase			
Monthly employees	**3.50%**	4.00%	4.00%
Race day employees	**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)	**2016**	2015
Discount rate	+1.00%	**(₱4,693,511)**	(₱2,467,679)
	-1.00%	**5,326,282**	2,745,803
Salary increase rate	+1.00%	**5,079,249**	2,444,585
	-1.00%	**(4,571,443)**	(2,249,893)

The weighted average duration of the defined benefit obligation as of December 31, 2016 and 2015 are 6.4 and 5.7 years, respectively.

Shown below are the expected future benefit payments as of December 31, 2016 and 2015, respectively:

	2016	2015
Less than 1 year	**₱20,164,043**	₱13,813,061
More than 1 year to 5 years	**31,580,630**	15,807,390
More than 5 years to 10 years	**46,672,109**	38,862,367
Over 10 years	**161,982,592**	114,269,065

22. Interest Income

Interest income related to:

	2016	2015	2014
Real estate receivables (Note 7)	**₱7,884,098**	₱2,598,375	₱10,444,722
Receivable from third parties (Note 7)	**2,087,197**	124,784	–
Advances and loans to officers and employees (Note 7)	**616,727**	211,148	194,972
Cash and cash equivalents (Note 6)	**581,369**	2,026,420	1,751,575
AFS quoted debt securities (Note 11)	**351,217**	182,347	428,750
	₱11,520,608	₱5,143,074	₱12,820,019

23. Finance Costs

Interest expense related to:

	2016	2015	2014
Short-term loans (Note 15)	**₱2,339,387**	₱1,940,073	₱2,679,558
Bank charges and others	**102,945**	59,897	125,616
Long-term loans (Note 15)	–	385,494	928,296
	₱2,442,332	₱2,385,464	₱3,733,470

24. Other Income - net

	2016	2015	2014
Gain on reversal of provision for probable losses (Note 30)	**₱13,135,947**	₱–	₱8,004,970
Tenant's reimbursement	**4,378,979**	2,788,823	4,673,359
Income from advertising campaign	**3,587,638**	2,409,600	1,937,560
Parking fees	**3,258,631**	229,048	–
Income due to cancellations	**2,773,254**	1,208,089	–
Impairment loss on AFS financial assets (Note 11)	**(1,983,500)**	–	–
Entrance fee	**1,038,712**	407,774	347,521
Loss on receivable write-off (Note 7)	**(496,128)**	(1,436,242)	(4,976,169)
Income from Mega Sports World (MSW)	**487,453**	–	–
Gain on sale of transportation equipment (Note 12)	**467,712**	–	–
Dividend income from AFS financial assets (Note 11)	**451,750**	350,485	798,013
Gain on sale of AFS financial assets (Note 11)	**364,020**	2,582,792	1,250,360
Foreign exchange loss - net	**(187,421)**	(97,482)	(1,675)
Service income	–	15,484,115	18,018,089
Gain on use of usufruct rights	–	–	14,196,429
Others – net	**629,383**	4,249,690	(893,063)
	₱27,906,430	₱28,176,692	₱43,355,394

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

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

Service income pertains to technical services rendered by the Parent Company to MMTC.

Gain on use of usufruct rights in 2014 pertains to payments for the use of the roads within the property of the Parent Company in Carmona, Cavite.

Others include various individually insignificant items of income and expenses.

25. Income Taxes

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

	2016	2015
Deferred tax assets on:		
Accrued retirement benefits	**₱13,210,733**	₱11,694,669
Allowance for doubtful accounts	**11,303,620**	7,365,784
Advance rentals and non-refundable deposits	**2,873,824**	–
Unamortized past service cost	**1,961,562**	2,288,622
PAS 17 adjustment on rent expense	**484,946**	–
Provision for inventory write-down	**435,297**	435,841
Allowance for impairment on investment in associate	**300,000**	300,000
PAS 17 adjustment on rent income	**220,442**	187,179
Unearned income	**164,797**	–
Impairment loss on AFS financial assets	**141,000**	–
Unrealized foreign exchange loss - net	**56,227**	25,059
Unearned income	–	635,233
NOLCO	–	3,506,815
MCIT	–	3,952,823
	31,152,448	30,392,025
Deferred tax liabilities on:		
Unrealized gain from real estate transactions	**(57,828,697)**	(51,845,496)
Undepreciated capitalized borrowing costs	**(12,353,556)**	(13,297,122)
PAS 17 adjustment on rent expense	–	(1,037,494)
Deferred tax liabilities on (recognized directly in other comprehensive income):		
Unrealized deemed cost adjustment on real estate properties*	**(189,643,141)**	(192,790,473)
	(259,825,394)	(258,970,585)
Net deferred tax liabilities	**(₱228,672,946)**	(₱228,578,560)

** Reversal of deferred tax liabilities is through profit or loss, except for investment properties (see Note 27).*

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

	2016	2015	2014
RCIT	**₱10,346,248**	₱10,254	₱19,134,654
Final tax on interest income	**221,119**	403,198	430,310
MCIT	**2,539**	3,952,823	–
	₱10,569,906	₱4,366,275	₱19,564,964

c. The Group's NOLCO, on which DTA were recognized and which is available for deduction against future taxable income, are as follows:

Year Incurred	Amount	Incurred	Applied	Ending Balance	Available Until
2015	₱11,689,383	₱–	₱–	₱11,689,383	2018
2016	–	–	**11,689,383**	**(11,689,383)**	**2019**
	₱11,689,383	**₱–**	**₱11,689,383**	**₱–**	

d. The Group's MCIT, on which DTA were recognized and which can be applied against future income tax due are as follows:

Year Incurred	Amount	Incurred	Applied	Ending Balance	Available Until
2015	₱3,952,823	₱–	₱–	₱3,952,823	2018
2016	–	–	**3,952,823**	**(3,952,823)**	**2019**
	₱3,952,823	**₱–**	**₱3,952,823**	**₱–**	

e. The Group's NOLCO, on which no DTA were recognized since management believes that they may not have sufficient future taxable profits available to allow all or part of them to be utilized in the future, are as follows:

Year Incurred	Amount	Incurred	Applied	Ending Balance	Available Until
2013	₱271,986	₱–	₱271,986	₱–	2016
2014	2,521,273	–	1,252,312	1,268,961	2017
2015	7,972,055	–	4,238,167	3,733,888	2018
2016	–	**2,562,986**	–	**2,562,986**	**2019**
	₱10,765,314	**₱2,562,986**	**₱5,762,465**	**₱7,565,835**	

f. The Group's MCIT, on which no DTA were recognized since management believes that they may not have sufficient future taxable profits available to allow all or part of them to be utilized in the future, are as follows:

Year Incurred	Amount	Incurred	Applied	Ending Balance	Available Until
2016	₱–	**₱ 2,539**	₱–	₱2,539	2019

g. Biohitech and SLLPHI have no provision for income tax in 2016, 2015 and 2014.

h. The reconciliation of the Group's provision for (benefit from) income tax at statutory tax rate to the provision for (benefit from) income tax shown in the consolidated statements of comprehensive income is as follows:

	2016	2015	2014
Provision for (benefit from) income tax at statutory rate	**(₱20,361,861)**	(₱17,526,751)	₱1,268,527
Additions to (reductions in) income tax resulting from tax effects of:			
Nondeductible expenses	**32,408,585**	11,640,825	3,302,659
Nontaxable income	**(7,703,598)**	(7,289,185)	(2,001,960)
MCIT applied	**3,952,823**	–	–
Interest income subjected to final tax	**(94,244)**	(187,719)	(95,169)
Movements in unrecognized deferred tax assets	**1,360,563**	–	–
Expired NOLCO	**25,165**	–	–
Provision for (benefit from) income tax	**₱9,587,433**	(₱13,362,830)	₱2,474,057

26. Related Party Transactions

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

	Nature	Amount 2016	Amount 2015	Receivable/(Payable) 2016	Receivable/(Payable) 2015	Terms	Conditions
Affiliates:							
Arco Management Development Corporation (AMDC)	Lease of office space[a]	**₱11,431,401**	₱6,884,042	**₱–**	₱–	Noninterest-bearing	Unsecured, impaired
Advances from shareholders	Advances	**(14,734,481)**	–	**(14,734,481)**	–	Noninterest-bearing	Unsecured, impaired
Associates:							
MIC	Advances[b]	**873,851**	2,028,930	**4,980,943**	4,107,091	Noninterest-bearing	Unsecured, impaired
Techsystems	Advances[b]	**8,333**	8,333	**18,166**	9,333	Noninterest-bearing	Unsecured, impaired

[a]The Parent Company has a lease agreement with AMDC, an affiliate under common control, in the lease of office space and four parking lots (see Note 30).
[b]Included in the "Receivables" account (see Note 7)

Compensation of key management personnel of the Parent Company amounted to ₱62.2 million, ₱65.3 million and ₱52.8 million in 2016, 2015 and 2014, respectively. The Parent Company has no standard arrangement with regard to the remuneration of its directors. The BOD received a total of ₱9.8 million in 2016, 2015, and 2014. Advances and loans to officers and employees amounted to ₱14.9 million and ₱6.2 million as of December 31, 2016 and 2015, respectively (see Note 7).

27. Equity

Capital Stock
The details of the Parent Company's capital stock as of December 31, 2016 and 2015 are as follows:

	2016		2015	
	Number of Shares	**Amount**	Number of Shares	Amount
Common shares - ₱1 par value				
Authorized - 1,000,000,000 shares				
Issued and outstanding (held by 978 and 974 equity holders in 2016 and 2015)	**996,170,748**	**₱996,170,748**	996,170,748	₱996,170,748
	996,170,748	**996,170,748**	996,170,748	₱996,170,748

Retained Earnings
In accordance with SEC Memorandum Circular No. 11 issued in December 2008, the Parent Company's retained earnings available for dividend declaration as of December 31, 2016 and 2015 amounted to ₱1.1 billion and ₱1.2 billion, respectively.

Retained earnings account is restricted for the payment of dividends to the extent of the cost of shares held in treasury, fair value adjustment gain due to remeasurement of interest in 2013 and deemed cost adjustment amounting to ₱2.0 billion as of December 31, 2016 and 2015.

The components of the deemed cost adjustment are as follows:

	2016	2015
Real estate inventories	**₱66,069,794**	₱76,560,900
Investment properties	**566,074,010**	566,074,010
Revaluation increment	**632,143,804**	642,634,910
Deferred income tax liability	**(189,643,141)**	(192,790,473)
Deemed cost adjustment	**₱442,500,663**	₱449,844,437

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.

Declaration of Dividends
The following are the details of the dividends declared in 2016 and 2015:

Type of Dividend	Date of Declaration	Date of Record	Dividends per Share
Cash	**June 30, 2016**	**June 10, 2016**	**₱0.05**
	March 6, 2015	March 20, 2015	₱0.05

As of December 31, 2016 and 2015, outstanding dividends payable amounted to ₱4.3 million and ₱3.6 million, respectively (see Note 16).

28. Basic/Diluted EPS

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

	2016	2015	2014
Net income (loss) attributable to equity holders of the Parent Company	**(₱77,077,258)**	(₱45,721,993)	₱1,754,367
Divided by weighted average number of outstanding common shares	**996,170,748**	996,170,748	996,170,748
Basic/diluted earnings (loss) per share	**(₱0.0774)**	(₱0.0459)	₱0.0018

The Parent Company does not have potential dilutive common shares as of December 31, 2016, 2015 and 2014. Therefore, the basic and diluted earnings (loss) per share are the same as of those dates.

29. Operating Segment Information

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

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

As of December 31, 2016, 2015 and 2014, 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:

	2016						
	Club Races	Cockfighting	Real Estate	Rent	Food and Beverage	Unallocated	Total
Segment revenue	₱188,544,440	₱120,386,579	₱121,705,673	₱89,991,462	₱16,179,911	₱37,836,145	₱574,644,210
Cost and expenses	(167,623,262)	(88,373,329)	(29,085,335)	(59,134,068)	(18,878,743)	(279,422,342)	(642,517,079)
Income (loss) before income tax	20,921,178	32,013,250	92,620,338	30,857,394	(2,698,832)	(241,586,197)	(67,872,869)
Provision for income tax	–	–	–	–	–	9,587,433	9,587,433
Net income (loss)	₱20,921,178	₱32,013,250	₱92,620,338	₱30,857,394	(₱2,698,832)	(₱251,173,630)	(₱77,460,302)

	2015						
	Club Races	Cockfighting	Real Estate	Rent	Food and Beverage	Unallocated	Total
Segment revenue	₱199,811,373	₱442,821	₱49,166,094	₱87,163,618	₱18,972,040	₱61,575,717	₱417,131,663
Cost and expenses	(175,111,876)	(4,680,988)	(12,454,347)	(62,600,842)	(19,324,889)	(201,381,225)	(475,554,167)
Income (loss) before income tax	24,699,497	(4,238,167)	36,711,747	24,562,776	(352,849)	(139,805,508)	(58,422,504)
Benefit from income tax	–	–	–	–	–	(13,362,830)	(13,362,830)
Net income (loss)	₱24,699,497	(₱4,238,167)	₱36,711,747	₱24,562,776	(₱352,849)	(₱126,442,678)	(₱45,059,674)

	2014						
	Club Races	Cockfighting	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	(168,656,048)	–	(11,513,971)	(59,579,622)	(16,667,638)	(195,178,575)	(451,595,854)
Income (loss) before income tax	55,232,720	–	34,319,679	26,485,866	852,547	(112,662,388)	4,228,424
Provision for income tax	–	–	–	–	–	2,474,057	2,474,057
Net income (loss)	₱55,232,720	₱–	₱34,319,679	₱26,485,866	₱852,547	(₱115,136,445)	(₱1,754,367)

Finance costs, other income - net and income taxes are not allocated to individual segments as the underlying instruments are managed on a group basis and are not provided to the chief operating decision maker at the operating segment level in 2016, 2015 and 2014. Equity in net earnings (losses) of associate and joint ventures amounting to (₱70.5 million), ₱12.5 million, and ₱17.1 million in 2016, 2015 and 2014, respectively, are included in the segment revenue of operating segment "Unallocated." Pre-operating cost of certain subsidiaries are also included in cost and expense of operating segment "Unallocated".

Segment Assets and Liabilities and Other Information

The segment assets, liabilities and capital expenditures for the years ended December 31 are as follows:

	2016						
	Club Races	Cockfighting	Real Estate	Rent	Food and Beverage	Unallocated	Total
Assets	₱894,309,981	₱62,655,084	₱341,055,237	₱526,905,926	₱7,632,035	₱3,000,102,309	₱4,832,660,572
Liabilities	64,299,449	60,522,035	257,274,879	75,095,428	–	233,211,126	690,402,917
Capital expenditures	6,201,624	12,650,156	–	2,011,254	–	36,713,516	57,576,550
Depreciation	39,173,091	613,941	–	24,939,658	393,740	17,163,151	82,283,581

	2015						
	Club Races	Cockfighting	Real Estate	Rent	Food and Beverage	Unallocated	Total
Assets	₱919,607,441	₱13,818,143	₱320,509,238	₱539,713,516	₱3,710,302	₱3,008,168,044	₱4,805,526,684
Liabilities	62,275,800	18,871,718	62,275,801	76,415,780	–	387,855,557	607,694,656
Capital expenditures	2,735,191	1,835,143	–	–	124,971	30,390,228	35,085,533
Depreciation	38,200,787	151,817	20,269,133	20,269,133	454,791	1,787,970	81,133,631

	2014						
	Club Races	Cockfighting	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
Depreciation	38,249,637	–	–	24,214,523	464,330	14,850,958	77,779,448

30. Commitments and Contingencies

Commitments

The following are the significant commitments of the Group:

a. Operating Lease Commitment - the Parent Company as Lessee

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

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

	2016	2015
Within one year	**₱6,236,274**	₱5,939,308
After one year but not more than five years	**–**	6,236,274
	₱6,236,274	₱12,175,582

On January 1, 2011, the Parent Company entered into another lease agreement with AMDC for another office space. The lease is for a period of five years starting 2011 and has ended on December 31, 2015. The contract was renewed for another five years from January 1, 2016 to December 31, 2020. The monthly rate of the lease for 2016 is ₱301,403, subject to an annual escalation rate of 5.0%.

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

	2016	2015
Within one year	**₱3,797,680**	₱3,616,838
After one year but not more than five years	**12,570,797**	16,368,477
	₱16,368,477	₱19,985,315

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

In 2013, the Parent Company entered into a lease contract for three years commencing July 10, 2013 with PAGCOR to lease an area of 189.231 square meters (sqm.) for a monthly fixed rental of ₱510.51 per sqm. for its casino and related activities. As of December 31, 2016, the lease contract is still under renewal.

Rent income from PAGCOR amounted to ₱1.2 million in 2016 and 2015.

c. In October 2013, the Parent Company entered into a lease agreement with PAGCOR to lease 1,427 sqm. property, with modern slot machines, including the rights to a proprietary system of linking and networking the said slot machines in Turf Club Bldg., San Lazaro Leisure Park, Carmona, Cavite. The Parent Company shall receive monthly variable rent equivalent to thirty-five percent (35%) of revenues less winnings/prizes and five (5%) franchise tax. The agreement shall be effective until June 30, 2016. In 2016, 2015 and 2014, income from the lease agreement with PAGCOR amounted to ₱26.5 million, ₱28.1 million, and ₱26.1 million, respectively.

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, 2016 and 2015, receivables from MMTC amount to nil and ₱0.7 million, respectively, while payable to MMTC amounted to nil (see Note 7).

e. Claims and Legal Actions

   As of December 31, 2016 and 2015, there are pending claims and legal actions against or in favor of the Parent Company arising from the normal course of business, in addition to the matters already mentioned elsewhere in these consolidated financial statements. In the opinion of the Parent Company's management and its legal counsel, liabilities arising from these claims, if any, would not have any material effect on the Parent Company and any liability or loss arising therefrom would be taken up when the final resolution of the claims and actions are determined.

Significant Contracts between MIC and PAGCOR

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

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

   As the operator of PAGCOR San Lazaro, MIC shall undertake the following:
   a) Shoulder the cost of designing and furnishing the PAGCOR San Lazaro;
   b) Shoulder the cost of maintaining PAGCOR San Lazaro, including the required major and minor repairs to the gaming facility;
   c) Acquire, install, maintain and upgrade to keep abreast with the worldwide industry of casino gaming the following to be used for the operation of PAGCOR San Lazaro, as provided and deemed necessary by PAGCOR;
      - At least ten (10) gaming tables, table layout, chairs and other equipment, and paraphernalia. The number of tables maybe adjusted subject to PAGCOR's approval;

- A minimum of two hundred (200) new slot machines and an online tokenless system of linking and networking all slot machines. MIC shall on its account train the technical personnel of PAGCOR for the operation, repair and maintenance of the slot machine networking system and shall ensure the transfer of appropriate and necessary technology, for this purpose;
- Playing cards and playing chips, the design of which shall be separate and distinct from PAGCOR's playing cards and chips;
- Surveillance equipment and paraphernalia; and
- All other capital expenditures such as treasury vaults, furniture and other office equipment and paraphernalia, and other pre-operating requirements, necessary for the operation of PAGCOR San Lazaro.

d) Shoulder any illegitimate slot credit/payout of payers which may arise due to malfunction or error in the slot machine online tokenless system provided by MIC for the operations of PAGCOR San Lazaro;

e) Bear the cost of maintenance and minor repairs of the equipment, furniture and fixtures installed at PAGCOR San Lazaro, and shall be responsible for replacing such equipment, furniture and fixtures, which are deemed to be beyond repair. MIC shall also make available to PAGCOR, at any time of the day, repair and maintenance services, to address the immediate needs of PAGCOR San Lazaro;

f) Shoulder the costs of all shipping and freight charges, as well as the covering marine insurance, relative to all the gaming and non-gaming equipment, furnishing and fixtures to be brought into the Philippines to be installed at PAGCOR San Lazaro;

g) Shoulder the cost of insurance for loss or damaged gaming equipment, slot machines or other gaming paraphernalia, and the network system, due to force majeure including but not limited to fire, typhoons, and other incidents and calamities;

h) Shoulder any restoration that maybe required by the building owner after cessation of the casino operation

i) Provide the required cash capital for PAGCOR San Lazaro;

j) Shoulder and provide for other operating expenses necessary in the operation of the casino including but not limited to space rental, utilities expenses;

k) Secure all necessary local permits required for the renovation of PAGCOR San Lazaro;

l) Provide hotel accommodation for PAGCOR San Lazaro's guests;

m) Provide required communication facilities at the casino offices and gaming areas;

n) Hold PAGCOR free and harmless from third party claims for injuries and damages suffered within the premises resulting from, or occasioned by any faulty construction, non-maintenance or any defect that pertains to the building, structural integrity or of the PAGCOR casino premises, and to indemnify and hold PAGCOR harmless from and against costs of defending any such action suit or proceedings including legal fees and other legal expenses incurred in relation to such third party claims.

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

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

Upon revocation or termination of the agreement for PAGCOR to manage PAGCOR San Lazaro and if the same is without fault of MIC or PAGCOR, PAGCOR shall surrender to MIC PAGCOR San Lazaro's premises, furnishing and equipment without delay subject to proper accounting and auditing of liabilities of PAGCOR and MIC.

Should PAGCOR unreasonably delay or unjustifiably fail to immediately surrender said contributions, MIC shall have the right to take possession of PAGCOR San Lazaro's premises, furnishing and equipment from PAGCOR. This is without prejudice to PAGCOR's right to take possession of the properties from MIC and apply the same for payment or satisfaction of its claims against MIC.

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

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

b) Traditional Bingo Operation

On January 19, 2015, MIC was granted by PAGCOR the right to operate a traditional bingo operation at Winford Hotel and Casino. The terms of the bingo operation shall be coterminous with the term of the PTO. Under the agreement, MIC shall remit monthly to PAGCOR 15% of the total gross receipt from sale of bingo tickets and cards, including electronically stored bingo cards played through an electronic device, instant game tickets and bingo game variant cards.

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

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

On May 16, 2016, TSLC was granted by PAGCOR the authority to bring in pre-registered foreign players to play in designated junket gaming areas in Winford Hotel and Casino with an initial Gaming Table Mix of four (4) junket gaming tables. Operation of gaming tables in excess of the initial Gaming Table Mix shall be subject to PAGCOR's approval. The agreement is effective for a period of three years, commencing on day 1 of the gaming operation at the junket area but not later than six months from the date of the agreement.

In consideration of the grant by PAGCOR, TSLC shall pay PAGCOR higher of (a) a monthly Minimum Guarantee Fee of US$10 thousand per table or (b) ten percent (10%) of

the monthly gross winnings generated from the junket gaming operations. In addition to the monthly fee, TSLC shall remit five percent (5%) of the Monthly Gross Winnings of the Junket Gaming Operations to PAGCOR as Franchise Tax.
TSLC shall also deposit to PAGCOR the following:

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

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

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

Contingencies

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

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

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

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

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

On July 27, 2016, the Regional Trial Court of Bacoor, Cavite granted the petition in favor of the Parent Company. Hence, unclaimed dividends and/or winnings within thirty days were declared to be private funds of the Parent Company (see Notes 16 and 24).

31. Financial Instruments

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

			2016		
			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	**₱12,628,515**	**₱12,628,515**	**₱12,628,515**	**₱–**	**₱–**
Loans and borrowings	**90,000,000**	**90,000,000**	**–**	**–**	**90,000,000**
	₱102,628,515	**₱102,628,515**	**₱12,628,515**	**₱–**	**₱90,000,000**

			2015		
			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	₱31,309,508	₱31,309,508	₱31,309,508	₱–	₱–
Loans and borrowings	39,000,000	39,000,000	–	–	39,000,000
	₱70,309,508	₱70,309,508	₱31,309,508	₱–	₱39,000,000

As of December 31, 2016 and 2015, the Parent Company's AFS financial assets measured at fair value under the Level 1 hierarchy totaled ₱12.6 million and ₱31.3 million, respectively. There were no financial instruments measured at fair value under the Level 2 and Level 3 hierarchy.

Unquoted AFS shares amounted to ₱0.6 million as of December 31, 2016 and 2015. Carrying amount of these shares is equal to its fair value as at December 31, 2016 and 2015, respectively.

In 2016 and 2015, the carrying value of cash and cash equivalents (except cash on hand), receivables, deposits, accounts payable and other liabilities (except statutory liabilities) and due to related parties approximate their fair value due to the short-term nature of the accounts.

32. Financial Risk Management Objectives and Policies

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

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

Cash flow interest rate risk
Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group has no exposure to the risk of changes in market interest rate because the Group's interest-bearing loans and borrowings carry fixed interest rates (see Note 15).

Equity price risk
Equity price risk is the risk that the fair values of quoted equity securities will fluctuate because of changes in the level of indices and the value of individual stocks. The Group is exposed to equity price risk because of quoted equity investments held by the Group, which are classified in the consolidated statements of financial position as 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, 2016 and 2015:

	Increase (decrease) in PSEi	**Effect on equity**
2016	+14%	**₱1,777,757**
	-14%	**(1,777,757)**
2015	+14%	4,309,074
	-14%	(4,309,074)

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
2016	**US$5,290**	**₱263,022**
2015	9,287	437,046

As of December 31, 2016 and 2015, the applicable closing exchange rates were ₱49.72 and ₱47.06 to US$1, respectively. Net foreign exchange loss amounted to ₱180,770, ₱97,482, and ₱1,675 in 2016, 2015 and 2014, 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, 2016 and 2015.

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, 2016 and 2015.

	2016	2015
Loans and receivables:		
Cash and cash equivalents:		
Cash in banks	**₱133,995,064**	₱95,908,691
Cash equivalents	**24,166,563**	28,819,236
	158,161,627	124,727,927
Receivables:		
Real estate receivables*	**221,882,204**	204,002,832
Receivable from third parties	**15,252,500**	1,969,000
Advances and loans to officers and employees	**14,892,438**	6,171,609
Rent receivables	**9,668,945**	7,448,153
Receivables from OTB operators	**9,365,026**	1,150,427
Receivable from PAGCOR	**6,996,536**	8,061,391
Dividends receivable	**5,772,409**	3,640,837
Due from related parties	**4,999,109**	4,116,424
Advances to suppliers	**1,735,093**	2,296,102
Advances and others	**555,654**	30,000
Others	**5,891,700**	6,304,625
	297,011,614	245,191,400
Deposits**	**3,375,580**	3,375,580
	₱458,548,821	₱373,294,907

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

The tables below show the credit quality of financial assets as of December 31, 2016 and 2015.

	2016			
	Standard Grade	Past Due but not Individually Impaired	Individually Impaired	Total
Loans and receivables:				
Cash and cash equivalents:				
Cash in banks	₱133,995,064	₱–	₱–	₱133,995,064
Cash equivalents	24,166,563	–	–	24,166,563
	158,161,627	–	–	158,161,627
Receivables:*				
Real estate receivable	221,882,204	–	22,729,886	244,612,090
Receivable from third parties	15,252,500	–	–	15,252,500

(Forward)

	2016			
	Standard Grade	Past Due but not Individually Impaired	Individually Impaired	Total
Advances and loans to officers and employees	₱14,892,438	₱–	₱–	₱14,892,438
Receivables from OTB operators	9,365,026	–	133,304	9,498,330
Rent receivables	9,668,945	–	1,523,437	11,192,382
Receivable from PAGCOR	6,996,536	–	–	6,996,536
Dividends receivable	5,772,409	–	–	5,772,409
Due from related parties	4,999,109	–	–	4,999,109
Advances to suppliers	1,735,093	–	–	1,735,093
Advances and others	555,654	–	–	555,654
Others	5,891,700	–	9,105,378	14,997,078
	297,011,614	–	33,492,005	330,503,619
Deposits**	3,375,580	–	–	3,375,580
AFS financial assets	12,628,515	–	–	12,628,515
	₱471,177,336	₱–	₱33,492,005	₱504,669,341

**Amounts are exclusive of nonfinancial assets amounting to ₱4.4 million.*
***Included in "Other noncurrent assets" account in the consolidated statements of financial position.*

	2015			
	Standard Grade	Past Due but not Individually Impaired	Individually Impaired	Total
Loans and receivables:				
Cash and cash equivalents:				
Cash in banks	₱95,908,691	₱–	₱–	₱95,908,691
Cash equivalents	28,819,236	–	–	28,819,236
	124,727,927	–	–	124,727,927
Receivables:*				
Real estate receivable	204,002,832	–	9,587,790	213,590,622
Receivable from PAGCOR	8,061,391	–	–	8,061,391
Rent receivables	7,448,153	–	1,805,762	9,253,915
Advances and loans to officers and employees	6,171,609	–	–	6,171,609
Due from related parties	4,116,424	–	–	4,116,424
Dividends receivable	3,640,837	–	–	3,640,837
Advances to suppliers	2,296,102	–	–	2,296,102
Receivables from OTB operators	1,150,427	–	–	1,150,427
Receivable from MMTC	653,863	–	–	653,863
Others	7,649,762	–	9,128,594	16,778,356
	245,191,400	–	20,522,146	265,713,546
Deposits**	3,375,580	–	–	3,375,580
AFS financial assets	31,309,508	–	–	31,309,508
	₱404,604,415	₱–	₱20,522,146	₱425,126,561

**Amounts are exclusive of nonfinancial assets amounting to ₱4.0 million.*
***Included in "Other noncurrent assets" account in the consolidated statements of financial position.*

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

Financial instruments and cash deposits
Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Group's Board of Directors on an annual basis, and may be updated throughout the year subject to approval of the Group's Finance Committee. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

Receivables
Credit risk from receivables is managed by the Group through an established policy, procedures and control relating to credit risk management of receivables from customers, OTB operators, lessees, related parties and other counterparties.

An impairment analysis is performed at each reporting date. In addition, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actual incurred historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 7. The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are in different industries and none of which holds at least 5% of the total receivables.

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

Past due but not impaired loans and receivables amounted to nil as of December 31, 2016 and 2015.

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, 2016 and 2015 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, 2016

	Within 1 year	>1 year to <3 years	3 years to <5 years	5 years and more	Total
Loans and borrowings:					
Bank loans*	₱92,700,000	₱–	₱–	₱–	₱92,700,000
Accounts payable and other liabilities**	249,234,339	–	–	–	249,234,339
	₱341,934,339	₱–	₱–	₱–	₱341,934,339

** Amounts are inclusive of interest amounting to ₱2.7 million.*
*** Amounts are exclusive of nonfinancial liabilities amounting to ₱63.2 million.*

	Within 1 year	>1 year to <3 years	3 years to <5 years	5 years and more	Total
Loans and receivables:					
Cash in banks	₱133,995,064	₱–	₱–	₱–	₱133,995,064
Cash equivalents	24,166,563	–	–	–	24,166,563
Receivables*	297,011,614	–	–	–	297,011,614
Deposits**	–	–	3,375,580	–	3,375,580
	455,173,241	–	3,375,580	–	458,548,821
AFS financial assets	12,628,515	–	–	–	12,628,515
	₱467,801,756	₱–	₱3,375,580	₱–	₱471,1A77,336

** Amounts are exclusive of nonfinancial assets amounting to ₱4.4 million.*
*** Included in the "Other non-current assets" in the consolidated statements of financial position.*

December 31, 2015

	Within 1 year	>1 year to <3 years	3 years to <5 years	5 years and more	Total
Loans and borrowings:					
Bank loans*	₱40,365,000	₱–	₱–	₱–	₱40,365,000
Accounts payable and other liabilities**	242,096,215	–	–	–	242,096,215
	₱282,461,215	₱–	₱–	₱–	₱282,461,215

** Amounts are inclusive of interest amounting to ₱1.4 million.*
*** Amounts are exclusive of nonfinancial liabilities amounting to ₱59.0 million.*

	Within 1 year	>1 year to <3 years	3 years to <5 years	5 years and more	Total
Loans and receivables:					
Cash in banks	₱95,908,691	₱–	₱–	₱–	₱95,908,691
Cash equivalents	28,819,236	–	–	–	28,819,236
Receivables*	245,191,400	–	–	–	245,191,400
Deposits**	–	–	3,375,580	–	3,375,580
	369,919,327	–	3,375,580	–	373,294,907
AFS financial assets	–	–	–	31,309,508	31,309,508
	₱369,919,327	₱–	₱3,375,580	₱31,309,508	₱404,604,415

** Amounts are exclusive of nonfinancial assets amounting to ₱4.0 million.*
*** Included in the "Other non-current assets" in the consolidated statements of financial position.*

33. 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:

	2016	2015
Capital stock	**₱996,170,748**	₱996,170,748
Additional paid-in capital	**27,594,539**	27,594,539
Net cumulative changes in fair values of AFS financial assets	**4,962,621**	3,923,214
Remeasurement on retirement benefits	**24,133,722**	21,621,047
Retained earnings	**3,023,263,901**	3,150,149,222
Treasury shares	**(7,096)**	(7,096)
Noncontrolling interest	**66,139,220**	(1,619,647)
	₱4,142,257,655	₱4,197,832,027

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

34. **Other Matters**

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

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

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

SGV
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BOA/PRC Reg No 0001
December 14, 2015, valid until December 31 2018
SEC Accreditation No 0012-FR-4 (Group A),
November 10 2015, valid until November 9 2018

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

APR 2 6 2017

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 (PSAs), the accompanying consolidated financial statements of Manila Jockey Club, Inc. and Subsidiaries (the Group) as at December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016 included in this Form 17-A and have issued our report thereon dated April 25, 2017. Our audits were made for the purpose of forming an opinion on the 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 consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the 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 consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Adeline D. Lumbres

Adeline D. Lumbres
Partner
CPA Certificate No. 0107241
SEC Accreditation No. 1555-A (Group A),
April 14, 2016, valid until April 14, 2019
Tax Identification No. 224-024-746
BIR Accreditation No. 08-001998-118-2016,
February 15, 2016, valid until February 14, 2019
PTR No. 5908715, January 3, 2017, Makati City

April 25, 2017

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES
Schedule A. Marketable Securities
As of December 31, 2016

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	Value Based on Market Quotation at End of Reporting Period	Income Received and Accrued
AFS investments					
Quoted Equity Shares					
	Dizon Copper Silvermines, Inc.	82	1,015	1,015	–
	Ayala Corporation (Class "B" Series 2 Perpetual Preferred Shares)	10,000	5,430,000	5,430,000	278,755
	PLDT	1,500	2,047,500	2,047,500	159,000
	Manila Southwoods	1	1,100,000	1,100,000	–
	Sta. Elena Golf	1	3,200,000	3,200,000	–
	Tagaytay Highland	1	550,000	550,000	–
	Club Filipino	1	170,000	170,000	–
	Tower Club, Inc	1	130,000	130,000	–
Unquoted Equity Shares (at cost)					
	PLDT (Subscriber's Plan)	1	370,047	370,047	–
	PLDT (10% Cumulative Convertible Preferred Stock)	6,975	69,750	69,750	–
	Banahaw Cable Car	1	5,000	5,000	–
	Metropolitan Theater - Membership	1	20,000	20,000	–
	PLDT (Subs. Investment Plan)	1	165,500	165,500	–
	Executive Suites Stocks - Membership	1	3,000	3,000	–
Total			**13,261,812**	**13,261,812**	**437,755**

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MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates)
As of December 31, 2016

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			
Various	6,201,609	8,690,829	–	–	14,892,438	–	14,892,438

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES

Schedule C. Amounts Receivable from Related Parties which are eliminated during the Consolidation of Financial Statements

As of December 31, 2016

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	9,333	8,833	–	–	–	18,166	–	18,166
SLLP Holdings, Inc.	Subsidiary	9,333	8,833	–	–	–	18,166	–	18,166
MJC Forex Corporation	Subsidiary	–	102,500	–	–	–	102,500	–	102,500
Manilacockers Club, Inc.	Subsidiary	17,807,354	31,674,874	24,142,731	–	–	25,339,497	–	25,339,497
Gametime Sports and Technologies, Inc.	Subsidiary	7,286,119	18,651,933	–	–	–	25,938,052	–	25,938,052
Hi-Tech Harvest Limited	Subsidiary	208,795	–	–	–	–	208,795	–	208,795
New Victor Technology, Ltd	Subsidiary	2,518,874	915,853	–	–	–	3,434,727	–	3,434,727
Apo Reef World Resorts, Inc	Subsidiary	–	1,450,421	–	–	–	1,450,421	–	1,450,421
MJC Investment Corporation	Associate	4,107,091	873,852	–	–	–	4,980,943	–	4,980,943
Techsystems, Inc.	Associate	9,333	8,833	–	–	–	18,166	–	18,166
TOTAL		**31,956,232**	**53,695,932**	**24,142,731**	–	–	**61,509,433**	–	**61,509,433**

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MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES
Schedule D. Intangible Assets – Other Assets
As of December 31, 2016

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. AND SUBSIDIARIES
Schedule E. Long-term Debt
As of December 31, 2016

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

Not Applicable

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES

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

As of December 31, 2016

Name of Related Party	Balance at Beginning of Period	Balance at End of Period
Not Applicable		

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MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES
Schedule G. Guarantees of Securities of Other Issuers
As of December 31, 2016

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. AND SUBSIDIARIES
Schedule H. Capital Stock
As of December 31, 2016

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**	–	–	**84,212,775**	**9,462**

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES
Schedule I. Amounts Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements
As of December 31, 2016

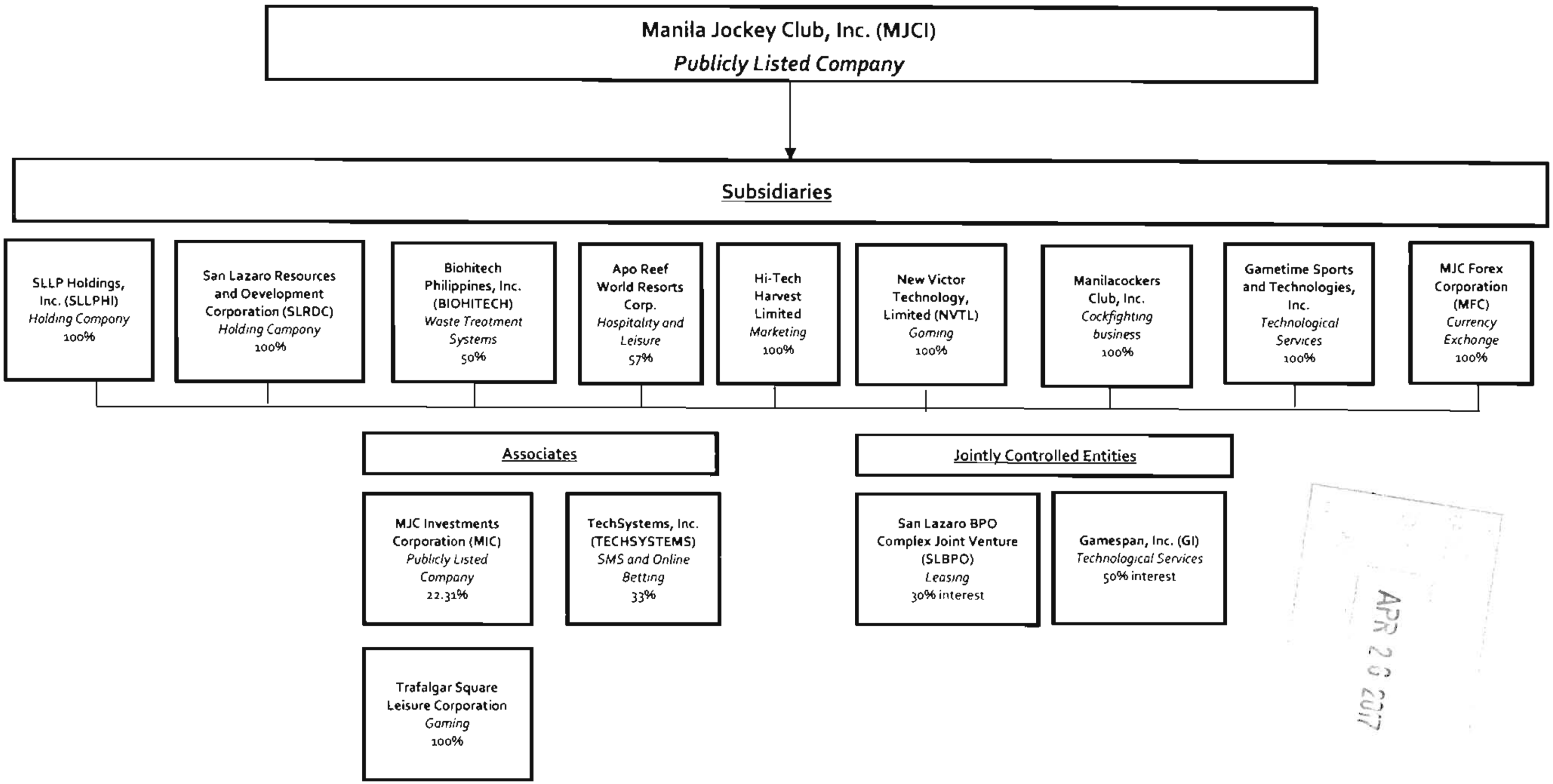
Name of Creditor	Balance at the Beginning of the Period	Additions	Deductions		Current	Not Current	Balance at End of Period
			Amounts Paid	Others			
New Victor Technology, Ltd	2,570,715	–	–	–	2,570,715	–	2,570,715
Manilacockers Club, Inc	4,242,354	376,459,458	374,292,421	–	6,409,391	–	6,409,391
Gametime Sports and Technologies, Inc.	–	5,837,350	–	–	5,837,350	–	5,837,350
	6,813,069	**382,296,808**	**374,292,421**	–	**14,817,456**	–	**14,817,456**

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES

Schedule J. Parent Company Retained Earnings Available for Dividend Declaration
As at and for the year ended December 31, 2016

Unappropriated retained earnings, beginning		**₱1,588,163,519**
Add (less):	Net income actually earned/realized during the year	**21,486,712**
	Deemed cost adjustment on real estate properties realized through sale, net of	**(442,500,663)**
	Deferred income tax	**(31,106,860)**
	Unrealized foreign exchange loss - net	**(191,722)**
	Treasury shares	**(7,096)**
Unappropriated retained earnings, as adjusted to amount available for dividend declaration		**1,135,843,890**
Less:	Cash dividends declared during the year	**(49,808,065)**
Unappropriated retained earnings available for dividend declaration, ending		**₱1,086,035,825**

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES
Schedule K. Map of Subsidiaries, Joint Ventures and Associates
As of December 31, 2016



MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES

SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS AS OF DECEMBER 31, 2016

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2016		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Borrowing Costs			✓
	Amendments to PFRS 1: Meaning of Effective PFRS			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Definition of Vesting Conditions			✓
	Amendment to PFRS 2: Share-based Payment, Classification and Measurement of Share-based Payment Transactions	Not early adopted		
PFRS 3 (Revised)	Business Combinations	✓		
	Amendments to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendments to PFRS 3: Scope Exceptions for Joint Arrangements			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2016		Adopted	Not Adopted	Not Applicable
	Amendment to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4	Not early adopted		
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendments to PFRS 5: Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Amendments to PFRS 7: Servicing Contracts	✓		
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements	✓		
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
PFRS 9	Financial Instruments	Not early adopted		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Not early adopted		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Investment Entities	✓		
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Not early adopted		
	Amendments to PFRS 10: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2016		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Investment Entities	✓		
	Amendments to PFRS 12: Applying the Consolidation Exception			✓
	Amendments to PFRS 12 – Clarification of the Scope of the Standard	Not early adopted		
PFRS 13	Fair Value Measurement (2013 Version)	✓		
	Amendments to PFRS 13: Short-term Receivables and Payables	✓		
	Amendments to PFRS 13: Portfolio Exception	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	Not early adopted		
PFRS 16	Leases	Not early adopted		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of the Requirements for Comparative Presentation	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendment to PAS 7: Disclosure Initiative	Not early adopted		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendment to PAS 12 – Recognition of Deferred Tax Assets for Unrealized Losses	Not early adopted		
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of Servicing	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2016		Adopted	Not Adopted	Not Applicable
	Equipment			
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation	✓		
	Amendment to PAS 16: Clarification of Acceptable Methods of Depreciation	✓		
	Amendment to PAS 16: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓
	Amendments to PAS 19: Regional market issue regarding discount rate	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Not early adopted		
	Amendments to PAS 28: Applying the Consolidation Exception			✓
	Amendment to PAS 28 – Measuring an Associate or Joint Venture at Fair Value			✓
PAS 29	Financial Reporting in Hyperinflationary Economies	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2016		Adopted	Not Adopted	Not Applicable
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 32: Classification of Rights Issues	✓		
	Amendment to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Amendment to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities	✓		
	Amendment to PAS 34: Disclosure of information 'Elsewhere in the Interim Financial Report'	✓		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization			✓
	Amendments to PAS 38: Clarification of Acceptable Methods of Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	✓		
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2016		Adopted	Not Adopted	Not Applicable
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items	✓		
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	✓		
PAS 40	Investment Property	✓		
	Amendment to PAS 40: Investment Property	✓		
	Amendment to PAS 40: Transfers of Investment Property	Not early adopted		
PAS 41	Agriculture			✓
	Amendment to PAS 41: Bearer Plants			✓
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*	✓		
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 8	*Scope of PFRS 2*			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	*Interim Financial Reporting and Impairment*			✓
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2016		Adopted	Not Adopted	Not Applicable
IFRIC 15	Agreements for 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	✓		
IFRIC 22	Foreign Currency Transactions and Consideration and Advance Consideration	Not early adopted		
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			✓

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES
Schedule M. Financial Soundness Indicators
As of December 31, 2016

	As of and for the Year Ended December 31		
	2016	**2015**	2014
Liquidity ratios			
Current ratio[a]	**1.09**	1.30	1.09
Interest rate coverage ratio[b]	**7.97**	11.56	24.26
Solvency ratios			
Debt to equity ratio[c]	**0.02**	0.01	0.02
Asset to equity ratio[d]	**1.17**	1.14	1.19
Profitability ratio			
EBITDA margin[e]	**0.03**	0.07	0.23

[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*