ANNEX "A"

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COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

P W 0 0 0 0 8 0 3

COMPANY NAME

M A N I L A J O C K E Y C L U B , I N C .

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

S a n L a z a r o L e i s u r e P a r k , B r g y . L a n t i c , C a r m o n a , C a v i t e

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A F S	S E C	N / A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
admin@manilajockey.com	(632) 914-4846	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
981	06/30	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Nestor N. Ubalde	nestorubalde@yahoo.com	914-4758	09175576284

CONTACT PERSON's ADDRESS

14th Flr. Strata 100 Bldg., F. Ortigas Jr. Road, Ortigas Center, Pasig City

NOTE 1 : In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

APR 2 6 2017

MANILA JOCKEY CLUB, INC.

RACING SINCE 1867

April 12, 2017

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **MANILA JOCKEY CLUB, INC.** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, as of and for the years ended **December 31, 2016 and 2015,** 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 going concern and using the going concern basis of accounting unless management 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 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 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.
Chairman of the Board and Chief Executive Officer
Philippine Passport No. EB 5537161

Alfonso G. Reyno III
President and Chief Operating Officer
Philippine Passport No. EB6074526

Nestor N. Ubalde
Chief Financial Officer
Driver's License No. N04-89406906

Signed this 12th day of April 2017.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 26 2017 TSIS

SUBSCRIBED AND SWORN TO before me this 26 APR 2017 at PASIG CITY affiant exhibiting to me his/her competent evidence of Identity.

JING-JING S. ROMERO
NOTARY PUBLIC
APPOINTMENT NO. 153 (2016-2017)
UNTIL DECEMBER 31, 2017
PTR NO. 2516058/01-05-17/PASIG CITY
IBP NO. 1049281/01-05-17/QUEZON CITY
CITIES OF PASIG, SAN JUAN AND PATEROS
ROLL OF ATTORNEY NO. 60827

DOC. NO. 371 ;
PAGE NO. 076 ;
BOOK NO. III ;
SERIES OF 2017 ;

SGV
Building a better
working world

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

Tel. (632) 891 0307
Fax (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 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

APR 26 2017

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

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of Manila Jockey Club, Inc. (the Company), which comprise the parent company statements of financial position as at December 31, 2016 and 2015, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016 and 2015, and of its financial performance and its cash flows for the year then ended 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 Parent Company Financial Statements* section of our report. We are independent of the Company 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 parent company 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.

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

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

In preparing the parent company financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company 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 parent company 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 parent company 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 Company'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 Company'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 parent company 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 Company to cease to continue as a going concern.

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

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.

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

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

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

SYCIP GORRES VELAYO & CO.

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.
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31 2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	**₱129,814,023**	₱126,888,546
Receivables (Note 7)	**233,705,282**	223,908,467
Inventories (Note 8)	**81,881,984**	94,257,252
Other current assets (Note 9)	**7,283,314**	9,688,603
Total Current Assets	**452,684,603**	454,742,868
Noncurrent Assets		
Real estate receivables - net of current portion (Note 7)	**108,575,994**	45,121,918
Investments in subsidiaries, associates and joint ventures (Note 10)	**821,251,093**	731,401,093
Available-for-sale (AFS) financial assets (Note 11)	**13,261,812**	31,942,805
Property and equipment (Notes 12 and 29)	**890,008,719**	932,576,207
Investment properties (Notes 10, 13 and 15)	**985,929,390**	998,356,015
Other noncurrent assets (Note 14)	**29,388,986**	30,959,981
Total Noncurrent Assets	**2,848,415,994**	2,770,358,019
	₱3,301,100,597	₱3,225,100,887
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term loans and borrowings (Note 15)	**₱80,000,000**	₱39,000,000
Accounts payable and other liabilities (Note 16)	**288,426,670**	301,809,295
Due to related parties (Note 26)	**14,817,456**	6,813,069
Subscription payable (Note 1)	**60,000,000**	–
Total Current Liabilities	**443,244,126**	347,622,364
Noncurrent Liabilities		
Accrued retirement benefits (Note 21)	**44,035,776**	38,982,230
Deferred tax liabilities - net (Note 25)	**228,718,534**	228,624,861
Total Noncurrent Liabilities	**272,754,310**	267,607,091
	715,998,436	615,229,455
Equity		
Capital stock (Note 27)	**996,170,748**	996,170,748
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)	**1,559,842,166**	1,588,163,519
Treasury shares (Note 27)	**(7,096)**	(7,096)
Total Equity	**2,585,102,161**	2,609,871,432
	₱3,301,100,597	₱3,225,100,887

See accompanying Notes to Parent Company Financial Statements.

MANILA JOCKEY CLUB, INC.

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2016	2015
REVENUES		
Club races	**₱188,544,440**	₱199,811,373
Real estate (Note 8)	**113,821,575**	46,567,719
Rent (Notes 12, 13 and 29)	**89,991,462**	87,163,618
Food and beverages	**18,711,377**	18,972,040
	411,068,854	352,514,750
COST OF SALES AND SERVICES (Note 17)		
Club races	**167,391,019**	175,111,876
Rent	**53,540,507**	53,712,662
Real estate (Note 8)	**12,409,471**	1,008,078
Food and beverages	**18,878,743**	19,324,889
	252,219,740	249,157,505
GROSS INCOME	**158,849,114**	103,357,245
General and administrative expenses (Note 18)	**(180,977,912)**	(182,154,064)
Interest income (Notes 6, 7, 11 and 22)	**11,486,644**	4,981,246
Selling expenses (Note 8)	**(9,675,864)**	(4,446,269)
Finance costs (Note 23)	**(2,334,037)**	(2,377,980)
Other income - net (Note 24)	**52,930,531**	47,951,988
INCOME (LOSS) BEFORE INCOME TAX	**30,278,476**	(32,687,834)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 25)		
Current	**9,774,951**	4,348,673
Deferred	**(983,187)**	(17,682,804)
	8,791,764	(13,334,131)
NET INCOME (LOSS)	**21,486,712**	(19,353,703)
OTHER COMPREHENSIVE INCOME (LOSS)		
Items of other comprehensive loss to be reclassified to profit or loss in subsequent periods		
Net changes in fair values of AFS financial assets (Note 11)	**1,039,407**	(1,293,092)
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
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱25,038,794**	(₱20,170,220)
Basic/Diluted Earnings (Loss) Per Share (Note 33)	**₱0.0216**	(₱0.0194)

See accompanying Notes to Parent Company Financial Statements.

MANILA JOCKEY CLUB, INC.

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Capital Stock (Note 27)	Treasury Shares (Note 27)	Actuarial Gains on Accrued Retirement Benefits (Note 21)	Net Cumulative Changes in Fair Values of AFS Financial Assets (Note 11)	Retained Earnings (Note 27)	Total
BALANCES AT DECEMBER 31, 2015	**₱996,170,748**	**(₱7,096)**	**₱21,621,047**	**₱3,923,214**	**₱1,588,163,519**	**₱2,609,871,432**
Total comprehensive income for the year	–	–	**2,512,675**	**1,039,407**	**21,486,712**	**25,038,794**
Cash dividends declared	–	–	–	–	**(49,808,065)**	**(49,808,065)**
BALANCES AT DECEMBER 31, 2016	**₱996,170,748**	**(₱7,096)**	**₱24,133,722**	**₱4,962,621**	**₱1,559,842,166**	**₱2,585,102,161**
BALANCES AT DECEMBER 31, 2014	₱996,170,748	(₱7,096)	₱21,144,472	₱5,216,306	₱1,657,325,285	₱2,679,849,715
Total comprehensive loss for the year	–	–	476,575	(1,293,092)	(19,353,703)	(20,170,220)
Cash dividends declared	–	–	–	–	(49,808,063)	(49,808,063)
BALANCES AT DECEMBER 31, 2015	₱996,170,748	(₱7,096)	₱21,621,047	₱3,923,214	₱1,588,163,519	₱2,609,871,432

See accompanying Notes to Parent Company Financial Statements.

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MANILA JOCKEY CLUB, INC.

PARENT COMPANY STATEMENTS OF CASH FLOWS

APR 26 2017

	Years Ended December 31	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	**₱30,278,476**	(₱32,687,834)
Adjustments for:		
Depreciation (Note 19)	**75,187,468**	73,139,802
Dividend income (Note 24)	**(25,788,188)**	(21,714,486)
Gain on reversal of provision for probable losses	**(13,135,947)**	–
Interest income (Note 22)	**(11,486,644)**	(4,981,246)
Finance costs (Note 23)	**2,334,037**	2,377,980
Loss on impairment of AFS financial assets (Note 11)	**1,983,500**	–
Amortization of franchise fee (Notes 14 and 17)	**1,794,000**	1,794,000
Gain on sale of:		
Property and equipment (Notes 13 and 24)	**(467,712)**	–
AFS financial assets (Note 11)	**(364,020)**	(2,582,792)
Unrealized foreign exchange loss – net (Note 24)	**191,722**	95,562
Operating income before working capital changes	**60,526,692**	15,440,986
Decrease (increase) in:		
Receivables	**(71,106,577)**	18,101,004
Inventories	**12,375,268**	1,044,469
Other current assets	**1,485,688**	(186,576)
Increase (decrease) in:		
Due to related parties	**8,004,387**	82,328
Accrued retirement benefits (Note 21)	**8,643,081**	(2,849,842)
Accounts payable and other liabilities	**(997,382)**	(50,770,670)
Cash generated from (used in) operations	**18,931,157**	(19,138,301)
Income taxes paid, including creditable withholding and final taxes	**(8,855,350)**	(21,911,002)
Net cash provided by (used in) operating activities	**10,075,807**	(41,049,303)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additional investment in a subsidiary (Note 10)	**(29,850,000)**	(84,456)
Acquisitions of property and equipment (Note 12)	**(20,605,855)**	(27,728,897)
Proceeds from sale of AFS financial assets (Note 11)	**18,100,920**	12,712,560
Dividends received (Notes 10 and 24)	**23,656,616**	47,515,655
Interest received (Note 22)	**11,886,402**	4,788,078
Proceeds from disposal of property and equipment	**467,712**	–
Increase in other noncurrent assets	**(223,005)**	(762,272)
Acquisitions of AFS financial assets (Note 11)	–	(21,297,900)
Net cash provided by (used in) investing activities	**3,432,790**	15,142,768
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term loans and borrowing	**88,000,000**	–
Payments of:		
Short-term loans and borrowings (Note 15)	**(47,000,000)**	(35,437,500)
Long-term loans and borrowings (Note 15)	–	(14,285,715)
Subscriptions payable	–	(42,808,835)
Interest paid	**(2,334,037)**	(2,377,980)
Dividends paid (Note 27)	**(49,057,361)**	(49,042,547)
Net cash used in financing activities	**(10,391,398)**	(143,952,577)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(191,722)**	(95,562)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**2,925,477**	(169,954,674)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**126,888,546**	296,843,220
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱129,814,023**	₱126,888,546

See accompanying Notes to Parent Company Financial statements.

MANILA JOCKEY CLUB, INC.

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information

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

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

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

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

Investment in Subsidiaries, Associates and Interest in Joint Ventures

	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 (Hi-Tech Harvest) [a]	Hong Kong	Marketing	Philippine Peso	**100.00**	100.00
Apo Reef Resorts World, Inc. (ARWRI) [a]	Philippines	Beach Resorts Complex	Philippine Peso	**56.87**	–
Associates					
MJC Investments Corporation (MIC)	Philippines	Real estate and Gaming	Philippine Peso	**22.31**	22.31
Techsystems, Inc. (Techsystems) [a]	Philippines	Information Technology	Philippine Peso	**33.33**	33.33
Interest in 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

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

On February 22, 2016, the 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 to 200.0 million shares. As of August 25, 2016, the Company owns 56.87 percent of ARWRI.

As of December 31, 2016, the Company has outstanding subscriptions payable to ARWRI amounting to ₱60.0 million.

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

The parent company financial statements as at and for the years ended December 31, 2016 and 2015 were 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 parent company financial statements are prepared using the historical cost basis, except for AFS financial assets, which are carried at fair value. The parent company financial statements are presented in Philippine Peso (Peso or ₱), which is the Company's functional and presentation currency. All amounts are rounded off to the nearest Peso, except when otherwise indicated.

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

3. Summary of Significant Changes in Accounting Policies and Disclosures

New and Amended Standards and Interpretation
The Company applied for the first time certain pronouncements, which are effective for annual periods beginning on or after January 1, 2016. The adoption of these pronouncements did not have a significant impact on the Company'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.

- 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 statements
  - 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.

- 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 Company does not expect that the future adoption of the said pronouncements to have a significant impact on its financial statements. The Company 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 Company.

- 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 Company 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 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 Company is assessing the potential effect of the amendments on its financial statements.

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

- 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 Company 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

Current versus Noncurrent Classification
The Company presents assets and liabilities in the Company's statements 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 Company classifies all other liabilities as noncurrent.

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

Fair Value Measurement
The Company 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 30.

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 by the Company.

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

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

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

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

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

For the purpose of fair value disclosures, the Company 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 Company recognizes a financial asset or a financial liability in the statements of financial position when it becomes a party to the contractual provisions of the instrument.

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

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

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

a. *Loans and receivables*
This category is the most relevant to the Company. 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 statement of comprehensive income. The losses arising from impairment are recognized in the statement 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 Company's cash in banks and cash equivalents, receivables and deposits (presented as part of "Other noncurrent assets" in the parent company 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 the Other Comprehensive Income (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 Company evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Company is unable to trade these financial assets due to inactive markets, the Company 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 Company'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 Company's short-term loans and borrowings, accounts payable and other liabilities, due to related parties and subscription payable as of December 31, 2016 and 2015.

Derecognition of Financial Assets and Financial Liabilities

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

- the rights to receive cash flows from the asset have expired; or
- the Company 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 Company 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 Company 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 Company continues to recognize the transferred asset to the extent of the Company's continuing involvement. In that case, the Company 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 Company 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 Company 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 Company 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 Company 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 Company 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 statement of income. Interest income (recorded as finance income in the statement of comprehensive 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 Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statements 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 Company 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 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 Company 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 statement of 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 statement of income, the impairment loss is reversed through the statements of income.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the 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 Company 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 Company and all of the counterparties.

Inventories

Inventories include real estate inventories and food and beverages inventory 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 Company, 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 Subsidiaries, Associates and Joint Ventures

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

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually

agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.
The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

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

For interest in joint operation, the Company accounts for each assets, liabilities, revenue, share in revenue and expense separately. The Company 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:

Category	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

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 statement of comprehensive income when the asset is derecognized.

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

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

Investment Properties

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

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

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

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

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

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

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

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

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 at 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 Company for the year by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year, if any.

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

The Company currently does not have potential dilutive common shares.

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

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

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

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

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 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 statement of financial position. If any of the criteria under the full accrual or percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers are presented under the "Trade payable and buyers' deposits" under the "Accounts payable and other liabilities" account in the statement 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 statement 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 parent company 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 Company's right to receive the payment is established.

Cost of Sales and Services and Expenses
Cost of club races and cost of rental services and expenses are recognized in the parent company statements of comprehensive income at the date they are incurred.

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

Other Comprehensive Income (OCI)
Items of income and expense (including items previously presented under the parent company 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 parent statements of comprehensive income.

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

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

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

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

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

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

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

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

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

A reassessment is made after inception of the lease only if one of the following applies:
a. there is a change in contractual terms, other than a renewal or extension of the arrangement;
b. a renewal option is exercised or extension is granted, unless the term of the renewal or extension was initially included in the lease term;
c. there is a change in the determination of whether fulfillment is dependent on a specified asset; or
d. there is substantial change to the asset.

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

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

Borrowing Costs
Borrowing costs 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 in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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.

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

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

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

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

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

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

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

5. Significant Accounting Judgments, Estimates and Assumptions

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

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

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

Determination if control exists in an investee company
Control is presumed to exist when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the

investee. On the other hand, joint control is presumed to exist when the investors contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Management has determined that it has control by virtue of its power to cast the majority votes at meetings of the BOD in all of its subsidiaries (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 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 Company have rights to the assets and obligations for the liabilities relating to the arrangement and not to the net assets of the arrangement.

Determination if significant influence 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).

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

a. *Operating lease commitments - the Company as lessor*
   The Company has entered into lease agreements on certain items of its property and equipment and investment properties. The Company has determined that it retains all the significant risks and rewards of ownership of these properties; i.e., ownership of the assets remains with the Company at the end of the lease term. Accordingly, the lease agreements are accounted for as operating leases (see Notes 12, 13 and 29)

b. *Operating lease commitments - the Company as lessee*
   The Company has entered into a lease agreement for the lease of office and parking lots where it has determined that the risks and rewards related to the leased assets are retained by the lessor; i.e., ownership of the assets remains with the lessor at the end of the lease term. As such, the lease agreement was accounted for as an operating lease (see Note 29).

Impairment of noncurrent nonfinancial assets
The Company assesses at each reporting date whether there is any indication that its investments in subsidiaries, an associates and interest in 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 and 2015. The carrying values of the Company's investment in subsidiaries, an associates and interest in joint venture, 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 parent company 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 Company'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 parent company financial statements.

In 2016 and 2015, provision for doubtful accounts and written off receivable without previous impairment allowance are disclosed in Note 7 and 18 to the parent company financial statements.

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

As of December 31, 2016 and 2015, the cost of the real estate inventories, NRV and the carrying value of the real estate inventories are disclosed in Note 8 to the parent company financial statements.

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

The Company treats 'significant' generally as 20% or more of original cost and 'prolonged' as greater than 12 months. In addition, the Company evaluates other factors, including normal volatility in share price for quoted equity securities and the future cash flows and the discount factors for unquoted equity securities.

As of December 31, 2016 and 2015, the carrying value of the Company's AFS financial assets are disclosed in Note 11 to the parent company financial statements. Impairment loss of ₱2.0 million was recognized in 2016. No impairment loss was recognized in 2015.

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

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

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

As of December 31, 2016 and 2015, recognized deferred tax assets are disclosed in Note 25 to the parent company financial statements.

Provisions
The Company provides for present obligations (legal or constructive) where it is probable that there will be an outflow of resources embodying economic benefits that will be required to settle said obligations. An estimate of the provision is based on known information at the reporting date, net of any estimated amount that may be reimbursed to the Company. No provisions were recognized as of December 31, 2016 and 2015.

Estimation of retirement benefits cost and obligations
The determination of the obligation and retirement benefits cost is dependent on management's selection of certain assumptions used by the actuary in calculating such amounts. Those

assumptions are described in Note 21 and include, among others, discount rates, expected rate of return on plan assets and expected rate of salary increases. Actual results that differ from the Company's assumptions are accumulated and amortized over the future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods. While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the retirement obligations.

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

6. Cash and Cash Equivalents

This account consists of:

	2016	2015
Cash on hand	**₱9,796,220**	₱8,125,270
Cash in banks	**95,851,240**	89,944,040
Cash equivalents	**24,166,563**	28,819,236
	₱129,814,023	₱126,888,546

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 ₱0.5 million and ₱2.0 million in 2016 and 2015, 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 (Notes 12 and 13)	**11,192,382**	9,253,915
Receivables from off-track betting (OTB) operators	**9,264,439**	1,015,825
Receivable from Philippine Amusement and Gaming Corporation (PAGCOR) (Note 29)	**6,996,536**	8,061,391
Non-trade		
Due from related parties (Note 26)	**61,509,433**	31,956,232
Receivable from third parties	**15,252,500**	1,969,000
Advances and loans to officers and employees (Note 26)	**8,368,465**	6,167,803
Dividends receivable (Note 10)	**5,772,409**	3,640,837
Claims for tax credit certificates (TCC)	**2,252,054**	2,252,054
Deposits and advances to contractors	**1,778,413**	1,778,413

(Forward)

	2016	2015
Advances to suppliers	₱1,735,093	₱2,296,102
Receivable from Metro Manila Turf Club (MMTC) (Note 29)	–	653,863
Others	11,069,934	10,790,681
	271,227,754	248,304,820
Less: Allowance for doubtful accounts	37,522,472	24,396,353
	₱233,705,282	₱223,908,467

Real Estate Receivables
The real estate receivables of the 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 and ₱2.6 million in 2016 and 2015, 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 and nil in 2016 and 2015, respectively (see Note 22).

Advances and Loans to Officers and Employees
The 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 on advances and loans to officers and employees amounted to ₱0.6 million and ₱0.2 million in 2016 and 2015, respectively (see Note 22).

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

The Trial Court rendered a decision in favor of the Company on March 7, 1997 ordering the City of Manila to grant the Company a tax refund of ₱2.3 million and for which a *writ of execution* was already issued on May 12, 2003 by the Trial Court. Prior to the implementation of the *writ of execution*, the Company entered into a compromise agreement with the City of Manila for an out-of-court settlement. The *writ of execution* issued by the Trial Court has not been implemented as of April 25, 2017.

Deposits and Advances to Contractors
This pertains to deposits made by the Parent Company to the contracts for the development of the Carmona project not yet deducted from the billings of the Parent Company.

Advances to Suppliers
Advances to suppliers are non-interest 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	**₱24,396,353**	₱11,664,616
Provision during the year (Note 18)	**13,481,405**	13,093,137
Amounts written off during the year	**(276,673)**	(324,890)
Recovery of doubtful accounts	**(78,613)**	(36,510)
Balance at end of year	**₱37,522,472**	₱24,396,353

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

	2016	2015
Trade	**₱24,386,627**	₱8,805,762
Non-trade	**13,135,845**	15,590,591
Balance at end of year	**₱37,522,472**	₱24,396,353

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

The Company directly wrote-off receivables amounting to ₱0.5 million and ₱1.4 million in 2016 and 2015, 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
	₱81,881,984	₱94,257,252

Condominium units for sale and residential units for sale pertain to the completed condominium and residential projects of the 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 and 2015, 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 Company entered into agreements with certain real estate developers to develop their properties located in Sta. Cruz, Manila and Carmona, Cavite into condominium units and residential complexes. Significant provisions of the agreements are discussed below.

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

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

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

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

9. Other Current Assets

This account consists of:

	2016	2015
Prepaid income tax	**₱3,973,481**	₱4,893,082
Prepaid expenses	**3,132,539**	4,684,000
Others	**177,294**	111,521
	₱7,283,314	₱9,688,603

Prepaid expenses includes prepayments made for insurance and licenses.

Others include prepaid insurance and fuel and oil inventory.

10. Investments in Subsidiaries, Associates and Interest in Joint Ventures

This account consists of:

	2016		2015	
	% of Ownership	**Cost**	% of Ownership	Cost
Subsidiaries (Note 1):				
SLLPHI	**100.00%**	**₱6,250,000**	100.00%	₱6,250,000
MFC	**100.00%**	**4,000,000**	100.00%	4,000,000
Biohitech	**50.00%**	**1,500,000**	50.00%	1,500,000
Gametime	**100.00%**	**625,000**	100.00%	625,000
MCI	**100.00%**	**625,000**	100.00%	625,000
SLRDC	**100.00%**	**156,500**	100.00%	156,500
Hi-tech Harvest	**100.00%**	**84,456**	100.00%	84,456
ARWRI (Note 1)	**56.87%**	**89,850,000**	–	–
		103,090,956		13,240,956
Associates:				
MIC	22.31%	**708,160,137**	22.31%	708,160,137
Techsystems	33.33%	**1,000,000**	33.33%	1,000,000
		709,160,137		709,160,137
Investment in joint venture:				
Gamespan, Inc.	50.00%	**10,000,000**	50.00%	10,000,000
		822,251,093		732,401,093
Less allowance for impairment of investment in associate		**1,000,000**		1,000,000
		₱821,251,093		₱731,401,093

Investment in associates

MIC. Investment in MIC pertains to the Company's 22.31% interest in MIC as of December 31, 2016 and 2015. MIC started its commercial operations on January 6, 2016 (see Note 1).

The summarized financial information of MIC are as follows:

	2016	2015
Current assets	**₱796,509,099**	₱2,164,115,672
Non-current assets	**5,894,901,689**	3,902,539,758
Current liabilities	**660,273,522**	625,230,122
Non-current 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.

Techsystems. The investment in associate, Techsystems, pertains to the acquisition cost of ₱1.0 million representing 33.33% ownership by the Company. Techsystems undertakes to facilitate the short message service betting or online betting for the races conducted by the

Company. As of December 31, 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 are as follows:

	2016	2015
Total current 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 Company, set-up new media infrastructure for offering and taking bets in horse racing and other sports. It shall also have the exclusive broadcast rights to all the races and other games operated by the Company which it may distribute to different broadcasters to maximize viewership and participation. As of December 31, 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

SLBPO. On December 12, 2008, the Company entered into an agreement 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 as of December 31, 2016 and 2015, respectively (see Notes 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**	145,007,981
Expenses	**58,567,620**	63,301,382
Net income	**89,383,087**	81,706,599

The Company has no share in any contingent liabilities or capital commitments of the JV as of December 31, 2016 and 2015. There are also no accumulated earnings that are restricted as of December 31, 2016 and 2015.

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)	**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 and ₱2.6 million in 2015 (see Note 24). Dividend income from these investments amounted ₱0.5 million in 2016 and ₱0.4 million in 2015 (see Note 24). Interest income on quoted debt securities amounted to ₱0.4 million and ₱0.2 million in 2016 and 2015, respectively (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	**656,956,074**	**522,321**	**–**	**253,310**	**657,731,705**
Machinery and equipment	**338,439,609**	**15,103,758**	**–**	**–**	**353,543,367**
Transportation equipment	**34,790,311**	**2,894,643**	**(2,432,758)**	**(412,500)**	**34,839,696**
Furniture and fixtures	**13,226,593**	**894,127**	**–**	**–**	**14,120,720**
	1,695,619,198	**19,414,849**	**(2,432,758)**	**(73,831)**	**1,712,527,458**
Accumulated depreciation					
Land improvements	**166,660,852**	**14,782,216**	**–**	**–**	**181,443,068**
Building and improvements	**311,678,979**	**27,035,212**	**–**	**–**	**338,714,191**
Machinery and equipment	**265,699,375**	**17,706,702**	**–**	**–**	**283,406,077**
Transportation equipment	**26,876,141**	**2,779,127**	**(2,432,758)**	**–**	**27,222,510**
Furniture and fixtures	**11,968,858**	**457,586**	**–**	**–**	**12,426,444**
	782,884,205	**62,760,843**	**(2,432,758)**	**–**	**843,212,290**
Net book value	**912,734,993**	**(43,345,994)**	**–**	**(73,831)**	**869,315,168**
Construction in progress	**19,841,214**	**1,191,006**	**–**	**(338,669)**	**20,693,551**
	₱932,576,207	**(₱42,154,988)**	**₱–**	**(₱412,500)**	**₱890,008,719**

	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	655,548,788	1,407,286	–	–	656,956,074
Machinery and equipment	333,880,165	4,559,444	–	–	338,439,609
Transportation equipment	29,804,488	4,985,823	–	–	34,790,311
Furniture and fixtures	12,570,843	655,750	–	–	13,226,593
	1,674,166,424	12,845,565	–	8,607,209	1,695,619,198
Accumulated depreciation					
Land improvements	152,708,178	13,952,674	–	–	166,660,852
Building and improvements	284,140,795	27,538,184	–	–	311,678,979
Machinery and equipment	248,800,658	16,898,717	–	–	265,699,375
Transportation equipment	25,064,785	1,811,356	–	–	26,876,141
Furniture and fixtures	11,456,612	512,246	–	–	11,968,858
	722,171,028	60,713,177	–	–	782,884,205
Net book value	951,995,396	(47,867,612)	–	8,607,209	912,734,993
Construction in progress	13,565,091	14,883,332	–	(8,607,209)	19,841,214
	₱965,560,487	(₱32,984,280)	₱–	₱–	₱932,576,207

Depreciation Charges
The amount of depreciation is allocated as follows:

	2016	2015
Cost of club races (Notes 17 and 19)	**₱39,173,091**	₱38,200,787
General and administrative expenses (Notes 18 and 19)	**15,218,691**	14,215,090
Cost of rental services (Notes 17 and 19)	**7,975,321**	7,842,509
Cost of food and beverages (Notes 17 and 19)	**393,740**	454,791
	₱62,760,843	₱60,713,177

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 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 Company amounted to ₱433.7 million. No payments were made in 2016 and 2015. The outstanding payable amounting to ₱89.9 million as of December 31, 2016 and 2015 is included under "Accounts payable and other liabilities" in the parent company 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 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 and 2015 amounted to ₱46.4 million and ₱44.3 million, respectively.

The Company has various operating lease agreements with concessionaires to lease certain areas within the Turf Club. The lease shall be for a period of two to five years. Rent income from concessionaires amounted to ₱0.5 million in 2016 and 2015.

Operating Lease Commitment with PAGCOR - the Company as Lessor
In 2013, the Company entered into a lease contract for three years commencing on July 10, 2013 with PAGCOR to lease an area of 189.231 square meters for a monthly fixed rental of ₱510.51 per square meter for its casino and related activities. 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 (see Note 29).

Lease of Equipment with PAGCOR
In October 2013, the Company entered into a lease agreement with PAGCOR to lease one 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 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 and 2015, income from the lease agreement with PAGCOR amounted to ₱26.5 million and ₱28.1 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
Undivided interest in a parcel of land in Batangas	**56,723,976**	56,723,976
	764,275,033	764,275,033
Building:		
Developed office units (Note 10)	**187,651,508**	198,076,593
Retail development area (Note 10)	**34,002,849**	36,004,389
	221,654,357	234,080,982
	₱985,929,390	₱998,356,015

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

	2016		
	Land	**Building**	**Total**
Cost	**₱764,275,033**	**₱310,665,629**	**₱1,074,940,662**
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	**₱764,275,033**	**₱221,654,357**	**₱985,929,390**

	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 and 2015.

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

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

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

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

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

Under the JDA, the Company agreed to contribute the necessary cash to fully finance the construction and development of the retail development area and its corresponding share (30%) of the development of the office units. In return for their respective contributions, the parties will distribute and allocate the developed units among themselves. As of December 31, 2016 and 2015, the Company's contribution to the JDA amounting to ₱310.7 million is presented as the cost of "Building" under "Investment properties" account in the parent statements of financial position.

On December 12, 2008, the Company and ALI executed a Deed of Partition for the distribution and allocation of the developed units. The entire retail development area and the appurtenant parking lots were allocated to the Company in return for its contribution for the construction and development of the said area. For the Company's contribution in the construction and development of the office building, the Company was allocated with developed office building with gross leasable area of 5,793 square meters located at various floors and the appurtenant parking lots. In 2016 and 2015, rental income amounted to ₱15.4 million and ₱13.1 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, the aggregate fair value of the 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. 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 (see 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 fee 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 (see 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 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 ₱80.0 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 Company acquired new short-term loans amounting to ₱88.0 million. These loans are secured by real estate mortgages on Carmona property with carrying value of ₱216.0 million as of December 31, 2016.

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 and ₱1.9 million in 2016 and 2015, 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 and ₱0.4 million in 2016 and 2015, 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	**75,509,689**	76,665,700
Cash bond on OTB operators	**28,529,268**	30,398,961
Documentary stamps payable	**20,647,935**	22,354,124
Trade payable and buyers' deposits	**10,379,338**	5,888,432
Due to concessionaires	**9,579,415**	8,619,334
Unclaimed winnings	**8,324,579**	5,621,469
Accrued expenses	**8,047,147**	11,150,044
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
Withholding taxes payable	**1,569,217**	2,223,929
Due to horse owners	**1,378,580**	1,238,769
Provision for probable losses (Note 29)	**–**	13,135,947
Others	**12,115,275**	12,070,513
	₱288,426,670	₱301,809,295

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

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

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

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
Personnel costs (Note 20)	**₱52,157,866**	₱52,318,151
Depreciation (Notes 12 and 19)	**39,173,091**	38,200,787
Commission	**19,374,126**	21,043,268
Utilities	**17,565,093**	21,127,337
Transportation and travel	**6,716,499**	7,308,208
Contracted services	**4,850,812**	4,703,036
Meetings and conferences	**3,553,408**	2,953,576
Repairs and maintenance	**3,417,993**	2,446,007
Rent (Note 29)	**2,768,240**	4,142,214
Security services	**2,067,864**	1,790,698
Gas, fuel and oil	**1,820,590**	1,286,808
Amortization of franchise fee (Note 14)	**1,794,000**	1,794,000
Supplies	**1,426,712**	3,918,577
Software license	**1,399,763**	3,178,613
Taxes and licenses	**929,895**	1,293,589
Others	**8,375,067**	7,607,007
	₱167,391,019	₱175,111,876

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

Cost of rental services consists of:

	2016	2015
Depreciation (Notes 12, 13 and 19)	**₱20,401,946**	₱20,269,134
Utilities	**9,767,528**	11,878,061
Meetings and conferences	**6,142,331**	6,129,034
Contracted services	**4,410,255**	4,181,523
Personnel costs (Note 20)	**3,183,738**	2,923,951
Rent (Note 29)	**2,619,677**	2,164,512
Repairs and maintenance	**1,939,274**	2,183,892
Security services	**1,703,955**	1,714,771
Franchise tax – gaming	**1,324,861**	1,404,724
Travel and transportation	**233,542**	54,141
Others	**1,813,400**	808,919
	₱53,540,507	₱53,712,662

Cost of food and beverages consists of:

	2016	2015
Purchased stocks	**₱6,067,167**	₱6,561,429
Utilities	**4,272,947**	2,405,963
Contracted services	**4,265,731**	4,048,458
Personnel cost (Note 20)	**1,465,083**	1,988,168
Meetings and conferences	**785,919**	1,060,192
Depreciation (Notes 12 and 19)	**393,740**	454,791
Supplies	**223,124**	124,080
Communication	**191,787**	172,190
Repairs	**118,835**	1,119,074
Semi-expendable equipment	**118,880**	256,241
Others	**975,530**	1,134,303
	₱18,878,743	₱19,324,889

Others include individually insignificant items.

18. General and Administrative Expenses

This account consists of:

	2016	2015
Personnel costs (Note 20)	**₱66,025,987**	₱63,599,216
Depreciation (Notes 12 and 19)	**15,218,691**	14,215,090
Contracted services	**13,707,990**	12,399,938
Provision for doubtful accounts (Note 7)	**13,481,405**	13,093,137
Utilities	**10,931,069**	11,190,906
Repairs and maintenance	**8,677,080**	6,985,461
Rent (Note 29)	**7,902,892**	7,910,445
Meetings and conferences	**7,203,409**	6,861,926
Professional fees	**7,101,815**	12,637,684
Security services	**6,810,480**	4,099,370
Gas, fuel and oil	**4,215,366**	7,304,995
Transportation and travel	**3,818,090**	3,421,543
Taxes and licenses	**1,951,381**	1,786,431
Entertainment, amusement and recreation	**1,664,356**	1,976,390
Supplies	**1,415,916**	1,529,603
Insurance	**950,881**	1,326,651
Directors' fee	**919,500**	1,044,000
Membership dues	**887,739**	1,058,473
Advertising	**439,916**	1,484,720
Others	**7,653,949**	8,228,085
	₱180,977,912	₱182,154,064

19. **Depreciation**

This account consists of:

	2016	2015
Cost of club races (Notes 12 and 17)	**₱39,173,091**	₱38,200,787
Cost of rental services (Notes 12, 13 and 17)	**20,401,946**	20,269,134
General and administrative expenses (Notes 12 and 18)	**15,218,691**	14,215,090
Cost of food and beverages (Notes 12 and 17)	**393,740**	454,791
	₱75,187,468	₱73,139,802

20. **Personnel Costs**

This account consists of:

	2016	2015
Salaries and wages	**₱101,785,737**	₱100,650,927
Retirement benefits costs (see Note 21)	**9,129,671**	8,646,931
Other employee benefits	**11,917,266**	11,531,628
	₱122,832,674	₱120,829,486

21. **Retirement Benefits Costs**

The 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
Current service costs	**₱6,057,113**	₱6,189,686
Interest costs - net of interest income	**2,299,051**	2,457,245
Past service costs - plan amendment	**773,507**	–
	₱9,129,671	₱8,646,931

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

	2016	2015
Actuarial loss (gain) in defined benefit obligation	**(₱5,669,926)**	(₱2,190,324)
Remeasurement loss in plan assets	**2,080,391**	1,509,502
	(3,589,535)	(680,822)
Less tax effect	**(1,076,860)**	(204,247)
	(₱2,512,675)	(₱476,575)

The details of accrued retirement benefits as of 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	**(6,703,680)**	(935,617)
Change in demographic assumptions	**(61,678)**	(1,068)
Benefits paid	**(585,401)**	(6,568,368)
Defined benefit obligation at end of year	**₱82,671,995**	₱77,267,484

The movements 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 Company are being held by its trustee banks. The investing decisions of the plan are made by the authorized officers of the Company.

The following table presents the carrying amounts and fair values of the combined assets of the plan less liabilities:

	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 assets consist of the following:

- Cash and cash equivalents, which includes regular savings and time deposits;
- Investments in corporate debt instruments, consisting of both short-term and long-term corporate loans, notes and bonds, which bears interest rates ranging from 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 Company as of December 31 are as follows:

	2016	2015
Discount rates	**5.68%**	6.25%
Expected rate of salary increase		
Monthly employees	**3.50%**	4.00%
Race day employees	**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
Real estate receivables (Note 7)	**₱7,884,098**	₱2,598,375
Receivable from third parties (Note 7)	**2,087,197**	–
Loans and advances to officers and employees (Note 7)	**616,727**	211,148
Cash and cash equivalents (Note 6)	**547,405**	1,989,376
AFS financial assets (Note 11)	**351,217**	182,347
	₱11,486,644	₱4,981,246

23. **Finance Costs**

Interest expense related to:

	2016	2015
Short-term loans (see Note 15)	**₱2,264,387**	₱1,940,073
Bank charges and others	**69,650**	52,413
Long-term loans (see Note 15)	–	385,494
	₱2,334,037	₱2,377,980

24. **Other Income - net**

	2016	2015
Dividend income from ALI (Note 10)	**₱25,336,438**	₱21,364,001
Gain on reversal of provision for probable losses (Note 29)	**13,135,947**	–
Tenant's reimbursements	**4,378,979**	2,788,823
Income from advertisement campaign	**3,587,638**	2,409,600
Parking fees	**3,258,631**	229,048
Income due to cancellation	**2,773,254**	1,208,089
Impairment loss on AFS financial assets (Note 11)	**(1,983,500)**	–

(Forward)

	2016	2015
Loss on receivable write-off (Note 7)	**(₱496,128)**	(₱1,436,242)
Income from Mega Sports World (MSW)	**487,453**	–
Gain on sale of property	**467,712**	–
Dividend income from AFS financial assets (Note 11)	**451,750**	350,485
Gain on sale of AFS financial assets (Note 11)	**364,020**	2,582,792
Foreign exchange loss - net	**(191,722)**	(95,562)
Service Income	–	13,876,881
Others - net	**1,360,059**	4,674,073
	₱52,930,531	₱47,951,988

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

Income from advertising campaign pertains to advertising placement rights granted by the Company to third parties. Service income pertains to technical services rendered by the Company to MMTC. Others include various individually insignificant items of income and expenses.

25. **Income Tax**

a. The components of the Company'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	**11,256,742**	7,318,906
Advance rentals and non-refundable deposits	**2,873,824**	–
Unamortized past service cost	**1,961,562**	2,288,622
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 expense	**484,946**	–
PAS 17 adjustment on rent income	**220,442**	187,179
Unearned income	**164,797**	635,233
Impairment loss on AFS	**141,000**	–
Unrealized foreign exchange loss – net	**57,517**	25,636
Unrecognized MCIT	–	3,952,823
Unrecognized NOLCO	–	3,506,815
	31,106,860	30,345,724
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	**(₱228,718,534)**	(₱228,624,861)

* *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
RCIT	₱9,559,639	₱3,952,823
Final tax on interest income	215,312	395,850
	₱9,774,951	₱4,348,673

c. The Company'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 Company'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 reconciliation of the Company's provision for (benefit from) income tax at statutory tax rate to the provision for (benefit from) income tax shown in the parent company statements of comprehensive income is as follows:

	2016	2015
Provision for (benefit from) income tax at statutory rate	**₱9,083,543**	(₱9,806,350)
Additions to (reductions in) income tax resulting from tax effects of:		
Nontaxable income	**(7,703,598)**	(7,289,184)
MCIT applied	**3,952,823**	–
Nondeductible expenses	**3,548,858**	3,960,341
Interest income subjected to final tax	**(89,862)**	(198,938)
Provision for (benefit from) income tax	**₱8,791,764**	(₱13,334,131)

26. Related Party Transactions

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

a. Advances from/to subsidiaries, associate, SPE and stockholder:

	Nature	Amount 2016	Amount 2015	Receivable/(Payable) 2016	Receivable/(Payable) 2015	Terms	Conditions
Subsidiaries:							
NVTL	Advances[1]	**₱915,853**	₱2,518,874	**₱3,434,727**	₱2,518,874	Non-interest bearing	Unsecured, no impairment
	Payable	**-**	492,889	**(2,570,715)**	(2,570,715)	Non-interest bearing	Unsecured, no impairment
SLLPHI	Advances[1]	**8,833**	8,333	**18,166**	9,333	Non-interest bearing	Unsecured, no impairment
MFC	Advances[1]	**102,500**	–	**102,500**	–	Non-interest bearing	Unsecured, no impairment
Biohitech	Advances[1]	**8,833**	8,333	**18,166**	9,333	Non-interest bearing	Unsecured, impaired
MCI	Advances[1]	**11,631,394**	12,566,687	**25,339,497**	13,708,103	Non-interest bearing	Unsecured, impaired
	Payables	**6,266,288**	143,103	**(6,409,391)**	(143,103)	Non-interest bearing	Unsecured, impaired
Gametime	Advances[1]	**13,682,052**	4,529,993	**20,968,171**	7,286,119	Non-interest bearing	Unsecured, impaired
	Share in expenses	**1,285,713**	–	**(1,285,713)**	–	Non-interest bearing	Unsecured, impaired
	Wagers[1]	**4,934,131**	–	**4,934,131**	–	Non-interest bearing	Unsecured, impaired
	Receivables[1]	**35,750**	–	**35,750**	–	Non-interest bearing	Unsecured, impaired
	Deposits	**607,179**	–	**(607,179)**	–	Non-interest bearing	Unsecured, impaired
	Winnings	**3,944,458**	–	**(3,944,458)**	–	Non-interest bearing	Unsecured, impaired
Hi-tech	Advances[1]	**–**	208,795	**208,795**	208,795	Non-interest bearing	Unsecured, impaired
Apo Reef World Resorts Inc	Advances[1]	**1,450,421**	–	**1,450,421**	–	Non-interest bearing	Unsecured, impaired
Associates:							
Techsystems	Advances[1]	**8,833**	8,333	**18,166**	9,333	Non-interest bearing	Unsecured, no impairment
MIC	Advances[1]	**873,851**	2,028,930	**4,980,943**	4,107,091	Non-interest bearing	Unsecured, no impairment
Affiliate:							
Arco Management and Development Corporation (AMDC)	Lease of office space	11,431,401	6,884,042	–	–	Non-interest bearing	Unsecured, no impairment

[1] *Included in the "Receivables" account (see Note 7).*

b. Compensation of key management personnel of the Company amounted to ₱62.2 million and ₱65.3 million in 2016 and 2015, respectively. The Company has no standard arrangement with regard to the remuneration of its directors. In 2016 and 2015, the BOD received a total of ₱9.8 million. Advances and loans to officers and employees amounted to ₱8.4 million and ₱6.2 million as of December 31, 2016 and 2015, respectively.

27. Equity

Capital Stock
The details of the 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 981 and 974 equity holders in 2016 and 2015, respectively)	**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 and deemed cost adjustment amounting to ₱442.5 million and ₱449.8 million as of December 31, 2016 and December 31, 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 sale for both real estate inventories and land under investment properties. The amount of the deemed cost adjustment and undistributed earnings included in the balance of the unappropriated retained earnings are restricted and not available for dividend declaration.

Declaration of Dividends
The following are the details of 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. Operating Segment Information

The Company's operating businesses are recognized and managed separately according to the nature of the products and services provided. The Company's four reportable operating segments are the operation and maintenance of race tracks and holding of horse races, the development and sale of real estate properties, 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 Company does not have any major customers.

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

As of December 31, 2016 and 2015, the Company has no transactions between reportable segments. The Company measures the segment net income or loss, segment assets and segment liabilities for each reportable segment in a manner similar to the measurement of the Company's total comprehensive income.

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

Segment Revenue and Expenses

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

	2016					
	Club Races	**Real Estate**	**Rent**	**Food and Beverage**	**Unallocated**	**Total**
Segment revenue	**₱188,544,440**	**₱121,705,673**	**₱115,327,900**	**₱18,711,377**	**₱31,196,639**	**₱475,486,029**
Costs and expenses	**(167,391,019)**	**(22,085,335)**	**(53,540,507)**	**(18,878,743)**	**(183,311,949)**	**(445,207,553)**
Income (loss) before income tax	**21,153,421**	**99,620,338**	**61,787,393**	**(167,366)**	**(152,115,310)**	**30,278,476**
Provision for income tax	**–**	**–**	**–**	**–**	**8,791,764**	**8,791,764**
Net income (loss)	**₱21,153,421**	**₱99,620,338**	**₱61,787,393**	**(₱167,366)**	**(₱160,907,074)**	**₱21,486,712**

	2015					
	Club Races	Real Estate	Rent	Food and Beverage	Unallocated	Total
Segment revenue	₱199,811,373	₱49,166,094	₱108,527,619	₱18,972,040	₱28,970,858	₱405,447,984
Costs and expenses	(175,111,876)	(12,454,347)	(53,712,661)	(19,324,889)	(177,532,045)	(438,135,818)
Income (loss) before income tax	24,699,497	36,711,747	54,814,958	(352,849)	(148,561,187)	(32,687,834)
Provision for income tax	–	–	–	–	(13,334,131)	(13,334,131)
Net income (loss)	₱24,699,497	₱36,711,747	₱54,814,958	(₱352,849)	(₱135,227,056)	(₱19,353,703)

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 and 2015.

Segment Assets and Liabilities and Other Information
The segment assets and liabilities as of December 31, 2016 and 2015 and capital expenditures for the years then ended are as follows:

	2016					
	Club Races	**Real Estate**	**Rent**	**Food and Beverage**	**Unallocated**	**Total**
Assets	**₱894,309,981**	**₱341,055,237**	**₱526,905,927**	**₱5,072,262**	**₱1,533,757,190**	**₱3,301,100,597**
Liabilities	**64,299,449**	**257,274,879**	**75,095,428**	–	**319,328,680**	**715,998,436**
Capital expenditures	**6,201,624**	–	**2,011,254.00**	–	**12,392,977**	**20,605,855**
Depreciation	**39,173,091**	–	**20,401,946**	**393,740**	**15,218,691**	**75,187,468**

	2015					
	Club Races	Real Estate	Rent	Food and Beverage	Unallocated	Total
Assets	₱919,607,441	₱320,509,238	₱539,713,516	₱3,710,302	₱1,441,560,390	₱3,225,100,887
Liabilities	62,275,801	250,088,560	76,415,780	–	226,449,314	615,229,455
Capital expenditures	2,735,191	–	–	124,971	24,868,734	27,728,896
Depreciation	38,200,787	–	20,269,133	454,791	14,215,091	73,139,802

29. Commitments and Contingencies

Commitments

The following are the significant commitments of the Company:

a. Operating Lease Commitment - the Company as Lessee

On January 1, 2008, the Company renewed its lease agreement with AMDC, an affiliate under common conrol, for the lease of office space and four parking lots. The lease is for a period of five years starting 2008 and includes an annual escalation rate of 5.0%. The monthly rate of the lease for the year 2012 amounted to ₱385,923. The lease contract expired in December 2012 and the Company renewed its lease agreement with AMDC on February 5, 2013 with a monthly rate of ₱427,550, subject to an annual escalation rate of 5.0%, and will expire in 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 Company entered into another lease agreement with AMDC for another office space. The lease is for the period of five years starting 2011 and has ended on December 31, 2015. The contract was renewed for another five years from January 1, 2016 to December 31, 2020. The monthly rate of the lease for 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 Company as Lessor

In 2013, the Company entered into a lease contract for three years commencing on July 10, 2013 with PAGCOR to lease an area of 189.231 square meters 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 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 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 and 2015, income from the lease agreement with PAGCOR amounted to ₱26.5 million and ₱28.1 million, respectively.

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

As of December 31, 2016 and 2015, receivables from MMTC amounted to nil and ₱0.7 million, respectively, while payable to MMTC amounted to nil in 2016 and 2015.

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

Contingencies:

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

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

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

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

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

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

30. Financial Instruments

The following tables present the fair value hierarchy of the Company'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	**80,000,000**	**80,000,000**	**–**	**–**	**80,000,000**
	₱92,628,515	**₱92,628,515**	**₱12,628,515**	**₱–**	**₱80,000,000**

	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 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.

31. Financial Risk Management Objectives and Policies

The Company'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, due to related parties and subscription payable. The main purpose of these financial instruments is to finance the Company's operations.

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

Cash flow interest rate risk
Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The 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 Company is exposed to equity price risk because of quoted equity investments held by the Company, which are classified in the parent company statements of financial position as AFS financial assets.

The following table demonstrates the sensitivity of the Company's equity to a reasonably possible change in the PSE index (PSEi), with all other variables held constant, for the years ended December 31, 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 Company's foreign-currency denominated assets or liabilities may fluctuate due to changes in foreign exchange rates.

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

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

	United States (US) Dollar	Philippine Peso
2016	**US$3,636**	**₱180,770**
2015	US$6,329	₱297,843

As of December 31, 2016 and 2015, the applicable closing exchange rates were ₱49.72 to US$1 and ₱47.06 to US$1, respectively. Net foreign exchange loss amounted to ₱191,722 and ₱95,562 in 2016 and 2015, respectively.

The sensitivity of the Company's income before income tax to a reasonably possible change in the US Dollar exchange rate against the Peso, with all other variables held constant, has no significant effect in the financial statements for the years ended December 31, 2016 and 2015.

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

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

The table below shows the maximum exposure to credit risk of the Company as of December 31, 2016 and 2015.

	2016	2015
Loans and receivables:		
Cash and cash equivalents:		
Cash in banks	**₱95,851,240**	₱89,944,040
Cash equivalents	**24,166,563**	28,819,236
	120,017,803	118,763,276
Receivables:		
Real estate receivables**	**221,882,204**	204,002,832
Due from related parties	**61,509,433**	31,956,232
Rent receivables – net	**9,668,945**	7,448,153
Receivables from OTB operators	**9,131,135**	1,015,825
Advances and loans to officers and employees	**8,368,465**	6,167,803
Receivable from PAGCOR	**6,996,536**	8,061,391
Dividends receivable	**5,772,409**	3,640,837
Advances to suppliers	**1,735,093**	2,296,102
Receivable from MMTC	**–**	653,863
Others	**17,217,056**	3,787,147
	342,281,276	269,030,185
Deposits*	**3,375,580**	3,375,580
AFS financial assets	**13,261,812**	31,942,805
	₱478,936,471	₱423,111,846

**Inclusive of non-current real estate receivable*
*** Included in "Other noncurrent assets" in the parent company statements of financial position*

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

	2016			
	Standard Grade	**Past Due but Not Individually Impaired**	**Individually Impaired**	**Total**
Loans and receivables:				
Cash and cash equivalents				
Cash in banks	**₱95,851,240**	**₱–**	**₱–**	**₱95,851,240**
Cash equivalents	**24,166,563**	**–**	**–**	**24,166,563**
	120,017,803	**–**	**–**	**120,017,803**
Receivables*				
Real estate receivables	**₱221,882,204**	**₱–**	**₱22,729,886**	**₱244,612,090**
Due from related parties	**61,509,433**	**–**	**–**	**61,509,433**
Rent receivables	**9,668,945**	**–**	**1,523,437**	**11,192,382**
Receivables from OTB operators	**9,131,135**	**–**	**133,304**	**9,264,439**
Advances and loans to officers and employees	**8,368,465**	**–**	**–**	**8,368,465**
Receivable from PAGCOR	**6,996,536**	**–**		**6,996,536**
Dividends receivable	**5,772,409**	**–**	**–**	**5,772,409**
Advances to suppliers	**1,735,093**	**–**	**–**	**1,735,093**
Interest receivable	**31,731**	**–**	**–**	**31,731**

(Forward)

	2016			
	Standard Grade	Past Due but Not Individually Impaired	Individually Impaired	Total
Others	₱17,185,325	₱–	₱9,105,378	₱26,290,703
	342,281,276	–	33,492,005	375,773,281
Deposits**	3,375,580	–	–	3,375,580
AFS financial assets	13,261,812	–	–	13,261,812
	₱478,936,471	₱–	₱33,492,005	₱512,428,476

** Amounts are exclusive of nonfinancial assets amounting to ₱4.0 million.*
*** Included in "Other noncurrent assets" account in the parent company 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	₱89,944,040	₱–	₱–	₱89,944,040
Cash equivalents	28,819,236	–	–	28,819,236
	118,763,276	–		118,763,276
Receivables*				
Real estate receivables	204,003,033	–	9,587,589	213,590,622
Due from related parties	31,956,232	–	–	31,956,232
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	6,167,803	–	–	6,167,803
Dividends receivable	3,640,837	–	–	3,640,837
Advances for goods and services	2,296,102	–	–	2,296,102
Receivable from OTB operators	1,015,825	–	–	1,015,825
Receivable from MMTC	653,863	–	–	653,863
Interest Receivable	431,488	–	–	₱431,488
Others	3,355,659	–	8,972,534	12,328,193
	269,030,386	–	20,365,885	289,396,271
Deposits**	3,375,580	–	–	3,375,580
AFS financial assets	31,942,805	–	–	31,942,805
	₱423,112,047	₱–	₱20,365,885	₱443,477,932

** Amounts are exclusive of nonfinancial assets amounting to ₱4.0 million.*
***Included in "Other noncurrent assets" account in the parent company 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 Company's treasury department in accordance with the Company'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 Company's Board of Directors on an annual basis, and may be updated throughout the year subject to approval of the Company'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 Company 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 Company does not hold collateral as security. The Company 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 5.0% 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 Company monitors and maintains a certain level of cash and cash equivalents to finance the Company's operation, ensure continuity of funding and to mitigate the effect of fluctuations in cash flows. It maintains a balance between continuity of funding and flexibility by regularly evaluating its projected and actual cash flows through the use of bank loans and extension of suppliers' credit terms. The Company maximizes the net cash inflows from operations to finance its working capital requirements.

The tables below summarize the maturity profile of the Company's financial liabilities as of December 31, 2016 and 2015 based on contractual undiscounted payments (principal and interest) and the profile of the financial assets used to manage the Company'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*	₱82,400,000	₱–	₱–	₱–	₱82,400,000
Accounts payable and other liabilities**	296,760,469	–	–	–	296,760,469
Due to related parties	14,817,457	–	–	–	14,817,457
	₱393,977,926	₱–	₱–	₱–	₱393,977,926

*Amounts are inclusive of interest amounting to ₱2.4 million for December 31, 2016
**Amounts are exclusive of nonfinancial liabilities amounting to ₱51.7 million.

	Within 1 year	>1 year to <3 years	3 years to <5 years	Total
Loans and receivables:				
Cash in banks	₱95,851,240	₱–	₱–	₱95,851,240
Cash equivalents	24,166,563	–	–	24,166,563
Receivables*	342,281,276	–	–	342,281,276
Deposits**	–	–	3,375,580	3,375,580
	462,299,079	–	3,375,580	465,674,659
AFS financial assets	12,628,515	–	–	12,628,515
	₱474,927,594	₱–	₱3,375,580	₱478,303,174

*Amounts are exclusive of nonfinancial assets amounting to ₱4.0 million for December 31, 2016..
**Included in "Other noncurrent assets" in the parent company 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**	230,975,041	–	–	–	230,975,041
Due to related parties	6,813,071	–	–	–	6,813,071
	₱278,153,112	₱–	₱–	₱–	₱278,153,112

*Amounts are inclusive of interest amounting to ₱1.4 million.
**Amounts are exclusive of nonfinancial liabilities amounting to ₱70.8 million

	Within 1 year	>1 year to <3 years	3 years to <5 years	Total
Loans and receivables:				
Cash in banks	₱89,944,040	₱–	₱–	₱89,944,040
Cash equivalents	28,819,236	–	–	28,819,236
Receivables*	269,030,385	–	–	269,030,385
Deposits**	–	–	3,375,580	3,375,580
	387,793,661	–	3,375,580	391,169,241
AFS financial assets	31,309,508	–	–	31,309,508
	₱419,103,169	₱–	₱3,375,580	₱422,478,749

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

32. Capital Management

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

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

	2016	2015
Capital stock	**₱996,170,748**	₱996,170,748
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	**1,559,842,166**	1,588,163,519
Treasury shares	**(7,096)**	(7,096)
	₱2,585,102,161	₱2,609,871,432

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

33. Basic/Diluted EPS

Basic/diluted EPS were computed as follows:

	2016	2015
Net income (Loss)	**₱21,486,712**	(₱19,353,703)
Divided by weighted average number of outstanding common shares	**996,170,748**	996,170,748
Basic/diluted earnings (loss) per share	**₱0.0216**	(₱0.0194)

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

Weighted average number of outstanding common shares is restated to reflect the effect of stock dividends declared in 2014 (see Note 27).

34. Other Matters

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

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

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

35. Supplementary Information Required Under Revenue Regulations (RR) 15-2010

In compliance with the requirements set forth by RR 15-2010, hereunder are the information on taxes and license fees paid or accrued during the taxable year 2016.

a. Details of the Company's gross receipts, output VAT and input VAT accounts are as follows:

	Gross Receipts	Output VAT
Taxable sales	₱310,314,176	₱37,237,701
Zero - rated sales	33,121,320	–
Exempt sales	1,361,313	–
	₱344,796,809	₱37,237,701

The amount of VAT input taxes claimed are broken down as follows:

Balance at the beginning of the year	₱512,345
Current year's purchases:	
Domestic Purchases of Services	12,829,621
Domestic Purchases of Goods Other than Capital Goods not subject to amortization	3,617,276
Importation of Goods Other than Capital Goods	1,034,196
Services Rendered by Non-residents	1,155,777
Purchase of Capital Goods exceeding ₱1.0 million	2,022,472
Purchase of Capital Goods not exceeding ₱1.0 million	510,004
Input tax used for the year	20,488,086
Balance at the end of the year	₱1,193,605

b. In 2016, the Company paid VAT amounting to ₱15,573,138 including 2015 VAT payable of ₱1,095,862.

c. Documentary stamp taxes (DST) paid/accrued by the Company are shown below:

Loan instruments	₱542,315
Sale for races	270,826,088
	₱271,368,403

The ₱0.5 million includes accrual of ₱0.1 million while the ₱270.8 million includes accrual of ₱20.5 million for December 31, 2016.

d. Other taxes and licenses:

National:	
BIR annual registration	₱27,513
Local:	
Mayor's permit	842,592
Racing permit	401,634
Barangay clearance	14,015
Community tax certificate	10,500
Sanitary permit	6,750
Annual inspection fee	530
Others:	
Annual license	425,294
DST on bank loan renewal	354,438
Annual listing fee (SEC)	253,000
Philracom & GAB licenses	101,611
Real property tax	83,861
Registration of vehicles	39,158
Annual water charges	10,022
Others	310,458
	₱2,881,376

e. The amount of withholding taxes paid/accrued for the year amounted to:

Withholding taxes on compensation	₱10,187,860
Expanded withholding taxes	6,474,490
Final withholding income tax	3,765,763
Value-added tax and other percentage tax	1,155,777
Fringe benefit tax	307,217
	₱21,891,107