COVER SHEET

8 0 3

S.E.C. Registration Number

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

(Company's Full Name)

1 4 T H F L O O R S T R A T A 1 0 0 B L D G .
F . O R T I G A S J R . R O A D
O R T I G A S C E N T E R , P A S I G C I T Y

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

ATTY. HEATHER EZRA ANNANG

Contact Person

687-9889

Company's Telephone Number

ANNUAL REPORT ENDED DECEMBER 31, 2013

1 2 | 3 1
Month | *Day*
Fiscal Year

1 7 - A
FORM TYPE

0 6 | 2 8
Month | *Day*
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC Form 17-A

ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SECTION 141 OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended : **December 31, 2013**

2. SEC Identification Number : **PW-803**

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

4. Exact name of registrant as specified in its charter: **MANILA JOCKEY CLUB, INC.**

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

6. Industry Classification Code : [ ] (SEC Use Only)

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

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

9. Former name, former address and former fiscal year, if change since last report: **N/A**

10. Securities registered pursuant to Section 4 and 8 of the SRC

Title of Each Class Outstanding	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common	**948,725,436**

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

Yes __x__ No ______
Philippine Stock Exchange
Common Stock-Manila Jockey Club, Inc. ("MJCI")

12. Check whether the registrant:

a. has filed all reports required to be filed by Section 11 of the Securities Regulations Code (SRC) and SRC Rule 11(a)-1 hereunder and Section 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports):

Yes __x__ No ______

b. has been subject to such filing requirements for the past 90 days.

Yes __x__ No ______

13. The aggregate market value of the voting stock held by the public as of December 31, 2013 amounts to Php1,944,887,143.80 at the last traded price of Php2.05 per share on December 31, 2013. 775,427,120 shares are held by the public as of December 31, 2013.

MANILA JOCKEY CLUB, INC.

ITEM 1. BUSINESS

Manila Jockey Club, Inc. (the "Company") was incorporated on March 22, 1937. On October 23, 1972, the Company was granted a franchise under Republic Act No. 6631 to operate and maintain a racetrack and conduct horse races therein. The franchise was renewed on November 23, 1997 under R.A. No. 8407 for another term of twenty five (25) years. Under R.A. No. 8407, the Company shall pay annually to the National Treasury a franchise tax equivalent to 25% of its gross earnings from bets on the horse races in lieu of all taxes, except income tax, that are imposed by the national or local government on the activities covered by the franchise. However, the Company now pays value added tax equivalent to twelve percent (12%) of its gross revenues from horse races pursuant to Republic Act No. 7716 or the Expanded VAT Law.

In line with the Company's vision to expand its business operations and to enhance the value of the shareholders' investment, the Company is also engaged in the development and sale of condominium units and residential properties and lease of an office building through joint venture agreements with leading property developers. Likewise, the Company has ventured into gaming operations with the establishment of a casino known as the Pagcor Club San Lazaro located at the 3rd Floor of the Turf Club Building at the San Lazaro Leisure Park ("SLLP") in Carmona, Cavite.

Employees

The Company has raceday and monthly employees.

The total number of raceday employees is as follows:

a. For Tuesday to Sunday racing days - 481 employees

The total number of monthly rank and file employees is 108 employees. The monthly rank and file employees have a five-year Collective Bargaining Agreement ("CBA") with the Company which is set to expire on 2014 which is currently undergoing with the management for the next five (5) years. The Company also has a CBA with the raceday employees for a period of five (5) years starting July 1, 2009. Both CBAs contain supplemental benefits for the employees such as vacation and sick leaves and retirement benefits. The Company has not experienced any labor strike in the last three (3) years.

Subsidiaries, Associates and Joint Venture

Subsidiaries

The Parent Company holds 100% interest in SLLP Holdings, Inc. (SLLPHI) and San Lazaro Resources and Development Corporation (SLRDC), which are both incorporated and domiciled in the Philippines. The Parent Company holds a 50% interest in Biohitech

Philippines, Inc. (Biohitech), a domestic corporation. To date, SLLPHI, SLRDC and Biohitech have yet to start commercial operations.

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

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

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

The Parent Company also has a special-purpose entity (SPE), New Victor Technology Limited (NVTL), which is incorporated in Hongkong and domiciled in the Philippines. The business purpose of NVTL is to purchase slot machines for lease to the Philippine Amusement and Gaming Corporation (PAGCOR), which operates the casino of the Parent Company located within the Turf Club at Carmona. To date, these slot machines are already paid by the Parent Company.

Associates

On January 23, 2009, the Parent Company acquired a 50.23% interest in MJC Investments Corporation (MIC), formerly Aries Prime Resources, Inc., a publicly listed company incorporated and domiciled in the Philippines. In 2013, after the investments made by the 18 Strategic Investors in MIC, the Parent Company still has significant influence over MIC through its retained interest of 28% in MIC.

The Parent Company has a 33% ownership in Techsystems, Inc. Techsystems undertakes to facilitate the short message service betting or online betting for the races conducted by the Parent Company. As of December 31, 2013, Techsystems has not yet started commercial operations.

Joint Venture

On March 29, 2012, a Shareholders' Agreement was executed between the Parent Company and GMA-NMI for the establishment of the new company named Gamespan, Inc., a joint venture corporation. Gamespan shall operate and manage the totalizator hardware and software owned by the Parent Company, set-up new media infrastructure for offering and taking bets in horse racing and other sports. On June 20, 2012, Gamespan was incorporated to implement the Shareholder's Agreement but so far, as of December 31, 2013, it has yet to start commercial operations.

RACING OPERATIONS

(1) Horse Races

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

The Company conducts its races on a two (2) day weekly race schedule.

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

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

The Company strategically reduced its OTB outlet to 252 OTB stations as of Dec. 2013 with 52 being provincial OTBs. In comparison to 2012 data, the company operated a total of 277 as of December 2012. OTB sales for 2013 accounted for 94.87% of total sales.

(3) Competition

Since late Feb. 2013, another race track, Metro Manila Turf Club, Inc. ("MMTC") started operations. Thus there are three (3) race tracks operating that being Manila Jockey Club, Inc. ("MJCI"), Philippine Racing Club, Inc. ("PRCI") and Metro Manila Turf Club, Inc. ("MMTC"). Racing schedules have been allocated to a two (2) day racing day on a weekly basis for each particular club. Nonetheless, there is no direct competition among the race clubs as they conduct races on their each assigned day in the week.

(4) Government Regulations

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

(5) Risks

(a) Disease

No major disease outbreak occurred in 2013. The company still conducts its mandatory "Coggins Test" for Equine Infectious Anemia (EIA) virus on all stabled and running horses in the facility. No horse has been reported positive of the EIA virus.

(b) Weather

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

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

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

REAL ESTATE DEVELOPMENT

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

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

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

Township Development Components:

1. Racing Business
   a. Two (2) new race tracks of world-class standards
   b. A modern Turf Club building
   c. A stabling complex housing 1,200 horses.

2. Gaming Business – PAGCOR Club Carmona, 3rd floor, Turf Building
   a. 242 slot machines
   b. 8 tables

3. Real Estate Business

   Canyon Ranch

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

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

Phase I has a total of 426 residential and commercial units. The Company received a total sales proceeds of ₱253 million from its share of the project.

Phase II has a total of 364 units with no commercial areas assigned to it with expected sales of ₱181 million. Market demand is expected to dictate pricing and some allotted models may be converted to the more affordable Napa or Stanford.

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

Township Development Components:

1. SM City San Lazaro

2. Ayala Land Inc. Joint Venture Developments

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

   b. ALVEO

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

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

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

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

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

Celadon Residences (Alveo)

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

Celadon Park (Alveo)

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

Avida Towers (AVIDA)

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

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

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

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

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

3. Winford Hotel (MIC Project)

Philippine Economic Zone Authority (PEZA) – Carmona Property

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

Philippine Economic Zone Authority – Sta. Cruz Property

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

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

GAMING OPERATIONS

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

For the Gaming Pit, PAGCOR leases from the Company an area of 189.231 sq. m. for the card and table games at ₱510.51 per sq. m. subject to an escalation rate of 5% per year.

The Company's subsidiary, NVTL, supplied a total of 230 slot machines and the network system linking machines to PAGCOR for the VIP Club under a lease contract. Under the contract, NVTL shall receive thirty-five percent (35%) of the revenues from the VIP Club as its share. As of December 31, 2013, the NVTL owned total slot machines number is 170. In addition, NVTL has 60 more slot machines which is a revenue sharing arrangement with Gammarus, Ltd.

On March 18, 2010, the Company's associate, MIC, was granted a Permit to Operate by PAGCOR for the establishment, maintenance and operation of a casino, PAGCOR San Lazaro, within the San Lazaro Tourism and Business Park in Sta. Cruz, Manila. The permit shall be for a period of ten years, to commence on the date of actual operation of PAGCOR San Lazaro.

<u>Reclassification, mergers, etc.</u>

No material reclassification, merger, consolidation or purchase or sale of a significant amount of assets not in the ordinary course of business that occurred during the calendar year ending December 31, 2013.

ITEM 2. PROPERTIES

Sta. Cruz and Carmona, Cavite Property

The real estate properties of the Club are located in Sta. Cruz, Manila with an area of 11.6 hectares and Carmona, Cavite with an area of 77 hectares.

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

Rizal Property

The property was sold on September 30, 2013 for 30 Million.

ITEM 3. LEGAL PROCEEDINGS

As of December 31, 2013, there are pending claims and legal actions by third parties against or involving the Company arising from the normal course of business. In the opinion of the Company's management and its counsel, liabilities arising from these claims, if any, would not have material effect on the Company and any liability or loss arising therefrom would be taken up when final resolution of the claims and actions are determined.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of security holders during the fourth quarter of 2013.

PART II. OPERATIONAL AND FINANCIAL INFORMATION

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY & RELATED STOCKHOLDER MATTERS

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

1. Market Information

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

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

Quarterly High, Low (Year 2012, 2013, 2014)

Period	2012				2013		2014	
	Low	*Low adj	High	*High adj	Low	High	Low	High
Jan – Mar	1.34	1.22	1.75	1.59	2.32	3.04	1.42	2.05
Apr - June	1.44	1.31	3.15	2.86	1.91	2.70	--	--
July – Sept	2.15	1.95	4.08	3.71	2.00	2.45	--	--
Oct – Dec.	2.46	2.24	3.49	3.17	2.00	2.20	--	--

**adjustment due to stock dividend declaration effective 15-Jul-13*

As of December 31, 2013, the stock market price of the Company is pegged at Php2.05 per share.

2. Holders

There are approximately 980 holders of common equity of the registrant as of December 31, 2013.

Top Twenty (20) Stockholders as of December 31, 2013.

Name	No. of Shares	Percentage
1. PCD Nominee Corporation (F)	500,418,092	52.75%
2. Arco Equities, Inc.	94,067,483	9.92%
3. Alfonso R. Reyno, Jr.	62,807,562	6.62%
4. Exequiel D. Robles	54,201,048	5.71%
5. Maritess R. Calzado	38,905,245	4.10%
6. Chun Long Guilbert Wong	36,198,120	3.82%
7. Edgardo B. Espiritu	22,822,291	2.41%
8. PCD Nominee Corp. (NF)	12,989,408	1.37%
9. JUT Holdings, Inc.	10,949,598	1.15%
10. Tormil Realty & Dev't. Corporation	10,081,898	1.06%
11. Dante D. Morales &/or Maria Luisa Morales	9,112,125	0.96%
12. F. Arthur L. Villaraza	8,744,997	0.92%
13. ARCO Equities, Inc.	5,774,205	0.61%
14. Betty Wong	5,040,337	0.53%
15. Rosendo G. Guevara	4,131,916	0.44%
16. Ruddy C. Tan	3,788,730	0.40%
17. Caridad Say	3,682,800	0.39%
18. Ferdinand A . Domingo	3,379,077	0.36%
19. APEX Mngt. & Dev't. Corp.	3,236,453	0.34%
20. Armando R. Bonifacio	3,056,926	0.32%
Totals:	**893,388,311**	**94.17%**

3. Dividends

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

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

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

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

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

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

There were no dividends declared during 2010 and 2009.

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

4. Recent sale of unregistered securities

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

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

B. Description of Registrant's Securities

1. As of December 31, 2013, the authorized capital stock of the Corporation is One Billion (P1,000,000,000) divided into One Billion (1,000,000,000) common shares with a par value of One Peso (P1.00) each.

ITEM 6. MANAGEMENT DISCUSSION & ANALYSIS OF PLAN OF OPERATIONS

Discussion on Results of Operations

The sources of revenues of Manila Jockey Club, Inc. (the "Parent Company") and Subsidiaries (collectively, the "Group") are from horse racing, development and sale of condominium units and residential properties and lease of an office building through joint venture arrangements with certain developers. Other revenues also come from the leasing of horse stables and other facilities, the operation of a restaurant business, money changing or currency exchange and gaming.

The audited financial statements showed that the Group had a gross revenue amounting to ₱494.95 million, ₱584.83 million and ₱646.34 million for the periods ended December 31, 2013, 2012 and 2011, respectively. The drop in revenue in 2013 compared to the same period in 2012 amounting to ₱89.88 million is the net effect of the following:

- Decrease in racing income by ₱64.44 million due to the entry of a new club engaged in horseracing operations that led to the division of racing days. The total number of racing days for the periods ended December 31, 2013 and 2012 was 154 and 119, respectively, resulting to a difference of 35 racing days.
- Decrease in real estate revenues by ₱45.66 million due to, among others, several cancellations of real estate units previously sold. The decline in the number of memorial lots sold in 2013 also contributed to the unfavorable variance in real estate revenue.
- Decrease in rental income by ₱18.95 million because of the decrease of rented stable stalls in 2013. Revenue from lease of gaming facilities likewise decreased in 2013.
- Revenue from sale of food and beverages increased the Group's total revenues by ₱7.10 million. The Parent Company's restaurant business started its operations in April, 2013.
- Increase in other revenues by ₱32.07 million which came primarily from income derived from the money changing or currency exchange operations of MJC Forex.

While equity in net earnings of a jointly controlled entity and interest income decreased in 2013 by ₱7.30 million and ₱13.27 million, respectively, other income (charges) increased substantially by₱2.07 billion from ₱50.05 million in 2012 to₱2.12 billion in 2013. The variance is due mainly to the recognition of gain on loss of control due to the re-measurement of retained interest in MIC, net of impairment loss. For the period ended December 31, 2011, interest income, equity in net earnings of a jointly controlled entity and other income (charges) amounted to ₱23.67 million, ₱14.82 million and (₱58.57 million), respectively.

For the period ended December 31, 2013, total cost of sales and services, selling expenses, finance costs and general and administrative expenses amounted to ₱524.57 million or a decrease of ₱123.96 million compared to ₱648.53 million in 2012. The effects of the decrease in racing days, the decline in the number of real estate units sold as well as the effect of several cancellations of previously sold units and the drop in the number of leased horse stable units contributed to the decrease in total cost of sales and services. The decrease in general and administrative expenses is largely due to the deconsolidation of MIC. In 2011, total costs and expenses amounted to ₱613.19 million.

Audited total comprehensive income for 2013 amounted to ₱2.096billion while it amounted to₱21.49 million in 2012 (as restated). It increased significantly by ₱2.074 billion because of the recognition of gain on loss of control due to the re-measurement of retained interest in MIC, net of impairment loss. The Parent Company's other comprehensive income in 2013 is reduced by ₱9.69 million due to net changes in fair values of available for sale financial assets. It is further reduced by ₱3.55 million due to the actuarial re-measurement on retirement plan liabilities as an effect of the adoption of revised PAS 19. Total comprehensive income for 2011 amounted to ₱47.73 million.

The Company's liquidity using the current ratio is 1.20, 1.45 and 1.66 for years 2013, 2012 and 2011, respectively. As of December 31, 2013, the Group's current assets and current liabilities both decreased significantly because of MIC's deconsolidation as the Parent Company now exercises significant influence over MIC.

Earnings per share for 2013 is ₱2.223, ₱0.020 in 2012 and ₱0.031 in 2011. The ratio indicates that the earning power of the Company has increased in 2013 compared to 2012 since in 2013, the net income attributable to equity holders of the Parent Company increased by ₱2.09 billion. The weighted average number of outstanding common shares increased by 86.25 million shares because the Parent Company declared a 10% stock dividends on May 30, 2013.

<u>Discussion on some Significant Changes in Financial Condition</u>

Total Current Assets in 2013 decreased due of the following:

Cash and cash equivalents decreased from ₱274.60 million as of December 31, 2012 to ₱263.76 million as of December 31, 2013. The decrease of ₱10.85 million in 2013 primarily resulted from the payment of cash dividends and the acquisition of fixed assets during the year. As of December 31, 2011, total cash and cash equivalents totaled to ₱314.81 million.

Receivables as of December 31, 2013 amounted to ₱233.96 million resulting to a decrease of ₱139.25 million from ₱373.21 as of December 31, 2012. This is mainly due to the effect of deconsolidation of MIC. The current portion of real estate receivable also decreased. Total receivables as of December 31, 2011 amounted to ₱282.10 million.

Real estate inventories amounted to ₱99.36 million, ₱145.57 million and ₱240.64 million as of December 31, 2013, 2012 and 2011, respectively. Between 2013 and 2012, the decrease amounted to ₱46.21 million and ₱95.07 million comparing 2012 and 2011 figures. The decreases relate to the sale of real estate units during the years.

Other current assets increased by ₱2.58 million from ₱2.21 million as of December 31, 2012 to ₱4.79 million as of December 31, 2013. Comparing 2012 and 2011 figures resulted to a decrease of ₱1.85 million. Other current assets as of December 31, 2011 amounted to ₱4.06 million. The increase in 2013 relates to prepaid expenses on employees' HMO and annual software license, among others.

Total Noncurrent Assets increased in 2013 due to the following:

Real estate receivables (net of current portion) amounted to ₱150.66 million, ₱54.21 million and 25.26 million as of December 31, 2013, 2012 and 2011, respectively. The increase of ₱96.45 million in 2013 pertains to the portion of real estate receivables units sold in 2013 and prior years that are collectible beyond one year from the balance sheet date.

Investment in an associate and jointly controlled entities amounted to ₱2.31 billion as of December 31, 2013 and ₱ 10.0 million as of December 31, 2012. The increase in investment in associate is due to the revaluation of the retained interest in MIC amounting to ₱2.30 billion. The interest in a jointly controlled entity amounting to ₱10.0 million refers to interest in Gamespan, Inc.

Available-for-sale investments comprise of equity securities and treasury bonds. Total AFS investments amounted to ₱21.24 million, ₱30.94 million and ₱23.43 million as of December 31, 2013, 2012 and 2011, respectively. The decrease of ₱9.69 million in 2013 is the net effect of the changes in fair value of quoted marketable securities subjected to mark-to-market valuation at the balance date. The AFS financial assets are carried at fair value based on published prices in the active market. AFS financial assets that are unquoted and do not have ready market prices are measured at cost. The net cumulative gains amounting to ₱9.01 million and ₱18.71 million as of December 31, 2013 and 2012, respectively, are reflected in the equity section of the consolidated balance sheets. No amount was recognized as dividend income from these investments in 2013 and 2012 while the amount of ₱0.5 million was recognized in 2011. The treasury bonds yielded an interest income amounting to ₱0.5 million in 2013 and ₱0.1 in 2012.

Property and equipment decreased by ₱174.12 million in 2013 and increased by ₱50.90 million in 2012. Although there were additions in 2013 amounting to ₱18.51 million in fixed assets and ₱4.19 million in construction in progress, depreciation expense totaling to ₱73.11 million and disposals amounting to ₱1.49 million were recognized during the year. The decrease is due primarily to the effect of deconsolidation of MIC that resulted to the de-recognition of ₱122.22 million in fixed assets and construction in progress. Property and equipment amounted to ₱1.02 billion, ₱1.19 billion and ₱1.14 billion as of December 31, 2013, 2012 and 2011, respectively.

Investment properties amounted to ₱1.02 billion, ₱1.05 billion and 1.21 billion as of December 31, 2013, 2012, and 2011, respectively, decreasing by ₱25.86 million in 2013 and ₱162.45 million in 2012. The Rizal property valued at ₱13.43 million as of December 31, 2012 was sold in September 2013 for a total consideration of ₱30.0 million. Another factor that contributed to the decrease in investment properties is the depreciation expense of the Vertex One building amounting to ₱12.43 million.

Goodwill amounted to nil as of December 31, 2013 and ₱ 75.82 million as of December 31, 2012 and 2011. The goodwill resulted from the business combination entered by the Parent Company with MIC in 2009. In 2013, the goodwill was derecognized as a result of the Parent Company now having a significant influence over MIC.

Other noncurrent assets decreased by ₱70.43 million in 2013 and increased by ₱71.14 million in 2012. The decrease in 2013 is primarily due to the deferred input VAT amounting to ₱72.1million recognized by MIC in 2012 arising from the property for share exchange transaction between MIC and the Parent Company in 2009. Since the Parent Company in 2013 has only significant influence over MIC, this resulted to the deconsolidation of the deferred input VAT. A total amortization in franchise fee amounting to ₱1.79 million contributed to the variance. Other noncurrent assets amounted to ₱34.40 million, ₱104.84 million and ₱33.70 million as of December 31, 2013, 2012 and 2011, respectively.

Total Current Liabilities in 2013 decreased due to the following:

Short-term interest bearing loans and borrowings amounted to ₱86.44 million, ₱70.44 million and ₱104.44 million as of December 31, 2013, 2012 and 2011, respectively. These loans were obtained for working capital requirements and the promissory notes covering these loans have terms of one year or less and are renewed upon maturity. In June 2013, the Parent Company availed of a ₱30.0 million short term loan from a local bank. The Parent Company disbursed a total of ₱14.0 million as payments for principal balances of bank loans that matured during 2013. This resulted to a net increase in short-term loans and borrowings amounting to ₱16.0 million.

Accounts payable and other liabilities decreased by ₱31.35 million from ₱346.78 million as of December 31, 2012 to ₱315.43 million as of December 31, 2013. The net decrease pertains primarily to payments to various suppliers. Accrued expenses, due to horse owners, dividends payable and retention payable also decreased at the end of the year. Accounts payable and other liabilities amounted to ₱ 337.51 million as of December 31, 2011.

Deposits for future stock subscription in MIC amounted to ₱ 75.10 million as of December 31, 2012 and nil as of December 31, 2013. The amount was received in 2012 as deposit for future stock subscription of MIC from a group of investors. The decrease is due to the issuance of common shares to the subscribers of MIC.

The income tax payable amounting to ₱2.82 million as of December 31, 2013 pertains to the income tax still due for year 2013. The amount will be remitted to the BIR on April 15, 2014. As of December 31, 2012, income tax payable amounted to ₱5.01 million and ₱0.029 million in 2011.

Current portion of long term loans and borrowings amounted to ₱14.29 million as of December 31, 2013 which is the same as of December 31, 2012 and December 31, 2011. This amount is the current portion of the loans obtained from a local bank in 2008 maturing in November 2015 payable in equal quarterly installments and interest rates are subject to quarterly re-pricing.

The due to related parties account decreased by ₱0.02 million from ₱38.66 million as of December 31, 2012 to ₱38.64 million as of December 31, 2013. Due to related parties amounted to ₱51.70 million as of December 31, 2011. The amount of ₱38.64 million pertains to the advances obtained by Biohitech, (Phils.) from its affiliate, BHK, to finance the construction of the building housing the fermentation machine and for the importation of additional machines.

As of December 31, 2013, subscription payable of the Parent Company to MIC amounted to ₱42.81 million and nil as of December 31, 2012. The increase is due to the deconsolidation of MIC.

Total Noncurrent Liabilities decreased due to the following:

Long term loans and borrowings (net of current portion) amounted to ₱14.29 million, 28.57 million and 42.86 million as of December 31, 2013, 2012 and 2011. It decreased by ₱14.28 in 2013 due to the reclassification made for the current portion of the long term loans which are due within a year from the balance sheet date.

Accrued retirement benefits amounted to ₱35.06 million, ₱25.35 million and ₱38.25 million as of December 31, 2013, 2012 and 2011. The balances as of December 31, 2012 and 2011 were restated to reflect the effects of the adoption of Revised PAS 19. The increase of ₱9.71 million can be attributed to the increase in the retirement benefit costs for year 2013 compared to 2012. The valuation of the fund was based on the latest actuarial valuation reports as of December 31, 2013.

Deferred income tax liabilities (net) decreased by ₱5.50 million in 2013 due primarily to the decrease in the unrealized deemed cost adjustment on real estate properties and increase in the accrued retirement benefits. The unrealized deemed cost adjustment on real estate properties will be realized through sales of real estate inventories. As of December 31, 2013, 2012 and 2011, deferred income tax liabilities amounted to ₱264.79 million, ₱270.29 million and ₱308.60 million, respectively.

Equity accounts increased due to the following:

Capital stock amounted to ₱948.73 as of December 31, 2013 and ₱862.49 in 2012. Capital stock increased by ₱86.25 million in 2013 arising from the issuance of 10% stock dividends declared on May 30, 2013. The issued and outstanding common shares are held by 980 and 724 equity holders in 2013 and 2012, respectively.

Additional paid in capital of MIC amounting to ₱27.59 million as of December 31, 2013 and 2012 resulted from the transfer by MIC to SPPC of the 25,031,656 shares of MJCI pursuant to the provisions of the MOA signed on August 6, 2012.

As of December 31, 2013, 2012 and 2011, actuarial re-measurement on retirement plan liabilities amounted to ₱24.88 million, ₱28.43 million and ₱19.42 million, respectively. This is the result of the adoption of Revised PAS 19. The Group has applied the amendments retrospectively for years 2012 and 2011.

The net cumulative changes in fair value of AFS financial assets amounted to ₱9.01 million, ₱18.71 million and ₱16.78 million as of December 31, 2013, 2012 and 2011, respectively. The decrease of ₱9.69 million in 2013 is the net effect of the changes in fair value of quoted marketable securities subjected to mark-to-market valuation at the balance date. The AFS financial assets are carried at fair value determined based on published prices in the active market.

Unappropriated retained earnings as of December 31, 2013 amounted to ₱3.32 billion compared to ₱1.34 billion as of December 31, 2012, thereby, increasing by ₱1.98 million. The increase is the net effect of the net income for 2013, the declaration on May 30, 2013 by the

Parent Company of the ₱0.05 cash dividend and 10% stock dividends resulting to a decrease in unappropriated retained earnings by ₱129.37 million. Adjustments to unappropriated retained earnings were also made to reflect the effects of the adoption of Revised PAS 19 on the Parent Company's retirement plan. Moreover, the effects of the deconsolidation of MIC greatly affected the Group's total unappropriated retained earnings in 2013.As of December 31, 2011, the unappropriated retained earnings amounted to ₱1.43 billion.

Cost of shares held by a subsidiary is nil in 2013 and 2012 and (₱36.05) million as of December 31, 2011.

The non-controlling interests amount to (₱2.28) million, ₱139.34 million and ₱146.08 million as of December 31, 2013, 2012 and 2011, respectively. The non-controlling interests represent the portion of profit or loss and net assets in Biohitech in 2013 and Biohitech and MIC in 2012 that are not held by the Group.

Top key performance indicators:

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

	Year 2013	Year 2012
1. Current Ratio	**1.203**	1.446
2. Debt to Equity Ratio	**0.026**	0.047
3. Asset to Liability Ratio	**6.336**	3.785
4. Asset to Equity Ratio	**1.187**	1.359
5. Interest Rate Coverage Ratio	**500.147**	25.388
6. Sales to Revenue Ratio	**0.437**	0.480
7. Earnings Per Share	**2.223**	0.020

Current ratio is computed by dividing current assets amounting to ₱601.86 million and ₱795.59 million as of December 31, 2013 and 2012, respectively over current liabilities amounting to ₱500.42 million and ₱550.27 million as of the same years. This indicates the ability of the company to pay its current liabilities using its current assets. Current ratio decreased in 2013 by 0.243.

Debt to equity ratio shows the extent to which the firm is financed by debt. It is computed by dividing interest-bearing debts by total equity. Total interest-bearing debts as of December 31, 2013 and 2012 amounted to ₱115.01 million and ₱113.29 million, respectively, while total equity as of December 31, 2013 amounted to ₱4.35 billion and ₱2.44 billion as of December 31, 2012.

The asset to liability ratio is also computed. This shows the relationship of the total assets of the Company with its total liabilities. Total assets as of December 31, 2013 and 2012 amounted to ₱5.16 billion and ₱3.31 billion, respectively, while the corresponding total liabilities as of December 31, 2013 and 2012 amounted to ₱814.56 million and ₱874.49 billion, respectively.

Asset to equity ratio shows the relationship of total assets to the portion owned by shareholders. The formula for this ratio is total assets over total equity. As of December 31, 2013 and 2012, total assets amounted to ₱5.16 billion and ₱3.31 billion, respectively, while total equity amounted to ₱4.35 billion and ₱2.44 billion as of the same years.

Interest rate coverage ratio indicates a company's ability to cover interest charges or finance costs. The ratio is derived by dividing the company's earnings before interests, taxes, depreciation and amortization (EBITDA) over interest charges. For years ending 2013 and 2012, EBITDA amounted to ₱2.21 billion and ₱150.22 million, respectively. Finance costs, exclusive of bank chargers, in 2013 amounted to ₱4.42 million and ₱5.92 million in 2012,

Sales to total revenue ratio is computed by dividing the income from horse racing amounting to ₱216.43 million and ₱280.87 million for years 2013 and 2012, respectively, to total revenue of the company amounting to ₱ 494.95 million for the period ending December 31, 2013 and ₱584.83 million for year 2012 . It indicates the performance by percentage of the income from horse racing to total revenue of the company. Sales and other revenues indicate the over-all performance of the Company as it conducts horse races.

Earning per share is computed by dividing net income attributable to equity holders of the parent company amounting to ₱2.11 billion and ₱17.29 million for the periods ending December 31, 2013 and 2012, respectively, against the weighted average number of outstanding common shares totaling to 948.73 million as of December 31, 2013 and 862.48 million as of December 31, 2012. This allows the Company to determine its value to the stockholders.

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

Analysis of plan of operations

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

The Parent Company foresees an increase in revenues from its restaurant business which started its operation in April 2013. The restaurant business will cater to the spectators during races, the company employees and casino players and increase activities in the Turf Club as a venue for various social, company and family events such as local or national conventions, company seminars, banquets, weddings, etc.

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

The Parent Company is also looking at transforming part of the Carmona complex into mix residential and business area without abandoning the core racing activity which will be the main leisure attraction among residents and business locators alike.

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

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

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

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

ITEM 7. FINANCIAL STATEMENTS

Refer to the attached audited financial statements for the period ended December 31, 2013 with Schedules A to M.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III - CONTROL AND COMPENSATION INFORMATION

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY AS OF December 31, 2013

Position	Names	Citizenship	Age	Term of Office	Period Served
Chairman of the Board	Alfonso R. Reyno, Jr.	Filipino	69	3	1997-2014
Vice Chairman	Mariza Santos-Tan	Filipino	55	3	1997-2014
President & COO	Alfonso G. Reyno III	Filipino	43	3	1997-2014
Director & Treasurer	Pedro O. Tan	Filipino	76	3	1997-2014
Independent Director	Luis Alberto M. Mañalac	Filipino	--	2	2012-2014
Independent Director	Victor C. Fernandez	Filipino	69	3	2010-2014
Director	Christopher G. Reyno	Filipino	38	3	2002-2014
Director	Patrick G. Reyno	Filipino	42	3	2010-2014
Director	Ma. Luisa T. Morales	Filipino	69	1	2013-2014
Director	John Anthony B. Espiritu	Filipino	50	3	2008-2014
Director, General Counsel & Corporate Secretary	Ferdinand A. Domingo	Filipino	61	3	1995-2014

ALFONSO R. REYNO, JR.

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

MARIZA SANTOS-TAN

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

ALFONSO G. REYNO III

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

PEDRO O. TAN

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

LUIS ALBERTO M. MAÑALAC

He was a Filipino citizen. He graduated from the University of California, Berkeley with the degree of Bachelor of Science in Applied Math and finished his Masters of Science, Computer Science in Columbia University, New York. He is affiliated with and occupies the following positions in various institutions in the last five (5) years, viz: *Founder and CEO*, Game Services Group, Inc. in Makati City (*2003 up to present*), *Founder,* Moneyline Telerate Inc. in New York City (*1997 to 1999*), *Founder and Chief Technology Officer*, Spectrasoft Moneyline Inc. in New York City (*1994 to 1997*) and *Founder and Chief Technology Officer*, Spectrasoft Inc. in New York City (*1987 to 1994*). He is currently one of the independent directors of MJCI. He resides at Unit 29 Manila Polo Townhouse, McKinley Road, Forbes Park, Makati City.

VICTOR C. FERNANDEZ

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

CHRISTOPHER G. REYNO

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

PATRICK G. REYNO

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

MA. LUISA T. MORALES

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

JOHN ANTHONY B. ESPIRITU

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

FERDINAND A. DOMINGO

Filipino, was born on June 22, 1952. He graduated from the University of the Philippines in 1972 with a degree of Bachelor of Arts and Political Science and finished his Bachelor of Laws degree in the same school in 1977. In the last five (5) years or more he is affiliated with and occupies the following positions in various institutions, viz: Senior Partner, Reyno Tiu Domingo & Santos Law Offices (*September 1, 1991 to Present*); Director and General Counsel of MJC Investments Corporation (*2009 to present*); President, Aries Prime Resources, Inc., (*July 10, 2003 to 2009*); Director, CICI General Insurance Corporation (*May 2001 to Present*); Director, WINBANK, Inc. (*October 2001 to 2007*); Director, United Overseas Bank (*May 2001 to July 2002*); Corporate Secretary, Westmont Bank (*May 17, 2000 to January 16, 2004*); Corporate Secretary, Planters Products, Inc. (*October 20, 1998 to January 2001*); Director, PNB Holdings Ltd. and PNB Hongkong Branch (*1998 to February 2000*); Bank Attorney, Philippine National Bank (*1978-1984*); Corporate Secretary, Philippine Racing Club, Inc. (*1994-1997*); Legal Counsel and Corporate Secretary, National Steel Corporation (*May 3, 1995 to March 1997*). He resides at No. 14 Lopez Jaena Street, Ayala Heights, Quezon City.

INDEPENDENT DIRECTORS

LUIS ALBERTO M. MAÑALAC and VICTOR C. FERNANDEZ are the independent directors of the Company. Director Mañalac was appointed after Director Dante D. Morales resigned. Director Fernandez was appointed after Director John Anthony B. Espiritu resigned as Independent Director. They are independent of management and free from any business or other relationship where it could, or could reasonably be perceived to mutually interfere with their exercise of independent judgment to carry out their responsibilities as directors.

External Audit Fees and Audit Related Fees

The Parent Company expects to pay its external auditor, SGV and Company, an aggregate amount of ₱1.4 million as professional fees for the audit of its annual financial statements for the year ended December 31, 2013. The audit committee approved the policies and procedures for the services. No other fees were paid to said auditors for other services. For the audit of the 2012 Financial Statements, a total amount of ₱1.4 million was paid to the external auditor.

SIGNIFICANT EMPLOYEE

None.

FAMILY RELATIONSHIP

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

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

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

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

ITEM 10. EXECUTIVE COMPENSATION

COMPENSATION OF DIRECTORS AND OFFICERS

Position	Name	Annual Compensation					
		2012		2013		2014 (estimate)	
		Salary	Bonus	Salary	Bonus	Salary	Bonus
Chairman & CEO	Alfonso R. Reyno, Jr.	₱3,395,000	₱ 350,000	₱ 3,000,000	₱ 250,000	₱ 3,000,000	₱ 250,000
Vice Chairman	Mariza Santos-Tan	964,500	97,500	1,170,000	-	1,170,000	-
Director, President & COO	Alfonso G. Reyno III	2,643,250	272,500	2,400,000	200,000	2,400,000	200,000
Director & Treasurer	Pedro O. Tan	964,500	97,500	1,170,000	-	1,170,000	-

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

AS A GROUP

	Annual Compensation					
	2012		2013		2014 (estimate)	
	Salary	Bonus	Salary	Bonus	Salary	Bonus
Directors & Officers	₱40,936,985	□-	₱41,987,412	□-	₱41,987,412	□-

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS & MANAGEMENT

a. Security ownership of Certain Record and Beneficial Owners as of December 31, 2013.

Title of Class	Name and Address of Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent of Class
Common	PCD Nominee Corporation G/F, Makati Stock Exchange Bldg. 6767 Ayala Avenue, Makati City		Filipino	500,418,092 (r) (d)	52.75%
Common	ARCO Equities, Inc. 12/F, Strata 100 Building F. Ortigas Jr., Ortigas Center, Pasig City		Filipino	94,067,483 (r) (d)	9.92%
Common	Alfonso R. Reyno, Jr. 12/F, Strata 100 Building F. Ortigas Jr., Ortigas Center, Pasig City		Filipino	62,807,562 (r) (d)	6.62%
Common	Exequiel D. Robles Sta. Lucia Realty East Grandmall 3/F, Bldg. 2, Marcos Highway cor. Felix Avenue, Cainta, Rizal		Filipino	54,201,048 (r) (d)	5.71%
Common	Maritess R. Calzado 12/F, Strata 100 Building F. Ortigas Jr., Ortigas Center		Filipino	38,905,245	4.10%

	Pasig City			
Common	Chun Long Guilbert Wong 22/F, Pearlbank Center 146 Valero Street Salcedo Village, Makati City	Filipino	36,198,120 (r) (d)	3.82%

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

There is no actual natural or judicial person that directs the voting or disposition of the shares held by the PCD Nominee Corporation. Further, there is no beneficial owner of the shares held by the PCD Nominee Corporation that holds or can vote on 5% or more of the Company's voting securities. Atty. Alfonso R. Reyno, Jr., pursuant to a proxy, is the person authorized to vote for the shares held by ARCO Equities, Inc.

(b) Security Ownership of Directors as of December 31, 2013

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	**Reyno, Alfonso R. Jr.** 12/F, Strata 100 Building F. Ortigas Jr., Ortigas Center, Pasig City	62,807,562 (d)	Filipino	6.62%
Common	**Tan, Pedro O.** 2255 Pasong Tamo Street Makati City	2,208,573 (d)	Filipino	0.23%
Common	**Reyno, Alfonso G. III** 12/F, Strata 100 Building F. Ortigas Jr., Ortigas Center, Pasig City	914,031 (d)	Filipino	0.10%
Common	**Morales, Ma. Luisa T.** No. 3 Pili Road, South Forbes Park, Makati City	9,112,144 (d)	Filipino	0.96%
Common	**Santos-Tan, Mariza** Cluster 351 A Alexandra Cond., Meralco Avenue, Pasig City	4,943 (d)	Filipino	0.00%
Common	**Reyno, Christopher G.** 12/F, Strata 100 Building F. Ortigas Jr., Ortigas Center, Pasig City	455,875 (d)	Filipino	0.05%

Common	**Reyno, Patrick G.** 12/F, Strata 100 Building F. Ortigas Jr., Ortigas Center, Pasig City	220,440 (d)	Filipino	0.02%
Common	**Luis Alberto M. Mañalac** No. 3 Pili Road South Forbes Park, Makati City	Qualifying Shares	Filipino	0.00%
Common	**Espiritu, John Anthony B.** 17 Penthouse B, Ritz Towers, Ayala Ave., Makati City	Qualifying Share	Filipino	0.00%
Common	**Fernandez, Victor C.** 1570 Princeton St., Wack- Wack Village, Mandaluyong City	Qualifying Share	Filipino	0.00%
Common	**Domingo, Ferdinand A.** 12/F, Strata 100 Building F. Ortigas Jr., Ortigas Center, Pasig City	3,379,077 (r) (d)	Filipino	0.36%

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

(c) Security Ownership of Management as of December 31, 2013

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	Alfonso R. Reyno, Jr. *Chairman and CEO*	62,807,562 (r) (d)	Filipino	6.62%
Common	Mariza Santos-Tan *Vice Chairman*	4,943 (r) (d)	Filipino	0.00%
Common	Alfonso G. Reyno III *President & COO*	914,031 (r) (d)	Filipino	0.10%
Common	Pedro O. Tan *Treasurer*	2,208,573 (r) (d)	Filipino	0.23%
Common	Patrick G. Reyno *VP for Strategic Planning and Business Development*	220,440 (r) (d)	Filipino	0.02%

Common	Nestor N. Ubalde *Chief Finance Officer*	-	Filipino	-
Common	Lemuel M. Santos Asst. Corporate Secretary	128,185	Filipino	0.01%
Common	Ferdinand A. Domingo *General Counsel & Corporate Secretary*	3,379,077 (r) (d)	Filipino	0.36%

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

(d) Security ownership as a Group as of December 31, 2013.

Title of Class	Name	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	Directors & Officers	79,230,833	Filipino	8.35%

Directors and Executive Officers

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

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

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

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

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

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

VOTING TRUST HOLDERS

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

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

None.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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

			2013		2012			
Entity	Relationship	Nature	Amount	Outstanding Receivable (Payable) Balance	Amount	Outstanding Receivable (Payable) Balance	Terms	Condition
Biohitech Korea (BHK)[a]	Affiliate	Advances	–	(38,640,000)	–	–	Non-interest bearing	Unsecured, unguaranteed
Acro Management Development Corporation (AMDC)[b]	Affiliate	Lease of office space	8,111,241	(1,431,711)	7,889,899	–	Non-interest bearing	Unsecured, unguaranteed
Sierra Prime Properties Corporation (SPPC)[c]	Affiliate	Cash advances	–	–	–	5,000,000	Non-interest bearing	Unsecured, unguaranteed
		Sale of assets and liabilities	–	–	108,389,153	108,309,153	Non-interest bearing	Unsecured, unguaranteed
		Interest on cash advances	–	–	175,000	175,000	Non-interest bearing	Unsecured, unguaranteed
		Cash advances	–	–	(17,310)	(17,310)		

a. In 2009, Biohitech obtained advances from its affiliate, BHK, to finance the construction of the building housing the fermentation machine and for the importation of additional machines. The advances are due and demandable and non-interest bearing and remain outstanding as of December 31, 2013. The conversion of these advances into shares of stock of Biohitech is still subject for approval by the BOD and has not been finalized as of December 31, 2012.

b. The Parent Company has a lease agreement with AMDC, an affiliate under common control, in the lease of office space and four parking lots. As of December 31, 2013, the outstanding balance is presented as "Accounts payable and other liabilities" in the consolidated balance sheet.

c. In 2011, MIC extended interest -bearing advances amounting to ₱5.0 million to SPPC for a period of one year with interest rate of 6%. Interest income recognized in 2012 amounted to ₱175,000. Receivable from SPPC amounted to 108.3 million which pertains to the transfer of assets and liabilities arising from the execution of the MOA signed on August 6, 2012.
d. Compensation of key management personnel of the Parent Company amounted to ₱41.1 million, ₱40.9 million and ₱36.1 million in 2013, 2012 and 2011, respectively. The Parent Company has no standard arrangement with regard to the remuneration of its directors. In 2013, 2012 and 2011, the BOD received a total of ₱8.1 million, ₱8.0 million and ₱1.6 million, respectively.

Terms and conditions of transactions with related parties:

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

PART IV. CORPORATE GOVERNANCE

Discussion on Compliance with Leading Practices on Corporate Governance

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

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

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

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

PART V. EXHIBITS AND SCHEDULES

ITEM 13. EXHIBITS AND REPORTS ON SEC FORM 17-C

A. EXHIBITS

1. Audited Financial Statements and Schedules for year 2013 as Annex "A"

B. REPORT ON SEC FORM 17-C

Date of Report	Item Reported	Matters Reported
Jan. 15, 2013	Item No. 6	Please be informed of the disbursements of the net proceeds of Manila Jockey Club, Inc.'s (the "Company") Stock Rights Offering ("SRO") in the amount of ₱281,287,548.85 for the fourth quarter of the year 2012.

Under the Company's Prospectus, one of the uses of the proceeds of the SRO is the full payment of the Company's subscription to 107,360,137 shares of MJIC Investments Corporation ("MJIC"). Pursuant thereto, the Company made additional payments to its share subscriptions with MJIC as follows:

December 10, 2012	Php 871,233.53
December 11, 2012	10,000,000.00
Total Payments for the Subscriptions	**Php10,871,233.53**

As of December 18, 2012, total payments of the Company to MJIC reached Fifty Three Million Eight Hundred Fifteen Thousand Two Hundred Eighty Eight and 08/100 Pesos (Php53,815,288.08) broken down as follows:

December 11, 2012 payment	Php10,000,000.00
December 10, 2012	871,233.53
October 19, 2012	1,104,020.55
September 20, 2012	14,410,500.00
September 10, 2012	589,500.00
Initial Payment	26,840,034.00
Total	**Php53,815,288.08**

The Company's unpaid balance as of December 18, 2012 is Fifty Three Million Five Hundred Forty Four Thousand Eight Hundred Forty Eight and 92/100 Pesos (Php53,544,848.92).

Date of Report	Item Reported	Matters Reported
Feb. 1, 2013	Item No. 6	Please be informed of the disbursements of the net proceeds of Manila Jockey Club, Inc.'s (the "Company") Stock Rights Offering ("SRO") in the amount of Php281,287,548.85 as of 31 January 2013.

On 15 January 2013, the Company paid Ten Million Seven Hundred Thirty Six Thousand Thirteen and 70/100 (Php10,736,013.70) representing additional payment to its share subscriptions with MJC Investments Corporation (MJIC).

As of 31 January 2013, total payments of the Company reached Sixty Four Million Five Hundred Fifty One Thousand Three Hundred One and 78/100 Pesos (Php64,551,301.78) broken down as follows:

January 15, 2013 payment	Php10,736,013.70

December 11, 2012	10,000,000.00
December 10, 2012	871,233.53
October 19, 2012	1,104,020.55
September 20, 2012	14,410,500.00
September 10, 2012	589,500.00
Initial Payment	26,840,034.00
Total	**Php64,551,301.78**

The Company's unpaid balance as of January 31, 2013 is Forty Two Million Eight Hundred Eight Thousand Eight Hundred Thirty Five and 22/100 Pesos (Php42,808,835.22).

Apr. 11, 2013 Item No. 6

Please be informed that at the regular board meeting of the Board of Directors held this morning, the following matters were unanimously approved:

1. The 2012 Audited Financial Statements of the Corporation as prepared by its external auditor, Sycip Gorres Velayo and Co.
2. The Annual Stockholder's Meeting of MJCI shall be held on June 28, 2013. Stockholders of record as of May 10, 2013 are entitled to attend and vote in said meeting.
3. The amendment of Article I, Section 1 of the By-Laws of the Corporation by changing the date of the annual meeting of the Board of Directors and Annual Stockholders' meeting of the Corporation from every Friday of the third week of June of each year to the **last business day of June of each year.**

May 30, 2013 Item No. 6

Please be informed that at the special meeting of the Board of Directors of Manila Jockey Club, Inc. ("Corporation") held earlier today, the Board of Directors approved the following:

a. Declaration of a ten percent (10%) stock dividends with record date of July 18, 2013 and payment date on or before 18 trading days from record date;

b. Declaration of a cash dividend of five centavos (Php0.05) per share with record date of June 18, 2013 and payment date of June 28, 2013.

May 30, 2013 Item No. 6

Further to our previous disclosure today, please be informed that the stock dividends to be issued to stockholders as of July 18, 2013, the record date, will be taken from the unissued portion of the Corporation's authorized capital stock. The stock dividends will be issued to the stockholders of record on August 13, 2013.

June 28, 2013 Item No. 6

Please be informed that at the Annual Meeting of the stockholders of the Manila Jockey Club, Inc. (MJCI) held today, June 28, 2013, the stockholders elected the following as members of the Board of Directors for the ensuing year:

ALFONSO R. REYNO, JR.
MARIZA SANTOS-TAN
ALFONSO VICTORIO G. REYNO III
PEDRO O. TAN
CHRISTOPHER G. REYNO
PATRICK G. REYNO
MARIA LUISA T. MORALES
JOHN ANTHONY B. ESPIRITU
LUIS ALBERTO M. MAÑALAC
VICTOR C. FERNANDEZ
FERDINAND A. DOMINGO

Mr. Victor C. Fernandez and Mr. Luis Alberto M. Mañalac were elected Independent Directors.

Immediately after the stockholders' meeting, the newly elected members of the Board of Directors had its organizational meeting and appointed the following as principal officers:

Names	Position
ALFONSO R. REYNO, JR.	Chairman of the Board & CEO
ALFONSO G. REYNO III	President & COO
MARIZA SANTOS-TAN	Vice-Chairman of the Board
PEDRO O. TAN	Treasurer
JUAN ANTONIO S. GATUSLAO	Executive Vice-President & Deputy COO
FERDINAND A. DOMINGO	General Counsel & Corporate Secretary
LEMUEL M. SANTOS	Assistant Corporate Secretary
NESTOR N. UBALDE	Chief Finance Officer
HEATHER EZRA C. ANNANG	Corporate Information Officer

Further, the Board of Directors organized the following committees:

Executive Committee

ALFONSO R. REYNO, JR.	-	Chairman
ALFONSO G. REYNO III	-	Member
MARIA LUISA T. MORALES	-	Member
MARIZA SANTOS-TAN	-	Member

Nomination Committee

ALFONSO G. REYNO III	-	Chairman
VICTOR C. FERNANDEZ (*Independent Director*)	-	Member
FERDINAND A. DOMINGO	-	Member

Audit Committee

JOHN ANTHONY B. ESPIRITU	-	Chairman
ALFONSO G. REYNO III	-	Member
FERDINAND A. DOMINGO	-	Member
LUIS ALBERTO M. MAÑALAC (*Independent Director*)	-	Member

Compensation and Remuneration Committee

PEDRO O. TAN	-	Chairman
PATRICK G. REYNO	-	Member
MARIZA SANTOS-TAN	-	Member
LUIS ALBERTO M. MAÑALAC (*Independent Director*)	-	Member

Investment and Finance Committee

ALFONSO R. REYNO, JR.	-	Chairman
MARIZA SANTOS TAN	-	Member
PEDRO O. TAN	-	Member
MARIA LUISA T. MORALES	-	Member
PATRICK G. REYNO	-	Member

Racing Committee

CHRISTOPHER G. REYNO	-	Chairman
ALFONSO G. REYNO III	-	Member
VICTOR C. FERNANDEZ (*Independent Director*)	-	Member

June 28, 2013	Item No. 6	In addition to our previous disclosure, please be informed that at the Annual Meeting of the stockholders of the Manila Jockey Club, Inc. (MJCI) held today, June 28, 2013, the stockholders approved and ratified the resolution of the board of directors of the Corporation during its regular meeting held on April 11, 2013 to amend Article I, Section I of the By-Laws of the Corporation by changing the date ofthe annual meeting of the Board of Directors and Annual Stockholders' meeting of the Corporation from every Friday of the third week of June of each year to the **last business day of June of each year.**
July 1, 2013	Item No. 6	In addition to our previous disclosure, please be informed that during the Annual Meeting of the stockholders of the Manila Jockey Club, Inc. (MJCI) last June 28, 2013, the stockholders approved and ratified the resolution of the board of directors of the Corporation during its special meeting held on May 30, 2013 with regard to the declaration of ten percent (10%) stock dividends with record date of July 18, 2013 and with issuance date on August 13, 2013.
July 11, 2013	Item No. 6	Please be informed that the Board of Directors of Manila Jockey Club, Inc. (the "Corporation") during its meeting held yesterday, approved the capital build-up program of its subsidiary, MJC Investments, Inc. ("MJIC"). The funds to be raised shall be used for MJIC's hotel and entertainment project within the San Lazaro Leisure and Tourism Park in Sta. Cruz, Manila.
July 12, 2013	Item No. 6	In reply to the Philippine Stocks Exchange's letter dated July 12, 2013 with respect to Manila Jockey Club, Inc.'s (the "Corporation") declaration of 10% stock dividend with a record date of July 18, 2013 and ex-date of July 15, 2013, as follows:

Stock Dividend Rate	:	10%
Previous Outstanding share	:	862,477,977
Previous Closing Price	:	2.37% *(as of July 12, 2013)*

<u>Outstanding Shares</u>

Previous Outstanding shares	:	862,477,977
Multiply: (1 + 10%)	:	1.10%
Computed Outstanding Shares	:	948,725,774
Adjusted Outstanding Shares	-	948,725,774

<u>Closing Price</u>

Previous Closing Price	:	Php2.37
Divide: (1.10%)	:	1.10%
Computed Closing Price	:	Php2.15
Adjusted Closing Price	-	**Php2.15**

Adjusted Foreign and Local Owned Shares (as of July 12, 2013)

Filipino Owned Shares	:	896,038,635
Foreign Owned Shares	:	52,687,139

Oct. 4, 2013	Item No. 6	Please be informed that on October 10, 2012, Manila Jockey Club, Inc. (the "Corporation") was assessed by the Securities and Exchange Commission ("SEC") a penalty amounting to Three Hundred Thirty Six Thousand Five Hundred Pesos (Php336,500.00) for violation of SRC Rules 68 and 68.1 relative to its 2009 Audited Financial Statements.

This amount was eventually reduced by twenty percent (20%) (i.e.,Php67,300.00) by the Commission en banc in its meeting on November 15,2012 considering that it was the Corporation's first violation of SRC Rule 68.

In view thereof, the Corporation paid the SEC the amount of Two Hundred Sixty Nine Thousand Two Hundred (Php269,200.00) on November 29, 2012, as evidenced by the official receipt attached herein as Annex "A".


ORIGINAL

0822445

TOTAL

ANNEX "A"

Oct. 11, 2013 Item No. 6

We reply to your letter dated October 9, 2013 regarding the late disclosure of the penalty imposed by the Securities and Exchange Commission on Manila Jockey Club, Inc. (the "Corporation") in the (reduced) amount of Php269,200.00 which was paid by the Corporation on November 29, 2012.

The Corporation belatedly disclosed said imposition of penalty for the reason that the assessment letter of the SEC was forwarded to the Corporation's Finance Department as the penalty stemmed from incomplete items in the Corporation's 2009 Audited Financial Statements. As such, it was the Finance Department who complied with the requirements of the SEC and paid the corresponding penalty. Unaware of the disclosure requirements of the Exchange, the Finance Department saw no need to inform the Compliance Department about the penalty, especially after having paid the fine. It was the verbal advice of the Exchange that prompted the Compliance Department to make the disclosure.

Please consider that there was no deliberate intent on the part of the Corporation to disregard the rules of the Exchange. The Corporation always exerts its best efforts to remain compliant with the rules of the Exchange. As it was the Corporation's first violation of SRC Rule 68 and first time to pay the corresponding fine at that amount, its failure to disclose the penalty within the prescribed period of time was due to an honest mistake. Rest assured that the Corporation commits that it shall in the future make a prompt disclosure of all fines of more than Php50,000.00 pursuant to the Disclosure Rules of the Exchange. Thus, we humbly request that the Exchange shall not impose a penalty on the Corporation considering that this is the Corporation's first violation of Section 4.4 of the Disclosure Rules.

-- END –

SIGNATURES

Pursuant to the requirements of the Securities Regulation code, the registrant has duly caused this statement to be signed on its behalf by the undersigned thereunto duly authorized.

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

Date : 25 APR 2014

By:

ALFONSO R. REYNO, JR.
Chairman of the Board & CEO

ALFONSO VICTORIO G. REYNO III
President & COO

NESTOR N. UBALDE
Chief Finance Officer

IRENE P. HABIATAN
Chief Accounting Officer

LEMUEL M. SANTOS
Asst. Corporate Secretary

SUBSCRIBED AND SWORN TO before me this day of 25 APR 2014 2014 at Pasig City, affiants exhibiting to me their respective ID Nos., as follows:

Names	TIN ID Nos.	Date/Place Issued
Alfonso R. Reyno, Jr.	114-555-166	Manila, Philippines
Alfonso Victorio G. Reyno III	903-359-248	Manila, Philippines
Lemuel M. Santos	143-405-790	Manila, Philippines
Nestor N. Ubalde	109-933-906	Manila, Philippines
Irene P. Habiatan	939-885-776	Manila, Philippines

ATTY. HEATHER EZRA C. ANNANG
NOTARY PUBLIC
APPOINTMENT NO. 112-(2013-2014)
Until December 31, 2014
PTR No. 9844336 / Jan. 09, 2014 – Pasig City
IBP No. 954389 / Jan. 09, 2014 – Cagayan
CITY OF PASIG
Roll of Attorney No. 54476

Doc. No. 173;
Page No. 36;
Book No. I;
Series of 2014.

MANILA JOCKEY CLUB, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

Manila Jockey Club
INCORPORATED
THOROUGHBRED RACING SINCE 1867

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION I
Date APR 2 3 2014
RECEIVED
PRECIOSA C. JAVIER
SDS

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of Manila Jockey Club, Inc. is responsible for the preparation and fair presentation of the consolidated financial statements as of December 31, 2013 and 2012 and for the years ended December 31, 2013, 2012 and 2011, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders for the periods December 31, 2013 and 2012, have examined the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in their report to the stockholders have expressed their opinion on the fairness of presentation upon completion of such examination.

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

SUBSCRIBED AND SWORN to before me this ____ day of ______ 2014, affiants personally appeared before me, exhibiting to me their respective government issued identification cards with photographs as follows:

NAMES	PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
Atty. Alfonso R. Reyno Jr.	XX2889220	1/28/09	Manila
Atty. Alfonso G. Reyno III	EB6074546	8/02/12	DFA Manila
Nestor N. Ubalde	EB1121799	10/06/10	DFA Manila

Doc. No. 174
Page No. 36
Book No. II
Series of 2014.

CHINO PAOLO Z. ROXAS
NOTARY PUBLIC
APPOINTMENT NO. 143 (2013-2014)
UNTIL DECEMBER 31, 2014
PTR NO.9844330/01-09-14/PASIG CITY
IBP NO.954390/01-09-14/MAKATI CITY
CITY OF PASIG
ROLL OF ATTORNEY NO.57018

COVER SHEET

PW-803

SEC Registration Number

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES

(Company's Full Name)

San Lazaro Leisure Park, Brgy. Lantic, Carmona, Cavite

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

Nestor N. Ubalde
(Contact Person)

914-4758
(Company Telephone Number)

12 31
Month Day
(Fiscal Year)

AACFS
(Form Type)

09 17
Month Day
(Annual Meeting)

Not Applicable
(Secondary License Type, If Applicable)

SEC
Dept. Requiring this Doc.

Not Applicable
Amended Articles Number/Section

Total Amount of Borrowings

980
Total No. of Stockholders

₱115 million
Domestic

–
Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION I
Date APR 23 2014 SDS
RECEIVED
PRECIOSA C. JAVIER

Remarks: Please use BLACK ink for scanning purposes

SGV
Building a better working world

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

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

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

INDEPENDENT AUDITORS' REPORT

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

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

SYCIP GORRES VELAYO & CO.

Arnel F. De Jesus
Partner
CPA Certificate No. 43285
SEC Accreditation No. 0075-AR-3 (Group A),
February 14, 2013, valid until February 13, 2016
Tax Identification No. 152-884-385
BIR Accreditation No. 08-001998-15-2012,
June 19, 2012, valid until June 18, 2015
PTR No. 4225163, January 2, 2014, Makati City

April 8, 2014

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION I
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MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	December 31, 2013	December 31, 2012 (As restated - Note 3)	January 1, 2012 (As restated - Note 3)
ASSETS			
Current Assets			
Cash and cash equivalents (Note 7)	**₱263,755,702**	₱274,603,196	₱314,809,179
Receivables (Notes 9 and 28)	**233,955,121**	373,212,504	282,100,313
Inventories (Note 10)	**99,364,673**	145,569,216	240,637,469
Other current assets (Note 11)	**4,785,666**	2,207,366	4,063,892
Total Current Assets	**601,861,162**	795,592,282	841,610,853
Noncurrent Assets			
Real estate receivables - net of current portion (Note 9)	**150,661,281**	54,213,526	25,255,572
Investments in associates and joint ventures (Notes 12 and 15)	**2,314,472,531**	10,000,000	–
Available-for-sale (AFS) financial assets (Note 13)	**21,242,951**	30,937,269	23,431,259
Property and equipment (Notes 14 and 32)	**1,015,436,610**	1,189,557,416	1,138,664,177
Investment properties (Notes 12, 15, 17 and 28)	**1,023,209,265**	1,049,070,541	1,211,516,379
Goodwill (Note 6)	**–**	75,816,953	75,816,953
Other noncurrent assets (Notes 1, 6 and 16)	**34,403,555**	104,835,834	33,696,791
Total Noncurrent Assets	**4,559,426,193**	2,514,431,539	2,508,381,131
TOTAL ASSETS	**₱5,161,287,355**	₱3,310,023,821	₱3,349,991,984
LIABILITIES AND EQUITY			
Current Liabilities			
Short-term loans and borrowings (Notes 15 and 17)	**₱86,437,500**	₱70,437,500	₱104,437,500
Accounts payable and other liabilities (Notes 12, 14 and 18)	**315,427,564**	346,777,794	337,511,713
Deposits for future stock subscription (Note 18)	**–**	75,100,000	–
Income tax payable (Note 27)	**2,821,738**	5,008,663	29,149
Current portion of long-term loans and borrowings (Notes 14, 15 and 17)	**14,285,714**	14,285,714	14,285,714
Due to related parties (Notes 15 and 28)	**38,640,000**	38,657,310	51,699,599
Subscription payable	**42,808,835**	–	–
Total Current Liabilities	**500,421,351**	550,266,981	507,963,675
Noncurrent Liabilities			
Long-term loans and borrowings - net of current portion (Notes 14, 15 and 17)	**14,285,715**	28,571,429	42,857,143
Accrued retirement benefits (Note 23)	**35,061,172**	25,354,867	38,250,656
Deferred tax liabilities - net (Note 27)	**264,792,769**	270,294,687	308,601,812
Total Noncurrent Liabilities	**314,139,656**	324,220,983	389,709,611
Total Liabilities	**814,561,007**	874,487,964	897,673,286
Equity			
Attributable to equity holders of the parent company:			
Capital stock (Note 29)	**948,734,898**	862,487,439	862,487,439
Additional paid in capital (Note 29)	**27,594,539**	27,594,539	–
Actuarial remeasurement on retirement plan liabilities (Note 23)	**24,875,348**	28,429,500	19,417,528
Net cumulative changes in fair values of AFS financial assets (Note 13)	**9,013,593**	18,707,911	16,783,741
Retained earnings (Note 29):			
Appropriated	**17,180,917**	17,180,917	17,180,917
Unappropriated	**3,321,616,115**	1,341,799,972	1,426,422,217
Cost of shares held by a subsidiary (Note 29)	**–**	–	(36,045,585)
Treasury shares (Note 29)	**(7,096)**	(7,096)	(7,096)
	4,349,008,314	2,296,193,182	2,306,239,161
Noncontrolling interests	**(2,281,966)**	139,342,675	146,079,537
Total Equity	**4,346,726,348**	2,435,535,857	2,452,318,698
TOTAL LIABILITIES AND EQUITY	**₱5,161,287,355**	₱3,310,023,821	₱3,349,991,984

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2013	2012 (As restated – Note 3)	2011 (As restated – Note 3)
REVENUES			
Club races	**₱216,425,501**	₱280,868,413	₱297,871,180
Real estate	**148,533,687**	194,193,503	208,111,398
Rent (Notes 14 and 15)	**89,004,920**	107,954,695	140,361,974
Food and beverages	**7,100,295**	–	–
Others	**33,885,440**	1,814,567	–
	494,949,843	584,831,178	646,344,552
COSTS OF SALES AND SERVICES (Note 19)			
Club races	**170,214,527**	203,903,874	197,790,978
Real estate	**46,508,923**	95,068,253	92,409,441
Rent	**46,259,634**	75,692,631	63,543,804
Food and beverages	**14,516,986**	–	–
Others	**33,713,947**	1,796,474	–
	311,214,017	376,461,232	353,744,223
GROSS INCOME	**183,735,826**	208,369,946	292,600,329
Selling expense (Note 10)	**(13,068,392)**	(23,881,524)	(21,083,681)
General and administrative expenses (Note 20)	**(195,475,976)**	(242,093,216)	(222,101,697)
Interest income (Notes 7, 9, 24 and 28)	**13,007,475**	26,279,287	23,670,702
Finance costs (Notes 17, 25 and 28)	**(4,810,933)**	(6,095,666)	(16,260,331)
Equity in net earnings of associates and joint ventures (Note 12)	**10,568,704**	17,864,096	14,819,758
Other income (charges) - net (Notes 6, 8, 9, 12,13, 26 and 28)	**2,123,509,796**	50,045,940	(58,573,511)
INCOME BEFORE INCOME TAX	**2,117,466,500**	30,488,863	13,071,569
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 27)			
Current	**12,114,936**	19,150,810	16,408,591
Deferred	**(3,835,437)**	785,256	(27,052,238)
	8,279,499	19,936,066	(10,643,647)
NET INCOME	**2,109,187,001**	10,552,797	23,715,216
OTHER COMPREHENSIVE INCOME (LOSS)			
Items of other comprehensive income to be reclassified to profit or loss in subsequent periods			
Net changes in fair values of AFS financial assets (Note 13)	**(9,694,318)**	1,924,170	4,600,819
Items of other comprehensive income that will not be reclassified to profit or loss in subsequent periods			
Actuarial gains (losses) on remeasurement of retirement plan liabilities, net of tax	**(3,554,152)**	9,011,972	19,417,528
TOTAL COMPREHENSIVE INCOME	**₱2,095,938,531**	₱21,488,939	₱47,733,563
Net income attributable to:			
Equity holders of the parent company	**₱2,109,187,501**	₱17,289,659	₱23,705,583
Noncontrolling interests	**(500)**	(6,736,862)	9,633
	₱2,109,187,001	₱10,552,797	₱23,715,216
Total comprehensive income attributable to:			
Equity holders of the parent company	**₱2,095,939,031**	₱28,225,801	₱47,723,930
Noncontrolling interests	**(500)**	(6,736,862)	9,633
	₱2,095,938,531	₱21,488,939	₱47,733,563
Basic/Diluted Earnings Per Share (Note 30)	**₱2.223**	₱0.020	₱0.031

See accompanying Notes to Consolidated Financial Statements.

MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011

	Capital Stock (Note 29)			Additional Paid In Capital (Note 29)	Net Cumulative Changes in Fair Values of AFS Financial Assets (Note 13)	Actuarial Remeasurement on Retirement Plan Liabilities	Retained Earnings (Note 29)		Cost of Shares Held by a Subsidiary (Note 29)	Treasury Shares (Note 29)	Subtotal	Noncontrolling Interests	Total
	Capital Stock	Subscription Receivable	Net				Appropriated	Unappropriated					
BALANCES AT DECEMBER 31, 2010, as previously reported	₱574,985,318	(₱26,251,715)	₱548,733,603	₱–	₱12,182,922	₱–	₱17,180,917	₱1,445,880,305	(₱8,707,500)	₱–	₱2,015,270,247	₱146,069,904	₱2,161,340,151
Effect of change in accounting policy for retirement benefits liability (Note 3)	–	–	–	–	–	–	–	(137,940)	–	–	(137,940)	–	(137,940)
BALANCES AT DECEMBER 31, 2010, as restated	574,985,318	(26,251,715)	548,733,603	–	12,182,922	–	17,180,917	1,445,742,365	(8,707,500)	–	2,015,132,307	146,069,904	2,161,202,211
Net income for the year	–	–	–	–	–	–	–	23,705,583	–	–	23,705,583	9,633	23,715,216
Other comprehensive income	–	–	–	–	4,600,819	19,417,528	–	–	–	–	24,018,347	–	24,018,347
Total comprehensive income for the year	–	–	–	–	4,600,819	19,417,528	–	23,705,583	–	–	47,723,930	9,633	47,733,563
Cash dividends declared and paid (Note 29)	–	–	–	–	–	–	–	(43,025,731)	–	–	(43,025,731)	–	(43,025,731)
Additional cost of shares held by a subsidiary (Note 29)	–	–	–	–	–	–	–	–	(27,338,085)	–	(27,338,085)	–	(27,338,085)
Collection of subscription receivable	–	26,251,715	26,251,715	–	–	–	–	–	–	–	26,251,715	–	26,251,715
Subscription of capital stock (Note 29)	287,492,659	–	287,492,659	–	–	–	–	–	–	–	287,492,659	–	287,492,659
Treasury shares (Note 29)	9,462	–	9,462	–	–	–	–	–	–	(7,096)	2,366	–	2,366
BALANCES AT DECEMBER 31, 2011	₱862,487,439	₱–	₱862,487,439	₱–	₱16,783,741	₱19,417,528	₱17,180,917	₱1,426,422,217	(₱36,045,585)	(₱7,096)	₱2,306,239,161	₱146,079,537	₱2,452,318,698
BALANCES AT DECEMBER 31, 2011, as previously reported	₱862,487,439	₱–	₱862,487,439	₱–	₱16,783,741	₱–	₱17,180,917	₱1,426,584,467	(₱36,045,585)	(₱7,096)	₱2,286,983,883	₱146,079,537	₱2,433,063,420
Effect of change in accounting policy for retirement benefits liability (Note 3)	–	–	–	–	–	19,417,528	–	(162,250)	–	–	19,255,278	–	19,255,278
BALANCES AT DECEMBER 31, 2011, as restated	862,487,439	–	862,487,439	–	16,783,741	19,417,528	17,180,917	1,426,422,217	(36,045,585)	(7,096)	2,306,239,161	146,079,537	2,452,318,698
Net income for the year	–	–	–	–	–	–	–	17,289,659	–	–	17,289,659	(6,736,862)	10,552,797
Other comprehensive income	–	–	–	–	1,924,170	9,011,972	–	–	–	–	10,936,142	–	10,936,142
Total comprehensive income for the year	–	–	–	–	1,924,170	9,011,972	–	17,289,659	–	–	28,225,801	(6,736,862)	21,488,939
Cash dividends declared and paid (Note 29)	–	–	–	–	–	–	–	(135,928,392)	–	–	(135,928,392)	–	(135,928,392)
Transfer of cost of shares held by a subsidiary (Note 29)	–	–	–	27,594,539	–	–	–	–	36,045,585	–	63,640,124	–	63,640,124
Effect of PAS 19 on past service cost	–	–	–	–	–	–	–	334,304	–	–	334,304	–	334,304
Deferred tax effect of deemed cost adjustment (Note 29)	–	–	–	–	–	–	–	33,682,184	–	–	33,682,184	–	33,682,184
BALANCES AT DECEMBER 31, 2012	₱862,487,439	₱–	₱862,487,439	₱27,594,539	₱18,707,911	₱28,429,500	₱17,180,917	₱1,341,799,972	₱–	(₱7,096)	₱2,296,193,182	₱139,342,675	₱2,435,535,857

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION I
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	Capital Stock (Note 29)			Additional Paid In Capital (Note 29)	Net Cumulative Changes in Fair Values of AFS Financial Assets (Note 13)	Actuarial Remeasurement on Retirement Benefits	Retained Earnings (Note 29)		Cost of Shares Held by a Subsidiary (Note 29)	Treasury Shares (Note 29)	Subtotal	Noncontrolling Interests	Total
	Capital Stock	Subscription Receivable	Net				Appropriated	Unappropriated					
BALANCES AT DECEMBER 31, 2012, as previously reported	₱862,487,439	₱–	₱862,487,439	₱27,594,539	₱18,707,911	₱–	₱17,180,917	₱1,341,881,097	₱–	(₱7,096)	₱2,267,844,807	₱139,342,675	₱2,407,187,482
Effect of change in accounting policy for retirement benefits liability (Note 3)	–	–	–	–	–	28,429,500	–	(81,125)	–	–	28,348,375	–	28,348,375
BALANCES AT DECEMBER 31, 2012, as restated	862,487,439	–	862,487,439	27,594,539	18,707,911	28,429,500	17,180,917	1,341,799,972	–	(7,096)	2,296,193,182	139,342,675	2,435,535,857
Net income for the year	–	–	–	–	–	–	–	2,109,187,501	–	–	2,109,187,501	(500)	2,109,187,001
Other comprehensive income	–	–	–	–	(9,694,318)	(3,554,152)	–	–	–	–	(13,248,470)	–	(13,248,470)
Total comprehensive income for the year	–	–	–	–	(9,694,318)	(3,554,152)	–	2,109,187,501	–	–	2,095,939,031	(500)	2,095,938,531
Stock dividends declared (Note 29)	86,247,459	–	86,247,459	–	–	–	–	(86,247,459)	–	–	–		
Cash dividends declared and paid (Note 29)	–	–	–	–	–	–	–	(43,123,899)	–	–	(43,123,899)	–	(43,123,899)
Loss of control of MIC	–	–	–	–	–	–	–	–	–	–	–	(141,624,141)	(141,624,141)
BALANCES AT DECEMBER 31, 2013	₱948,734,898	₱–	₱948,734,898	₱27,594,539	₱9,013,593	₱24,875,348	₱17,180,917	₱3,321,616,115	₱–	(₱7,096)	₱4,349,008,314	(₱2,281,966)	₱4,346,726,348

See accompanying Notes to Consolidated Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION I
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MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2013	2012 (As restated – Note 3)	2011 (As restated – Note 3)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱2,117,466,500**	₱30,488,863	₱13,071,569
Adjustments for:			
Gain on loss of control due to remeasurement of retained interest (Notes 6 and 26)	**(4,772,828,756)**	–	–
Impairment loss on investment in associate (Notes 12 and 26)	**2,679,879,083**	–	–
Depreciation (Notes 14, 15 and 21)	**85,535,827**	111,841,710	99,758,805
Interest income (Note 24)	**(13,007,475)**	(26,279,287)	(23,670,702)
Gain on sale of:			
Investment property (Notes 15 and 26)	**(13,351,064)**	–	–
Property and equipment (Note 14)	–	(80,077)	(3,280)
AFS financial assets (Note 13)	–	–	(1,028,565)
Equity in net earnings of associates and joint ventures	**(10,568,704)**	(17,864,096)	(14,819,758)
Finance costs (Note 25)	**4,810,933**	6,095,666	16,260,331
Amortization of franchise fee (Note 19)	**1,794,000**	1,794,000	1,794,000
Gain on fair value changes of held for trading investments (Note 8)	–	–	(8,096,911)
Loss on disposal of property and equipment	–	4,969,094	–
Loss on write off of AFS financial assets (Note 13)	–	1,418,160	–
Reversal of various liabilities (Note 26)	–	(11,641,529)	(2,142,634)
Impairment loss on inventory (Note 20)	–	–	7,082,084
Dividend income (Note 26)	–	–	(545,307)
Operating income before working capital changes	**79,730,344**	100,742,504	87,659,632
Decrease (increase) in:			
Receivables	**(19,180,840)**	(18,733,142)	29,765,936
Real estate inventories	**46,204,543**	95,068,253	83,966,566
Other current assets	**12,835,811**	20,508,159	3,076,032
Increase (decrease) in:			
Accounts payable and other liabilities	**(18,370,406)**	38,192,179	(26,263,919)
Accrued retirement benefits (Note 23)	**4,151,367**	456,034	1,556,423
Cash generated from operations	**105,370,819**	236,233,987	179,760,670
Income taxes paid, including creditable withholding and final taxes	**(14,295,861)**	(42,152,078)	(31,683,845)
Net cash provided by operating activities	**91,074,958**	194,081,909	148,076,825
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in other noncurrent assets	**(1,663,719)**	(72,933,043)	(172,092)
Acquisitions of property and equipment (Note 14)	**(22,725,408)**	(43,064,595)	(13,115,032)
Proceeds from sale of:			
Investment property	**8,392,857**	–	–
Property and equipment	**1,494,866**	102,993	25,000
Held for trading investments (Note 8)	–	–	38,476,911
AFS financial assets (Note 13)	–	–	11,935,572
Interest received (Note 24)	–	26,279,287	23,833,727
Acquisitions of AFS financial assets (Note 13)	–	(7,000,000)	–
Dividends received (Note 26)	–	–	545,307
Net cash provided by (used in) investing activities	**(14,501,404)**	(96,615,358)	61,529,393

		Years Ended December 31	
	2013	2012 (As restated – Note 3)	2011 (As restated – Note 3)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase (decrease) in deposit for future stock subscription (Note 29)	**(₱75,100,000)**	₱75,100,000	₱–
Dividends paid by the Parent Company (Note 29)	**(43,123,899)**	(135,348,865)	(43,025,731)
Increase in subscription payable	**42,808,835**	–	–
Proceeds from (payments of):			
Short-term loans and borrowings (Note 17)	**30,000,000**	(34,000,000)	(219,312,500)
Long-term loans and borrowings (Note 17)	**(14,285,715)**	(14,285,714)	(51,969,048)
Interest paid	**(4,810,933)**	(6,095,666)	(18,049,073)
Acquisition of treasury shares	**–**	–	(7,096)
Advances from related parties	**(17,310)**	–	–
Payments of:			
Short-term loans and borrowings (Note 17)	**(14,000,000)**	–	–
Due to related parties (Note 28)	**–**	(13,042,289)	–
Obligations under finance lease	**–**	–	(2,636,760)
Share of the interest in a joint venture (Note 12)	**–**	(10,000,000)	–
Proceeds from subscription of capital stock of Parent Company	**–**	–	26,251,715
Proceeds from stock rights	**–**	–	287,492,659
Acquisitions of shares by subsidiaries	**–**	–	(27,338,085)
Net cash used in financing activities	**(78,529,022)**	(137,672,534)	(48,593,919)
EFFECT OF DECONSOLIDATION OF A SUBSIDIARY ON CASH AND CASH EQUIVALENTS	**(8,892,026)**	–	–
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(10,847,494)**	(40,205,983)	161,012,299
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**274,603,196**	314,809,179	153,796,880
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	**₱263,755,702**	₱274,603,196	₱314,809,179

See accompanying Notes to Consolidated Financial Statements.

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

1. Corporate Information

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

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

The Parent Company is presently engaged in the construction, operations and maintenance of a racetrack located in Cavite, Philippines and in the holding or conducting of horse races therein with bettings both directly or indirectly by means of mechanical, electric and/or computerized totalizator. It has a congressional franchise granted on November 23, 1997 under Republic Act (R.A.) No. 8407 to hold such races and to maintain the race track which will expire on November 23, 2022 (see Note 16). The Parent Company is also engaged in the development and sale of condominium units and residential properties and lease of an office building through joint venture arrangements with certain developers.

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

Subsidiaries, Joint Venture and Associates

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

[a] *Not yet started commercial operation as of December 31, 2013*
[b] *Incorporated on July 23, 2013*
[c] *Incorporated on September 23, 2013*
[d] *Started commercial operation on May 29, 2012*
[e] *Became an associate effective January 1, 2013 (*see Note 6*)*

In 2013, the Parent Company allowed a group of strategic Hong Kong investors (hereinafter referred to as "Strategic Investors") to subscribe to MIC's share of stock, which led to the Parent Company owning less than majority shares (see Note 6).

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

The consolidated financial statements of Manila Jockey Club, Inc. and its subsidiaries as at December 31, 2013 and 2012 and for each of the three years in the period ended December 31, 2013 were authorized for issue by the Board of Directors (BOD) on April 8, 2014.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation

The consolidated financial statements are prepared using the historical cost basis, except for available-for-sale financial assets, which have been measured at fair value. The consolidated financial statements are presented in Philippine Peso (Peso), the Parent Company's functional and presentation currency, and rounded off to the nearest Peso, except when otherwise indicated.

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

Statement of Compliance

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

3. Summary of Significant Changes in Accounting Policies and Disclosures

Changes in Accounting Policies and Disclosures

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

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

New and Amended Accounting Standards

- PFRS 7, *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments)*
  These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32, *Financial instruments: Presentation*. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format, unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:
  a) The gross amounts of those recognized financial assets and recognized financial liabilities;
  b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
  c) The net amounts presented in the statement of financial position;
  d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
     i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
     ii. Amounts related to financial collateral (including cash collateral); and
  e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

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

- PFRS 10, *Consolidated Financial Statements*
  PFRS 10 replaced the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addressed the accounting for consolidated financial statements. It also included the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10 established a single control model that applied to all entities including special purpose entities. The changes introduced by PFRS 10 require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. The adoption of PFRS 10 had no impact on the consolidated financial statements because the Group has assessed that all subsidiaries that were consolidated in accordance with the old PAS 27 will continue to be consolidated in accordance with PFRS 10.

- PFRS 11, *Joint Arrangements*
  PFRS 11 replaced PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removed the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The adoption of this standard did not have a material impact on its financial position or performance since the Group is accounting for its joint venture using the equity method in its consolidated financial statements.

- PFRS 12, *Disclosure of Interests in Other Entities*
PFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in PFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries (for example, where a subsidiary is controlled with less than a majority of voting rights). The Group has no unconsolidated structured entities. Management also assessed that there are no subsidiaries with noncontrolling interest that are individually material to the Group. Disclosures on judgments on determination of control over subsidiaries and joint control over joint venture are provided in Note 5 to the consolidated financial statements.

- PFRS 13, *Fair Value Measurement*
PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS. PFRS 13 defines fair value as an exit price. PFRS 13 also requires additional disclosures.

  As a result of the guidance in PFRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. The Group has assessed that the application of PFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 33.

- PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income (OCI) (Amendments)*
The amendments to PAS 1 introduced a grouping of items presented in OCI. Items that will be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments affect presentation only and have no impact on the Group's financial position or performance.

- PAS 19, *Employee Benefits (Amendments)*
Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk.

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

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

	December 31, 2013	December 31, 2012	January 1, 2012
Increase (decrease) in:			
Consolidated Statements of Financial Position			
Accrued retirement benefit	**(₱34,176,360)**	(₱40,497,679)	(₱27,507,540)
Deferred tax liabilities – net	**10,252,908**	12,149,304	8,252,262
Actuarial gains on retirement benefits	**24,875,348**	28,429,500	19,417,528
Retained earnings	**(951,896)**	(81,125)	(162,250)

	2013	2012	2011
Consolidated Statements of Comprehensive Income			
Net retirement cost	**₱1,243,959**	₱361,684	34,728
Income tax expense	**373,188**	108,505	(10,419)
Net income	**(870,771)**	(253,179)	24,309
Other comprehensive income, net of tax	**(3,554,152)**	9,011,972	(19,417,528)

Impact of past service cost increased retained earnings by ₱0.3 million in 2012. The revised PAS 19 did not have significant impact on the statements of cash flows.

- PAS 27, *Separate Financial Statements (as revised in 2011)*
  As a consequence of the issuance of the new PFRS 10 and PFRS 12, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The adoption of the amended PAS 27 did not have a significant impact on the separate financial statements of the entities in the Group.

- PAS 28, *Investments in Associates and Joint Ventures (as revised in 2011)*
  As a consequence of the issuance of the new PFRS 11, *Joint Arrangements*, and PFRS 12, *Disclosure of Interests in Other Entities*, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates.

- IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*
  This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. This new interpretation is not relevant to the Group.

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

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

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

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments)*
  The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Group's financial position or performance.

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendments)*
  These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments)*
  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria.

- PFRS 10, PFRS 12 and PAS 27, *Investment Entities (Amendments)*
  These amendments are effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss.

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

- PFRS 9, *Financial Instruments*
  PFRS 9, as issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts,* or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. The standard has no impact on the Group's financial position and performance.

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

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

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

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

4. Summary of Significant Accounting and Financial Reporting Policies

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

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

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

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

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

Non-controlling Interests. Non-controlling interests represent the portion of profit or loss and net assets in Biohitech in 2013 and Biohitech and MIC in 2012 that are not held by the Group and are presented separately in the consolidated statement of comprehensive income and consolidated balance sheet separate from equity attributable to equity holders of the parent.

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

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

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

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

Business Combinations and Goodwill

The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any noncontrolling interest in the acquiree. For each business combination, the acquirer measures the noncontrolling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in general and administrative expenses.

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

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

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

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

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

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

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

Cash and Cash Equivalents

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

Financial Assets and Financial Liabilities

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

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

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

Financial assets are classified into the following categories:

a. Financial assets at FVPL
b. Loans and receivables

c. Held-to-maturity (HTM) investments
d. AFS financial assets

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

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

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

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

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

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

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

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

c. *Other financial liabilities*
This category pertains to financial liabilities that are not held for trading or not designated at FVPL upon the inception of the liability. These include liabilities arising from operations (e.g., payables and accruals) or borrowings (e.g., loans and obligations arising from finance lease). The liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest rate method of

amortization (or accretion) for any related premium (or discount) and any directly attributable transaction costs. Gains and losses on amortization and accretion are recognized in profit or loss.

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

Derecognition of Financial Assets and Financial Liabilities

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

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

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

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

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

Day 1 Difference
Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Group recognizes the difference between the transaction price and fair value (a Day 1 difference) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where data used is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the Day 1 difference.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the

recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated balance sheet.

Impairment of Financial Assets
The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

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

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

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

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

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

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

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

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

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

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

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

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

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

Fair Value Measurement
The Group measures financial instruments and non-financial assets such as investment properties, at fair value at each balance sheet date.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation and amortization is charged to current operations.

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

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

Investment Properties

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

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

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

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

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

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

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

Franchise Fee

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

Impairment of Nonfinancial Assets

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

An assessment is made at each balance sheet date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying value of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in 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.

Goodwill

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value not be recoverable.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units') to which the goodwill relates. Recoverable amount is the higher of the cash-generating unit's (or group of cash-generating units') fair value less costs to sell and its value in use. However, it is not always necessary to determine both the cash-generating unit's (or group of cash-generating units') fair value less costs to sell and its value in use. If either of these amounts exceed the goodwill's carrying amount, the cash-generating unit is not impaired and it is not necessary to estimate the other amount.

Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognized immediately in the consolidated statement of comprehensive income. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods.

The Group performs its annual impairment test of goodwill as of December 31 of each year.

Capital Stock

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

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

Deposit for Future Stock Subscription

Deposit for future stock subscription represents amounts received that will be applied as payment in exchange for a fixed number of the Group's own equity instruments, and presented in the equity section of the balance sheet. These are measured at cost and are reclassified to capital stock upon issuance of shares.

In accordance with Financial Reporting Bulletin No. 6 issued by the SEC, the following elements should be present as of the balance sheet date in order for the Deposits for Future Stock Subscriptions (DFS) to qualify as equity:

- The unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract;
- There is a BOD approval on the proposed increase in authorized capital stock (for which a deposit was received by the corporation);
- There is stockholders' approval of said proposed increase; and
- The application for the approval of the proposed increase has been filed with the SEC.

If any or all of the foregoing elements are not present, the transaction should be recognized as liability.

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 (see Note 29).

Dividend Distribution

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

Earnings Per Share

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

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

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

Revenue Recognition

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

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

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

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

Rental Income from Stables, Building and Other Facilities
Revenue from the lease of stables, building and other facilities is recognized in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

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

Dividend Income
Revenue is recognized when the Group's right to receive the payment is established.

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

Cost of real estate sales pertains to the cost of the land and is recognized under the percentage-of-completion method, if the criteria of the full accrual method are not satisfied.

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

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

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

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

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

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

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

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

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

Leases

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

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

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

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

The Group as a lessee

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

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

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

Taxes

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

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

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

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

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

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

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

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

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

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

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

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

Segment Reporting
The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information of the Group's operating segments is presented in Note 31 to the consolidated financial statements.

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

5. Significant Accounting Judgments, Estimates and Assumptions

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

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

Judgments

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

Determination if control exists in an investee company

Control is presumed to exist when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. On the other hand, joint control is presumed to exist when the investors contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Management has determined that by having 50% ownership in Biohitech, it has control by virtue of its power to cast the majority votes at meetings of the BOD and control of the entity is by that BOD.

In 2013, after the investments made by the Strategic Investors in MIC, management has determined that it has lost control of MIC and retained only significant influence (see Note 6).

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

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

Classification of financial instruments

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of the instruments. The substance of financial instruments, rather than their legal form, governs their classification in the consolidated balance sheet. The Group determines the classification on initial recognition and re-evaluates this designation at every balance sheet date, as appropriate. The Group's classifications of financial instruments are shown in Note 33 to the consolidated financial statements.

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

a. *Operating lease commitments - the Group as a lessor*
The Group has entered into lease agreements on certain items of its property and equipment and investment properties. The Group has determined that it retains all the significant risks and rewards of ownership of these properties since there will be no transfer of ownership of the leased properties to the lessees. Accordingly, the lease agreements are accounted for as operating leases (see Notes 14, 15 and 32).

b. *Operating lease commitments - the Parent Company as lessee*
The Parent Company has entered into a lease agreement for the lease of office and parking lots where it has determined that the risks and rewards related to the leased assets are retained by the lessor since there will be no transfer of ownership of the leased properties to the Parent Company. As such, the lease agreement was accounted for as an operating lease (see Note 32).

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

There were no indicators of impairment present for interest in joint venture, associates, investment properties and franchise fee in 2013, 2012 and 2011. Total carrying value of the Group's interest in a jointly venture, investment properties and franchise fee as of December 31, 2013 and 2012 are disclosed in Notes 12, 15 and 16 to the consolidated financial statements.

In 2013 and 2011, the Group did not recognize any impairment loss on property and equipment. In 2012, the Group recognized impairment loss on property and equipment which are disclosed in Note 14 to the consolidated financial statements. Carrying value of the Group's property and equipment are disclosed in Note 14 to the consolidated financial statements.

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

As of December 31, 2013 and 2012, the Parent Company's deferred tax assets and subsidiaries' unrecognized deferred tax assets are disclosed in Note 27 to the consolidated financial statements.

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

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

As of December 31, 2013 and 2012, the fair values of financial assets and financial liabilities are disclosed in Note 33 to the consolidated financial statements.

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

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

As of December 31, 2013 and 2012, the carrying value of receivables (including noncurrent portion of real estate receivables), net and allowance for doubtful accounts are disclosed in Note 9 to the consolidated financial statements.

In 2013, 2012 and 2011, provision for doubtful accounts are disclosed in Notes 9 and 20 to the consolidated financial statements and receivable accounts without previous impairment allowance written off is disclosed in Notes 9 and 26 to the consolidated financial statements.

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

As of December 31, 2013 and 2012, the cost of the real estate inventories, the amount written down to the cost of and carrying value of the real estate inventories are disclosed in Note 10 to the consolidated financial statements.

Estimation of percentage of completion
The Group estimates the percentage of completion of ongoing projects for purposes of accounting for the estimated costs of development as well as real estate revenue to be recognized. The percentage of completion is based on the technical evaluation of the project engineers. In 2013, 2012 and 2011, cost of real estate sales are disclosed in Note 19 to the consolidated financial statements.

Estimation of impairment of AFS financial assets
The Group treats AFS financial assets as impaired when there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Group treats "significant" generally as 20% or more of original cost and "prolonged" as greater than 12 months. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equity securities and the future cash flows and the discount factors for unquoted equity securities.

As of December 31, 2013 and 2012, the aggregate carrying value of the Group's AFS financial assets is disclosed in Note 13 to the consolidated financial statements. The Group believes that its AFS financial assets are not impaired. Accordingly, no impairment loss was recognized in 2013, 2012 and 2011.

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

As of December 31, 2013 and 2012, the net book value of depreciable property and equipment are disclosed in Note 14 to the consolidated financial statements. The net book value of depreciable investment property as of December 31, 2013 and 2012 are disclosed in Note 15 to the consolidated financial statements.

Impairment of goodwill
The Group reviews whether the goodwill, acquired through a business combination and amounting to ₱75.8 million as of December 31, 2012, is impaired. The review is performed annually or more frequently if events or changes in circumstances indicate the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill is allocated. Recoverable amount is the higher of the cash-generating unit's fair value less costs to sell and its value in use. Where the recoverable amount of the cash-generating unit is less than its carrying amount, an impairment loss is recognized in profit or loss.

Management performed its annual impairment test on goodwill and determined the recoverable amount based on the fair value less costs to sell of the cash-generating unit to which the goodwill is allocated. The fair value less costs to sell computation is based on available data from binding sales transactions in an arm's length transaction of similar assets and observable market prices less incremental costs for disposing of the asset. As of December 31, 2012, the recoverable amount of the cash-generating unit to which the goodwill is allocated is greater than its carrying amount. Accordingly, no impairment loss was recognized in 2012 and 2011 (see Note 6). In 2013, the goodwill was derecognized as a result of the loss of control in MIC (see Note 6).

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

Estimation of retirement benefits cost and obligations
The determination of the obligation and cost for pension benefits is dependent on the selection of certain assumptions provided by the Group to its actuaries in calculating such amounts. Those assumptions were described in Note 23 and included among others, discount rate and future salary increases. In accordance with Revised PAS 19, *Employee Benefits*, actual results that differ from the Group's assumptions are included in other comprehensive income and are not reclassified to profit or loss in subsequent periods. While it is believed that the Group's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's pension and other pension obligations.

As of December 31, 2013 and 2012, accrued retirement benefits are disclosed in Note 23 to the consolidated financial statement. Retirement benefits cost in 2013, 2012 and 2011 are disclosed in Note 23 to the consolidated financial statements.

6. Business Combination, Goodwill and Property for Share Exchange

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

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

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

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

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

i. MIC shall cause the payment of its existing liabilities in the amount of ₱14.2 million;
ii. MIC shall cause the assignment of its marketable securities and receivables to the previous stockholders;

iii. MIC shall spin off its 5-hectare property in Tanza, Cavite to a new corporation (NEWCO) to be organized by MIC and assign the shares of the capital stock of NEWCO to the previous stockholders of MIC.

On January 23, 2009, in accordance with the MOA, the Parent Company executed a subscription agreement to subscribe out of the unissued portion of the authorized capital stock of MIC at the subscription price of ₱1 per share for 107,360,137 shares, equivalent to 50.23% ownership in MIC, making the Parent Company the majority stockholder. As of December 31, 2012, the Parent Company has made payments of ₱53,815,288 representing the initial and partial payments of 50.13% of the subscription price. The remaining balance of ₱53,544,849 is payable upon the call of the BOD of MIC.

On March 18, 2010, MIC was granted a Permit to Operate by PAGCOR for the establishment, maintenance and operation of a casino, PAGCOR San Lazaro, within the San Lazaro Tourism and Business Park in Sta. Cruz, Manila. The permit shall be for a period of ten years, to commence on the date of actual operation of PAGCOR San Lazaro. As of December 31, 2013, the permit was placed on hold pending final clearance by the Office of the President.

On December 6, 2010, the NEWCO was incorporated as Sierra Prime Properties Corporation (SPPC).

On July 23, 2012, the BOD of MIC approved the implementation of the transfer of the assets to SPPC. On August 6, 2012, MIC transferred to SPPC assets and liabilities enumerated below for a consideration of ₱108,389,153, by virtue of a MOA signed by both parties.

	Agreed Amounts
Assets	
Held for trading investments*	₱63,640,124
Investment properties (see Note 15)	37,679,140
Receivables	25,266,055
Input VAT	58,675
	126,643,994
Liabilities	
Accounts payable	5,195,242
Due from related parties	13,059,599
	18,254,841
Total	₱108,389,153

**Accounted for as cost of shares held by subsidiaries in the consolidated balance sheet.*

In addition, MIC received dividends from the Parent Company amounting to ₱2.1 million in March 2012. Further, in November 2012, MIC also received dividends pertaining to the transferred held for trading investments amounting to ₱2.1 million. Both dividends received are to be transferred to SPPC as of December 31, 2012. MIC and SPPC have agreed that the dividends on held for trading investment aggregating ₱4.1 million is for the account of SPPC, and should form part of the net asset transferred, thus resulting to a loss amounting to ₱2.1 million presented as part of "Other income (charges) – net" in the consolidated statement of comprehensive income.

On October 29, 2012, the Parent Company transferred 7,510 square meters of the unused portion of the Sta. Cruz property in exchange for 600.8 million common shares of MIC. The property transferred has a carrying value of ₱112.3 million and with a fair value of ₱600.8 million or

₱80,000 per square meter. The transaction is considered as a tax-free exchange in accordance with a BIR certification issued in accordance with the National Internal Revenue Code Section 40 (c) (2).

In accordance with the BIR certification, the property for share exchange is not subject to income tax, capital gains tax, expanded withholding tax and donor's tax. The transaction is, however, subject to VAT and documentary stamp tax. The VAT payment made by the Parent Company amounting to ₱72.1 million is presented as part of "Other noncurrent assets" in the consolidated balance sheets while the documentary stamp tax amounting to ₱3.0 million is presented as "General and administrative expenses" in the consolidated statements of comprehensive income (see Notes 16 and 20).

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

With this transaction, the Parent Company still has significant influence over MIC through its retained interest in MIC. As a result, the following assets and liabilities were derecognized at their book value as of January 18, 2013 from the consolidated balance sheets of the Group:

	Book value	Fair value
Assets		
Cash and cash equivalents	₱483,892,026	₱483,892,026
Receivables	113,484,393	113,484,393
Other current assets	2,034,395	2,034,395
Property and equipment	122,216,860	610,676,786
Other noncurrent assets	72,096,000	72,096,000
	793,723,674	1,282,183,600
Liabilities		
Accounts payable and other liabilities	12,979,820	12,979,820
Income tax payable	3,500	3,500
	12,983,320	12,983,320
Net Assets	780,740,354	1,269,200,280
Goodwill	75,816,953	7,108,078,686
Uncontrolled interest		(3,384,750,000)
Investment in Associate (see Note 12)		₱4,992,528,966

Impairment Testing of Goodwill
The Group performed its annual impairment testing of goodwill related to the acquisition of MIC amounting to ₱75.8 million. The recoverable amount was determined based on the fair value less costs to sell. The fair value less costs to sell was based on available data from observable market prices of the shares of stock of MIC less incremental costs for disposing of the asset. The recoverable amount of MIC, including the goodwill, is higher than the Group's share in MIC's net assets plus goodwill, thus, no impairment loss was recognized in 2012 and 2011.

The calculation of the recoverable amount used on fair value less costs to sell is most sensitive to the market price of the shares in the active market. Management believes that no reasonably possible change in the market price would cause the carrying value of the Group's share in MIC's net assets and goodwill to materially exceed its recoverable amount.

7. Cash and Cash Equivalents

	2013	2012
Cash on hand	**₱11,382,802**	₱9,214,106
Cash in banks	**151,188,886**	137,875,667
Cash equivalents	**101,184,014**	127,513,423
	₱263,755,702	₱274,603,196

Cash in banks generally earn interest at the respective bank deposit rates. Cash equivalents are short-term deposits made for varying periods of up to three months and earn interest at the respective short-term deposit rates. Interest income earned amounted to ₱2.7 million, ₱8.5 million and ₱7.1 million in 2013, 2012 and 2011, respectively (see Note 24).

8. Held for Trading Investments

Held for trading investments of MIC amounting to ₱30.4 million as of December 31, 2010 consist of quoted equity securities. These were subsequently sold in 2011 which resulted to a gain on fair value changes of held for trading investments amounting to ₱8.1 million presented as "Other income (charges) - net" in the consolidated statement of comprehensive income (see Note 26).

9. Receivables

	2013	2012
Real estate receivables - current portion	**₱137,773,047**	₱207,719,172
Rent receivables (see Notes 14 and 15)	**26,628,846**	20,808,568
Receivable from sale of investment property	**20,000,000**	–
Dividends receivable (see Note 12)	**17,088,300**	4,810,221
Advances and loans to officers and employees	**9,427,855**	8,175,205
Claims for tax credit certificates (TCC)	**2,252,054**	2,252,054
Deposits and advances to contractors (see Note 14)	**1,778,413**	1,778,413
Receivables from off-track betting (OTB) operators	**1,193,961**	964,937
Due from related parties (see Note 28)	–	113,484,393
Others	**26,509,421**	19,219,541
	242,651,897	379,212,504
Less allowance for doubtful accounts	**8,696,776**	6,000,000
	₱233,955,121	₱373,212,504

Real Estate Receivables

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

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

Interest income earned from real estate receivables amounted to ₱9.7 million, ₱17.5 million and ₱16.5 million in 2013, 2012 and 2011, respectively (see Note 24).

Claims for TCC

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

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

Allowance for Doubtful Accounts

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

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

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

The Parent Company directly wrote-off receivables amounting to ₱0.2 million, nil and ₱62.3 million in 2013, 2012 and 2011, respectively (see Note 26).

10. Inventories

This account consists of:

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

As of December 31, 2013 and 2012, the cost of memorial lots amounted to ₱13.6 million and ₱16.6 million, respectively. In 2013 and 2012, no impairment loss was recognized. In 2011, impairment loss on inventory amounted to ₱7.1 million (see Note 20).

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

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

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

Marketing expense, presented as "Selling expense" in the consolidated statements of comprehensive income, is the share of the Parent Company in the marketing cost of the developer/ venture in accordance with the JDA/ JVA. The amount of marketing cost in 2013, 2012 and 2011 amounted to ₱13.1 million, ₱23.9 million and ₱21.1 million, respectively.

11. Other Current Assets

	2013	2012
Prepayments	**₱4,674,157**	₱18,093
Input VAT	**72,906**	2,106,943
Others	**38,603**	82,330
	₱4,785,666	₱2,207,366

12. Investment in Associates and Joint Ventures

Investment in associates and joint ventures consist of:

	2013	2012
Investment in associates		
MIC	**₱2,301,520,445**	₱–
Techsystems	**–**	–
	2,301,520,445	–

	2013	2012
Investment in joint ventures		
Gamespan	**₱9,792,161**	₱10,000,000
SLLBPO	**3,159,925**	–
	12,952,086	10,000,000
	₱2,314,472,531	₱10,000,000

Investment in associates

MIC. Investment in MIC pertains to the Group's 28% interest in MIC. In 2013, the movements and details of the accounts are as follows:

Investment in associate [(a)]	₱4,992,528,966
Equity in net loss of associate	(11,129,438)
Impairment loss of associate charged to goodwill [(b)]	(2,679,879,083)
	₱2,301,520,445

[(a)] *Remeasured at fair value using quoted market price of MIC shares as of January 18, 2013*
[(b)] *Determined using quoted market price of MIC shares as of December 31, 2013.*

The summarized financial information of MIC as of and for the year ended December 31, 2013 is as follows:

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

Techsystems. The investment in associate, Techsystems, Inc. (Techsystems), pertains to the acquisition cost of ₱1.0 million representing 33% ownership by the Parent Company. Techsystems undertakes to facilitate the short message service betting or online betting for the races conducted by the Parent Company. As of December 31, 2013, Techsystems has not yet started commercial operations.

As of December 31, 2013 and 2012, the accumulated equity in net losses of an associate amounted to ₱1.0 million and the investment in Techsystems has no carrying amount.

As of December 31, 2013 and 2012, the unrecognized equity in net losses of Techsystems amounted to ₱0.7 million.

The summarized financial information of Techsystems as of and for the years ended December 31 is as follows:

	2013	2012
Total assets	**₱–**	₱–
Total liabilities	**5,167,650**	5,205,395
Capital deficiency	**(5,167,650)**	(5,205,395)
Income	**–**	442,016
Expenses	**1,000**	31,245
Net income (loss)	**(1,000)**	410,771

Investment in joint ventures

San Lazaro Joint Venture. On December 12, 2008, the Parent Company entered into a JVA with Ayala Land, Inc. (ALI) to create the San Lazaro Joint Venture, an unincorporated taxable joint venture (JV) and a jointly controlled entity, for the purpose of leasing, managing and administering the developed office units in the building complex at the Sta. Cruz property (the Building Complex). The Building Complex was also constructed and developed under a JDA with ALI (see Note 15).

Under the JVA, the Parent Company and ALI contributed and pooled together under one operation and management their respective allocated developed office units and an initial operating cash requirement in accordance with their respective interest in the JV of 70% for ALI and 30% for the Parent Company. Rent income derived from the lease of the developed office units shall first be applied to the payment of the expenses incurred by the JV in the operation, management and maintenance of the leasable areas. Thereafter, the net rental income of the JV shall be divided between ALI and the Parent Company as cash dividends on a quarterly basis in proportion with their respective interests in the JV.

The movement of the equity in (liability to) joint venture of the San Lazaro JV as of December 31, 2013 and 2012 is as follows:

	2013	2012
Balance at beginning of year	**(₱1,657,756)**	(₱3,787,672)
Equity in net earnings for the year	**21,905,981**	17,864,096
Share on dividends declared	**(17,088,300)**	(15,734,180)
Balance at end of year (see Note 18)	**₱3,159,925**	(₱1,657,756)

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

	2013	2012
Current assets	**₱154,617,532**	₱13,455,951
Noncurrent assets	**1,433,440**	93,728,262
Current liabilities	**109,448,602**	14,217,157
Noncurrent liabilities	**29,929,094**	67,108,317
Equity	**16,673,276**	25,858,739
Income	**86,379,273**	79,409,332
Expenses	**54,662,669**	19,862,346
Net income	**31,716,604**	59,546,986

The Parent Company has no share in any contingent liabilities or capital commitments of the JV as of December 31, 2013 and 2012. There are also no accumulated earnings that are restricted as of December 31, 2013 and 2012.

Further, management has determined that it has joint control over San Lazaro JV since the strategic financial and operating decisions of the entity are made jointly by the venturers through its BOD.

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

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

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

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

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

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

The movement of the equity in joint venture in Gamespan as of December 31, 2013 and 2012 is as follows:

	2013	2012
Balance at beginning of year	**₱10,000,000**	₱10,000,000
Equity in net earnings for the year	**(207,839)**	–
Balance at end of year (see Note 18)	**₱9,792,161**	₱10,000,000

13. AFS Financial Assets

	2013	2012
Quoted equity securities	**₱9,029,654**	₱18,613,972
Treasury bond	**7,000,000**	7,000,000
Club membership shares:		
Quoted	**4,580,000**	4,690,000
Unquoted	**193,500**	193,500
Preferred shares:		
Quoted	**69,750**	69,750
Unquoted	**370,047**	370,047
	₱21,242,951	₱30,937,269

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

	2013	2012
Balance at beginning of year	**₱30,937,269**	₱23,431,259
Mark-to-market gains during the year	**(9,694,318)**	3,324,724
Additions during the year	**–**	7,000,000
Amounts written off (see Note 26)	**–**	(2,818,714)
Balance at end of year	**₱21,242,951**	₱30,937,269

The Group's AFS financial assets are carried at fair value with net cumulative gains amounting to ₱9.0 million and ₱18.7 million as of December 31, 2013 and 2012, respectively, reflected in the equity section of the consolidated balance sheets.

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

	2013	2012
Balance at beginning of year	**₱18,707,911**	₱16,783,741
Mark-to-market gains during the year	**(9,694,318)**	3,324,724
Write off (see Note 26)	**–**	(1,400,554)
Balance at end of year	**₱9,013,593**	₱18,707,911

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

Dividend income from these investments amounted to nil in 2013 and 2012 and ₱0.5 million in 2011 (see Note 26). Interest income on treasury bond amounted to ₱0.5 million in 2013 and ₱0.1 million in 2012 (see Note 24).

14. Property and Equipment

	2013				
	January 1	Additions	Disposals	Effect of deconsolidation (see Note 6)	December 31
Cost					
Land (see Note 15)	₱417,209,456	₱–	₱–	(₱112,340,073)	₱304,869,383
Land improvements	337,046,417	446,340	–	–	337,492,757
Building and improvements	650,575,949	2,762,467	–	–	653,338,416
Machinery and equipment	474,192,634	11,878,699	–	–	486,071,333
Transportation equipment	28,014,666	2,575,893	(1,616,071)	–	28,974,488
Furniture and fixtures	20,994,331	844,489	–	–	21,838,820
	1,928,033,453	18,507,888	(1,616,071)	(112,340,073)	1,832,585,197
Accumulated depreciation					
Land improvements	125,991,451	13,310,817	–	–	139,302,268
Building and improvements	228,555,498	27,811,661	–	–	256,367,159
Machinery and equipment	369,982,553	27,772,167	–	–	397,754,720
Transportation equipment	20,388,398	2,577,397	121,205	–	22,844,590
Furniture and fixtures	16,678,171	1,637,160	–	–	18,315,331
	761,596,071	73,109,202	121,205	–	834,584,068
Net book value	1,166,437,382	(54,601,314)	(1,494,866)	(112,340,073)	998,001,129
Construction in progress	23,120,034	4,192,233	–	(9,876,786)	17,435,481
	₱1,189,557,416	(₱50,409,081)	(₱1,494,866)	(₱122,216,859)	₱1,015,436,610

	2012				
	January 1	Additions	Disposals	Reclassifications	December 31
Cost					
Land (see Note 15)	₱304,869,383	₱–	₱–	₱112,340,073	₱417,209,456
Land improvements	337,046,417	–	–	–	337,046,417
Building and improvements	650,806,094	71,438	(301,583)	–	650,575,949
Machinery and equipments	484,951,623	27,646,238	(38,300,895)	(104,332)	474,192,634
Transportation equipments	26,230,673	4,020,538	(2,236,545)	–	28,014,666
Furniture and fixtures	20,765,652	228,679	–	–	20,994,331
	1,824,669,842	31,966,893	(40,839,023)	112,235,741	1,928,033,453
Accumulated depreciation					
Land improvements	112,380,822	13,610,629	–	–	125,991,451
Building and improvements	200,845,603	28,011,478	(301,583)	–	228,555,498
Machinery and equipments	350,573,385	52,718,051	(33,308,883)	–	369,982,553
Transportation equipments	20,003,592	2,621,351	(2,236,545)	–	20,388,398
Furniture and fixtures	14,224,595	2,453,576	–	–	16,678,171
	698,027,997	99,415,085	(35,847,011)	–	761,596,071
Net book value	1,126,641,845	(67,448,192)	(4,992,012)	112,235,741	1,166,437,382
Construction in progress	12,022,332	11,097,702	–	–	23,120,034
	₱1,138,664,177	(₱56,350,490)	(₱4,992,012)	₱112,235,741	₱1,189,557,416

Biohitech recognized a provision for impairment loss on machinery and equipment amounting to ₱9.4 million in 2012. The provision for impairment loss amounting to ₱9.4 million is shown as "Depreciation expense" in the consolidated financial statements (see Note 20).

As of December 31, 2013 and 2012, the carrying value of the idle property and equipment of the Group amounted to ₱43.2 million.

Depreciation Charges
The amount of depreciation is allocated as follows:

	2013	2012	2011
Cost of club races (see Note 19)	**₱39,170,853**	₱49,377,877	₱49,161,591
General and administrative expenses (see Note 20)	**16,804,481**	18,493,484	13,491,318
Cost of rental services (see Note 19)	**16,655,767**	31,543,724	24,679,271
Cost of food and beverages (see Note 19)	**478,101**	–	–
	₱73,109,202	₱99,415,085	₱87,332,180

Construction in Progress
"Construction in progress" pertains to accumulated costs incurred in the development of the Carmona property as part of the Group's expansion program.

Capitalized Borrowing Costs
Land improvements, building and improvements and machinery and equipment include capitalized borrowing costs incurred in connection with the construction and development of the said properties amounting to ₱68.6 million in 2005. No interest on loans was capitalized in 2013 and 2012. Undepreciated capitalized interest relating to property and equipment as of December 31, 2013 and 2012 amounted to ₱43.9 million and ₱46.8 million, respectively.

Carmona Property
In 2001, the Parent Company acquired a parcel of land located in Carmona, Cavite from KPPI Land Corporation (KPPI) valued at ₱523.6 million payable in 12 equal quarterly installments from 2001 to 2004. The remaining installment payments due in 2004 were rescheduled as part of the requirements of the term loan obtained from a local bank. Total payments made by the Parent Company amounted to ₱433.7 million. No payments were made in 2013 and 2012. The outstanding balance of ₱89.9 million as of December 31, 2013 and 2012 is included under "Accounts payable and other liabilities" in the consolidated balance sheets (see Note 18).

In 2002, the Parent Company entered into several contracts with different private entities related to its expansion program in Carmona. Contracts include the construction of the Turf Club, as well as, the construction and development of the racetrack, site grading, and development of access roads, water distribution and fire protection works necessary to bring the site in operation. Under the terms of the contracts, the Parent Company is required to make a 15% deposit and retain an amount equivalent to 10% on each of the progress billings made by the contractors. As of December 31, 2013 and 2012, the unapplied portion of the deposits to contractors shown as part of "Receivables" in the consolidated balance sheets, amounted to ₱1.8 million (see Note 9).

The amount retained by the Parent Company out of the progress billings made by the contractors amounted to ₱10.0 million as of December 31, 2013 and 2012, respectively and its outstanding obligations to the contractors amounted to ₱48.6 million as of December 31, 2013 and 2012. The amounts are presented under "Accounts payable and other liabilities" in the consolidated balance sheets (see Note 18).

Assets Under Operating Lease
- The Parent Company has various operating lease agreements for its 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, included under

"Building and improvements" account, that are leased out on these operating leases amounted to ₱6.0 million and ₱11.4 million as of December 31, 2013 and 2012, respectively. Rent income from stable rentals in 2013, 2012 and 2011 amounted to ₱46.9 million, ₱55.7 million and ₱55.3 million, respectively.

- The Parent Company has various operating lease agreements with concessionaires to lease certain areas within the Turf Club. The lease shall be for a period of two to five years. Rent income from concessionaires amounted to ₱1.6 million, ₱4.0 million and ₱9.8 million in 2013, 2012 and 2011, respectively.

- The Parent Company has also executed a MOA with PAGCOR whereby the latter agrees to lease a certain area within the Turf Club at Carmona for its casino operations and related activities. The lease shall be for a period of five years beginning from the date when PAGCOR commences its casino operations. Rent income from PAGCOR amounted to ₱1.2 million in 2013 and 2012.

- On June 21, 2005, NVTL, through the Parent Company, entered into a lease agreement with PAGCOR for the lease of 200 slot machines and the network system linking these machines, which are included under "Machine and equipment" account. In 2006, NVTL purchased the slot machines for lease to PAGCOR amounting to ₱120.9 million. Monthly rental rate to PAGCOR is equivalent to 35% of the slot machines' gross revenue after players' winnings and all applicable taxes. The start of the lease coincides with the opening of the Turf Club on December 8, 2006. In 2013 and 2012, NVTL acquired new slot machines amounting to nil and ₱23.0 million, respectively. The carrying value of these slot machines under operating lease as of December 31, 2013 and 2012 amounted to nil and ₱36.3 million, respectively. Rent income from PAGCOR amounted to ₱27.9 million, ₱37.7 million and ₱63.8 million in 2013, 2012 and 2011, respectively.

In 2009, NVTL's acquisition of machinery and equipment amounting to ₱8.2 million was unpaid and is presented under "Accounts payable and other liabilities" in the consolidated balance sheet as of December 31, 2011 (see Note 18). The outstanding balance of the acquisition amounted to ₱0.3 million as of December 31, 2013.

15. Investment Properties

	2013	2012
Land:		
Sta. Cruz property - unused portion (see Note 17)	**₱359,631,580**	₱359,631,580
Sta. Cruz property - held for lease	**238,168,692**	238,168,692
Carmona property	**109,750,785**	109,750,785
Undivided interest in a parcel of land	**56,723,976**	56,723,976
Rizal property	**–**	13,434,651
	764,275,033	777,709,684
Building:		
Developed office units (see Note 12)	**218,926,759**	229,351,843
Retail development area	**40,007,473**	42,009,014
	258,934,232	271,360,857
	₱1,023,209,265	₱1,049,070,541

The movements in the carrying amount of investment properties in 2013 and 2012 are shown below:

	2013		
	Land	**Building**	**Total**
Cost			
Balance at beginning of year	**₱777,709,684**	**₱310,665,629**	**₱1,088,375,313**
Disposals (see Note 10)	**(13,434,651)**	**–**	**(13,434,651)**
Balance at the end of year	**764,275,033**	**310,665,629**	**1,074,940,662**
Accumulated Depreciation			
Balance at beginning of year	**–**	**(39,304,772)**	**(39,304,772)**
Depreciation (see Note 17)	**–**	**(12,426,625)**	**(12,426,625)**
Balance at end of year	**–**	**(51,731,397)**	**(51,731,397)**
Net Book Value	**₱764,275,033**	**₱258,934,232**	**₱1,023,209,265**

	2012		
	Land	Building	Total
Cost			
Balance at beginning of year	₱950,999,177	₱310,665,629	₱1,261,664,806
Disposals and reclassification during the year (see Note 14)	(173,289,493)	–	(173,289,493)
Balance at end of the year	777,709,684	310,665,629	1,088,375,313
Accumulated Depreciation and Impairment Loss			
Balance at beginning of year	(₱23,270,280)	(₱26,878,147)	(₱50,148,427)
Depreciation for the year (see Note 21)	–	(12,426,625)	(12,426,625)
Disposals during the year	23,270,280	–	23,270,280
Balance at end of year	–	(39,304,772)	(39,304,772)
Net book value	₱777,709,684	₱271,360,857	₱1,049,070,541

The Carmona property with carrying value of ₱109.8 million and the 5.1 hectare property in Sta. Cruz with carrying value of ₱359.6 million as of December 31, 2012 are used by the Parent Company as collateral for its long-term loans obtained from a local bank (see Note 17). In 2012, restriction on the Sta. Cruz property was released by the bank.

Philippine Economic Zone Authority (PEZA) zones

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

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

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

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

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

Under the JDA, the Parent Company agreed to contribute the necessary cash to fully finance the construction and development of the retail development area and its corresponding share (30%) of the development of the office units. In return for their respective contributions, the parties will distribute and allocate the developed units among themselves (see Note 12). As of December 31, 2013 and 2012, the Parent Company's contribution to the JDA amounting to ₱310.7 million is presented as the cost of "Building" under "Investment properties" in the consolidated balance sheets.

On December 12, 2008, the Parent Company and ALI executed a Deed of Partition for the distribution and allocation of the developed units. The entire retail development area and the appurtenant parking lots were allocated to the Parent Company in return for its contribution for the construction and development of the said area. For the Parent Company's contribution in the construction and development of the office building, the Parent Company was allocated with developed office building with gross leasable area of 5,793 square meters located at various floors and the appurtenant parking lots. In 2013, 2012 and 2011, rental income amounted to ₱10.7 million, ₱9.4 million and ₱10.7 million, respectively.

Capitalized borrowing costs incurred in connection with the construction and development of the Building Complex amounted to ₱8.0 million in 2008. The capitalization rate used to determine the amount of borrowing costs eligible for capitalization was 7.37% in 2008. No interest on loans was capitalized in 2012, 2011 and 2010. Undepreciated capitalized interest relating to the Building Complex as of December 31, 2013 and 2012 amounted to ₱6.7 million and ₱7.8 million, respectively.

Rizal Property
In 2013, the Parent Company sold the property for ₱26.8 million, net of VAT, resulting to a gain on sale of property amounting to ₱13.4 million (see Notes 9 and 26).

Assets Under Operating Lease
In 2009, the Parent Company entered into lease agreements with various tenants for the retail development area of the aforementioned Building Complex. Portions of the area are rented out at different rates per square meter with lease terms ranging from three to five years. Rent income from the retail development area amounted to ₱10.7 million, ₱9.4 million and ₱10.7 million in 2013, 2012 and 2011, respectively.

In 2010, the Parent Company and ALI, through the San Lazaro JV, entered into lease agreements with various tenants for the developed office units in the Building Complex. Equity in the net earnings of the JV amounted to ₱4.7 million, ₱17.9 million and ₱14.8 million in 2013, 2012 and 2011, respectively (see Note 12).

Fair Market Values
As of December 31, 2013, the aggregate fair value of the Group's investment properties amounted to ₱3.3 billion. Fair values of the Carmona property and Sta. Cruz property have been determined based on valuation performed by independent professional appraisers using the sales comparison approach and income approach by land residual technique with reports dated January 18, 2012 and May 5, 2010, respectively. Management believes that there are no material changes in fair value on these investment properties as of December 31, 2013 from the most recent revaluations performed by independent appraisers.

16. Other Noncurrent Assets

	2013	2012
Franchise fee (see Note 1)	**₱16,178,839**	₱17,972,839
Deferred input VAT (see Note 6)	**9,267,193**	78,142,998
Deposits	**5,351,653**	5,114,127
Meralco cash bond deposits	**3,299,680**	3,299,680
Philippine Long Distance Telephone Company deposits	**75,900**	75,900
Others	**230,290**	230,290
	₱34,403,555	₱104,835,834

Deferred input VAT amounting to ₱72.1 million was recognized by MIC in 2012 arising from the property for share exchange transaction between MIC and the Parent Company (see Note 6). In 2013, the Parent Company loses control over MIC resulting to deconsolidation of input VAT amounting to ₱72.1 million (see Note 6).

Franchise Fee
Movements in the carrying amounts of franchise fees in 2013 and 2012 are shown below:

	2013	2012
Acquisition cost	**₱44,850,000**	₱44,850,000
Accumulated amortization:		
Balance at beginning of year	**26,877,161**	25,083,161
Amortization for the year (see Note 19)	**1,794,000**	1,794,000
Balance at end of year	**28,671,161**	26,877,161
	₱16,178,839	₱17,972,839

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

Short-term Loans
As of December 31, 2013 and 2012, outstanding balance of short-term loans and borrowings amounted to ₱86.4 million and ₱70.4 million, respectively. These loans were obtained for working capital requirements and bear average interest of 4.65% and 4.25% in 2013 and 2012, respectively. The promissory notes covering these loans have terms of one year or less and are renewed upon maturity.

Interest expense on short-term loans amounted to ₱2.9 million, ₱3.7 million and ₱11.9 million in 2013, 2012 and 2011, respectively (see Note 25).

Long-term Loans

	2013	2012
Bank loans	**₱28,571,429**	₱42,857,143
Less current portion	**14,285,714**	14,285,714
Noncurrent portion	**₱14,285,715**	₱28,571,429

The Parent Company obtained loans from a local bank amounting to ₱45.0 million in 2006, ₱71.0 million in 2007 and ₱100.0 million in 2008 for working capital requirements. These loans bear interest of 7.10% to 10.75% per annum with maturity date of November 2011 and 2015. These loans are payable in equal quarterly installments and interest rates are subject to quarterly repricing. Loans amounting to ₱14.3 million were paid in 2013 and 2012. The loans are secured by real estate mortgages on Carmona property and Sta. Cruz property with carrying values of ₱109.8 million as of December 31, 2013 and 2012 and ₱359.6 million as of December 31, 2013 and 2012, respectively.

Interest expense on bank loans amounted to ₱1.6 million, ₱2.3 million and ₱4.0 million in 2013, 2012 and 2011, respectively (see Note 25). Interest expense recognized on obligations under finance lease amounted to nil in 2013 and 2012 and ₱0.4 million in 2011 (see Note 25).

18. Accounts Payable and Other Liabilities

	2013	2012
Due to KPPI (see Note 14)	**₱89,900,000**	₱89,900,000
Due to contractors (see Note 14)	**48,563,671**	48,563,671
Accounts payable (see Note 14)	**43,359,168**	58,042,039
Cash bond on OTB operators	**32,547,769**	32,435,183
Documentary stamps payable	**30,297,828**	33,828,590
Accrued expenses	**14,348,677**	21,095,487
Probable losses (see Note 32)	**8,343,827**	–
Taxes on winnings	**7,387,574**	6,015,638
Due to concessionaires	**6,707,770**	6,519,788
Trade payable and buyers' deposits	**6,203,814**	6,351,082
Due to horse owners	**4,886,178**	7,175,874
Dividends payable	**2,878,325**	6,654,211
VAT payable	**3,678,580**	2,012,513
Due to OTB operators	**2,968,499**	2,921,180
Retention payable (see Note 14)	**1,824,907**	10,015,559
Due to Philracom	**1,219,969**	4,658,922
Liability to joint venture (see Note 12)	**–**	1,657,756
Others	**10,311,008**	8,930,301
	₱315,427,564	₱346,777,794

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

Others include amounts due to the Philippine Racing Commission, due to horse owners and horse prizes payable.

Deposit for future stock subscription in MIC
In 2012, the Group received ₱75.1 million as deposit for future stock subscription of MIC from a group of investors.

19. Cost of Sales and Services

Cost of club races consists of:

	2013	2012	2011
Personnel costs (see Note 22)	**₱52,238,163**	₱60,781,921	₱63,474,777
Depreciation (see Notes 14 and 21)	**39,170,853**	49,377,877	49,161,591
Commission	**23,349,788**	31,324,062	33,286,683
Utilities	**16,532,357**	18,822,803	15,738,217
Transportation and travel	**7,125,528**	8,461,482	6,514,713
Contracted services	**6,424,604**	7,032,126	5,078,573
Supplies	**3,921,892**	4,913,278	5,001,805
Rent (see Note 32)	**3,259,102**	3,235,454	2,494,110
Repairs and maintenance	**2,941,770**	3,234,987	3,116,641
Meetings and conferences	**2,434,029**	3,636,191	3,732,432
Security services	**1,871,265**	2,210,486	1,648,063
Amortization of franchise fee (see Note 16)	**1,794,000**	1,794,000	1,794,000
Taxes and licenses	**1,658,288**	501,035	719,673
Gas, fuel and oil	**1,527,660**	1,536,807	1,831,640
Software license	**–**	3,892,467	–
Others	**5,965,228**	3,148,898	4,198,060
	₱170,214,527	₱203,903,874	₱197,790,978

Cost of real estate sales consists of properties sold amounting to ₱46.5 million, ₱95.1 million and ₱92.4 million for the years 2013, 2012 and 2011.

Cost of rental services consists of:

	2013	2012	2011
Depreciation (see Notes 14, 15 and 21)	**₱29,082,392**	₱43,970,349	₱37,105,896
Utilities	**6,976,219**	11,163,685	3,273,044
Contracted services	**2,925,905**	2,924,824	2,180,904
Personnel costs (see Note 22)	**2,612,785**	3,127,001	3,226,698
Meetings and conferences	**1,421,717**	9,531,924	10,570,296
Repairs and maintenance	**1,174,902**	2,312,343	2,727,875
Others	**2,065,714**	2,662,505	4,459,091
	₱46,259,634	₱75,692,631	₱63,543,804

Cost of food and beverage in 2013 consists of:

Food and beverages	₱4,026,786
Contracted services	3,058,534
Utilities	2,658,367
Meetings and conferences	1,888,425
Personnel cost (see Note 22)	1,533,536
Depreciation (see Note 14 and 21)	478,101
Security	135,941
Repairs	96,026
Rent (see Note 32)	52,429
Supplies	41,963
Gas, fuel and oil	37,610
Transportation and travel	8,314
Others	500,954
	₱14,516,986

20. General and Administrative Expenses

	2013	2012 (As restated – Note 3)	2011 (As restated – Note 3)
Personnel costs (see Note 22)	**₱72,114,110**	₱69,185,883	₱65,245,544
Utilities	**17,768,339**	19,276,861	23,737,759
Contracted services	**17,748,111**	16,308,855	15,676,867
Depreciation (see Note 14 and 21)	**16,836,972**	18,493,484	13,491,318
Meals and refreshments	**9,064,306**	16,050,775	9,677,436
Professional fees	**8,396,583**	21,412,481	15,289,853
Gas, fuel and oil	**8,290,788**	9,209,880	8,532,407
Provision for doubtful accounts (Note 9)	**7,410,934**	–	2,500,000
Taxes and licenses	**6,528,313**	18,050,074	13,783,455
Repairs and maintenance	**6,071,616**	6,611,247	8,737,089
Rent (see Note 32)	**5,999,014**	7,979,545	4,649,963
Security services	**5,382,463**	5,855,951	6,724,205
Transportation and travel	**3,743,090**	9,791,988	5,726,455
Insurance	**1,190,813**	478,962	774,552
Commission	**980,864**	5,805,451	1,131,107
Supplies	**965,332**	1,199,067	10,126,512
Advertising	**952,334**	703,232	510,260
Membership dues	**883,809**	1,076,028	1,040,341
Seminars and trainings	**349,742**	1,363,298	1,389,123
Filing and listing fee	**–**	2,536,650	–
Directors fee	**–**	2,285,000	–
Impairment loss on inventory	**–**	–	7,082,084
Others	**4,798,443**	8,418,504	6,275,367
	₱195,475,976	₱242,093,216	₱222,101,697

21. Depreciation

	2013	2012	2011
Cost of club races (see Note 19)	**₱39,170,853**	₱49,377,877	₱49,161,591
Cost of rental services (see Note 19)	**29,082,392**	43,970,349	37,105,896
General and administrative expense (see Note 20)	**16,804,481**	18,493,484	13,491,318
Cost of food and beverages (see Note 19)	**478,101**	–	–
	₱85,535,827	₱111,841,710	₱99,758,805

22. Personnel Costs

	2013	2012	2011
Salaries and wages	**₱105,510,049**	₱112,885,175	₱108,914,992
Retirement benefits costs (Note 23)	**12,966,686**	8,834,022	8,373,923
Other employee benefits	**10,021,859**	11,375,608	14,658,104
	₱128,498,594	₱133,094,805	₱131,947,019

23. Retirement Benefits Costs

The Parent Company has two tax-qualified, funded, noncontributory retirement plans covering both regular permanent and race day operation employees. The retirement plans provide for benefits on retirement, death and disability equivalent to a certain percentage of salary for every year of service based on the final monthly salary of the employee at the time of retirement, death or disability. An independent actuary, using the projected unit credit method, conducted the actuarial valuation of the fund. The latest actuarial valuation reports are as of December 31, 2013.

The details of the retirement benefits costs are as follows:

	2013	2012 (As restated - see Note 3)	2011 (As restated - see Note 3)
Current service costs	**₱6,090,929**	₱6,376,034	₱5,683,488
Interest costs	**2,060,608**	2,457,988	2,690,435
Past service costs	**4,815,149**	–	–
	₱12,966,686	₱8,834,022	₱8,373,923

The details of accrued retirement benefits as of December 31 are as follows:

	2013	2012 (As restated – see Note 3)
Defined benefit obligation	**₱65,147,410**	₱70,777,341
Fair value of plan assets	**(30,086,238)**	(45,422,474)
	₱35,061,172	₱25,354,867

Movements in the accrued retirement benefits follow:

	2013	2012 (As restated – see Note 3)
Balance at beginning of year	**₱25,354,867**	₱38,250,656
Net retirement benefits costs for the year	**12,966,686**	8,834,022
Contributions for the year	**(7,275,719)**	(7,700,000)
Defined benefit cost recognized in OCI	**5,554,938**	(13,351,823)
Direct payments from book reserve	**(1,539,600)**	(677,988)
Balance at end of year	**₱35,061,172**	₱25,354,867

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

	2013	2012 (As restated – see Note 3)
Defined benefit obligation at beginning of year	**₱70,777,341**	₱78,847,540
Current service costs	**6,090,929**	6,376,034
Interest costs	**4,310,340**	5,140,860
Past service cost - plan amendments	**4,815,149**	–
Actuarial loss/(gain) due to:		
Experience adjustments	**5,204,526**	(11,515,212)
Change in demographic assumptions	**(2,478,848)**	(1,741,836)
Change in financial assumptions	**2,205,411**	945,034
Benefits paid	**(24,237,838)**	(6,597,091)
Direct payments from book reserve	**(1,539,600)**	(677,988)
Defined benefit obligation at end of year	**₱65,147,410**	₱70,777,341

In 2013, the Parent Company recognized a plan amendment which changed the benefits payable under the plan, resulting in recognition of past service cost. There was no plan amendment, curtailment, or settlement recognized in 2012.

Changes in fair value of plan assets are as follows:

	2013	2012 (As restated – see Note 3)
Fair value of plan assts at beginning of year	**₱45,422,474**	₱40,596,884
Interest income	**2,249,732**	2,682,872
Contributions	**7,275,719**	7,700,000
Benefits paid	**(24,237,838)**	(6,597,091)
Actuarial gain (loss)	**(623,849)**	1,039,809
Fair value of plan assets at end of year	**₱30,086,238**	₱45,422,474
Actual return on plan assets	**₱1,625,883**	₱3,722,681

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

	2013	2012 (As restated – see Note 3)
Cash and cash equivalents	**₱2,091,939**	₱3,663,154
Investment in unit investment trust fund	**12,109,124**	16,187,208
Investment in government securities	**16,050,647**	25,185,065
Others	**292,806**	470,125
	30,544,516	45,505,552
Liabilities	**(458,278)**	(83,078)
	₱30,086,238	₱45,422,474

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

The plan's assets consist of the following:

- Cash and cash equivalents, which includes regular savings and time deposits;
- Investments in corporate debt instruments, consisting of both short-term and long-term corporate loans, notes and bonds, which bears interest ranging from 3.5% to 8.5% and have maturities from 2013 to 2031; and
- Investments in government securities consist of AFS financial assets.

The carrying amounts of investments in government securities also approximate their fair values since they are marked-to-market.

- Other financial assets held by the plan are primarily accrued interest income on cash deposits and debt securities held by the plan.
- Liabilities of the plan pertain to trust fee payable and retirement benefits payable.

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

	2013	2012	2011
Discount rates	**5.10%**	6.09%	7.70%
Expected rate of salary increase	**4.00%**	4.00%	4.00%

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

	Increase (decrease)	2013
Discount rate	**+0.5%**	**(₱2,226,471)**
	-0.5%	**2,490,675**
Salary increase rate	**+0.5%**	**2,190,984**
	-0.5%	**(2,006,769)**

The weighted average duration of the defined benefit obligation as of December 31, 2013 is 4.9 years.

Shown below are the expected future benefit payments as at December 31, 2013:

Less than 1 year	₱4,744,479
More than 1 year to 5 years	17,925,416
More than 5 years to 10 years	27,800,765

24. Interest Income

Interest income related to:

	2013	2012	2011
Real estate receivables (see Note 9)	**₱9,687,098**	₱17,522,284	₱16,496,651
Cash and cash equivalents (see Note 7)	**2,725,541**	8,484,533	7,149,051
Advances to related parties (see Note 28)	**139,884**	191,484	25,000
Treasury bond	**454,952**	80,986	–
	₱13,007,475	₱26,279,287	₱23,670,702

25. Finance Costs

Interest expense related to:

	2013	2012	2011
Short-term loans (see Note 17)	**₱2,857,247**	₱3,657,362	₱11,864,629
Long-term loans (see Note 17)	**1,560,671**	2,259,732	4,044,700
Obligations under finance lease (see Notes 17 and 32)	–	–	351,002
Bank charges and others	**393,015**	178,572	–
	₱4,810,933	₱6,095,666	₱16,260,331

26. Other Income (Charges)

	2013	2012	2011
Gain on loss of control due to remeasurement of retained interest	**₱4,772,828,756**	₱–	₱–
Impairment of investment in associate (see Notes 6 and 12)	**(2,679,879,083)**	–	–
Dividend income (see Notes 9 and 13)	–	–	545,307

(Forward)

	2013	2012	2011
Gain on sale of investment property (see Note 15)	**₱13,351,064**	₱–	₱–
Gain on unclaimed dividends (see Note 32)	–	22,299,094	–
Foreign exchange loss - net	**(95,690)**	1,308	(18)
Reversal of various liabilities	–	11,641,529	2,142,634
Forfeited collections on real estate	–	3,778,910	–
Write-off of AFS financial assets and receivables (see Notes 9 and 13)	–	(1,418,160)	(62,335,590)
Others - net	**17,304,749**	13,743,259	1,074,156
	₱2,123,509,796	₱50,045,940	(₱58,573,511)

27. Income Taxes

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

	2013	2012	2011
RCIT	**₱11,487,155**	₱17,449,806	₱14,944,464
MCIT	–	3,500	43,353
Final tax on interest income	**627,781**	1,697,504	1,420,774
	₱12,114,936	₱19,150,810	₱16,408,591

MIC's current provision for income tax in 2012 and 2011 represents MCIT amounting to ₱3,500 and ₱43,353, respectively (see Note 6).

b. The components of the Group's net deferred tax liabilities as of December 31 are as follows:

	2013	2012 (As restated - Note 3)
Deferred tax assets on (recognized in profit or loss):		
Accrued retirement benefits	**₱10,518,352**	₱7,606,460
Allowance for doubtful accounts	**2,609,033**	1,800,000
Unamortized past service cost	**1,233,799**	1,089,649
Impairment loss on real estate inventory	–	755,959
Provision for inventory write-down	**619,218**	–
Allowance for impairment on investment on associate	**300,000**	300,000
Rent receivable	**200,454**	3,639
Unearned income	**171,500**	146,675
	₱15,652,356	₱11,702,382

(Forward)

	2013	2012 (As restated - Note 3)
Deferred tax liabilities on (recognized in profit or loss):		
Unrealized gain from real estate transactions	**(₱70,196,531)**	(₱58,104,348)
Undepreciated capitalized borrowing costs	**(15,184,252)**	(16,135,917)
Rent receivable	**(1,104,677)**	–
Accrued rent expense	**–**	(138,035)
Unrealized foreign exchange gain	**(1,413)**	(427)
Deferred tax liabilities on (recognized directly in other comprehensive income):		
Unrealized deemed cost adjustment on real estate properties (Note 28)*	**(193,958,252)**	(207,618,342)
	(280,445,125)	(281,997,069)
Net deferred tax liabilities	**(₱264,792,769)**	(₱270,294,687)

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

c. Biohitech and SLLPHI have no provision for income tax in 2013, 2012 and 2011. Biohitech and SLLPHI did not recognize deferred tax asset on NOLCO for 2011 amounting to ₱0.1 million and ₱0.01 million, respectively, since the entities believe that sufficient future taxable income will not be available against which the NOLCO can be applied. Unrecognized NOLCO of Biohitech and SLLPHI as of December 31, 2013 and 2012 amounted to ₱2.8 million for Biohitech and ₱0.02 million for SLLPHI, respectively, will expire in 2015.

d. Deferred tax assets were not recognized by MIC on the carryforward benefits of unused NOLCO and excess MCIT as management believes that MIC may not have sufficient taxable income against which the excess MCIT and unused NOLCO may be applied. The following are the details of the unused NOLCO and excess MCIT as of December 31:

	2013	2012
NOLCO	**₱–**	₱43,776,277
Excess of MCIT over RCIT	**–**	75,893

As of December 31, 2012, the details of NOLCO and excess of MCIT over RCIT of MIC are as follows:

Year Incurred	Year of Expiration	NOLCO	MCIT
2010	2013	₱2,012,493	₱29,040
2011	2014	1,989,528	43,353
2012	2015	39,774,256	3,500
		₱43,776,277	₱75,893

As of December 31, 2013, there were no unrecognized deferred tax assets since the Parent Company lost control over MIC in 2013 (see Note 6).

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

	2013	2012	2011
Income tax at statutory rates	**₱635,239,950**	₱9,146,659	₱3,921,471
Additions to (reductions in) income tax resulting from tax effects of:			
Nondeductible expenses and others	**797,026,409**	4,092,789	3,007,297
Movements in unrecognized deferred income tax assets	**13,208,776**	12,918,960	476,446
Nondeductible interest expense	**272,426**	840,988	693,711
Interest income subjected to final tax	**(189,498)**	(1,704,101)	(2,144,716)
Nontaxable income	**(1,437,278,564)**	(5,359,229)	(7,183,569)
Change in assumption	–	–	(9,414,287)
Provision for income tax	**₱8,279,499**	₱19,936,066	(₱10,643,647)

28. Related Party Transactions

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

			2013		2012			
Entity	Relationship	Nature	**Amount**	**Outstanding Receivable (Payable) Balance**	Amount	Outstanding Receivable (Payable) Balance	Terms	Condition
Biohitech Korea (BHK)[a]	Affiliate	Advances	**₱–**	**(₱38,640,000)**	₱–	₱–	Non-interest bearing	Unsecured, unguaranteed
Acro Management Development Corporation (AMDC)[b]	Affiliate	Lease of office space	**8,111,241**	**(1,431,711)**	7,889,899	–	Non-interest bearing	Unsecured, unguaranteed
Sierra Prime Properties Corporation (SPPC)[c]	Affiliate	Cash advances	–	–	–	5,000,000	Non-interest bearing	Unsecured, unguaranteed
		Sale of assets and liabilities	–	–	108,389,153	108,309,153	Non-interest bearing	Unsecured, unguaranteed
		Interest on cash advances	–	–	175,000	175,000	Non-interest bearing	Unsecured, unguaranteed
		Cash advances	–	–	(17,310)	(17,310)	Non-interest bearing	Unsecured, unguaranteed

a. In 2009, Biohitech obtained advances from its affiliate, BHK, to finance the construction of the building housing the fermentation machine and for the importation of additional machines. The advances are due and demandable and non-interest bearing and remain outstanding as of December 31, 2013. The conversion of these advances into shares of stock of Biohitech is still subject for approval by the BOD and has not been finalized as of December 31, 2012.

b. The Parent Company has a lease agreement with AMDC, an affiliate under common control, in the lease of office space and four parking lots (see Note 32). As of December 31, 2013, the outstanding balance is presented as "Accounts payable and other liabilities" in the consolidated balance sheets.

c. In 2011, MIC extended interest -bearing advances amounting to ₱5.0 million to SPPC for a period of one year with interest rate of 6%. Interest income recognized in 2012 amounted to ₱175,000. Receivable from SPPC amounted to ₱108.3 million which pertains to the transfer of assets and liabilities arising from the execution of the MOA signed on August 6, 2012 (see Note 6).

d. Compensation of key management personnel of the Parent Company amounted to ₱41.1 million, ₱40.9 million and ₱36.1 million in 2013, 2012 and 2011, respectively. The Parent Company has no standard arrangement with regard to the remuneration of its directors. In 2013, 2012 and 2011, the BOD received a total of ₱8.1 million, ₱8.0 million and ₱1.6 million, respectively.

29. Equity

Capital Stock

The details of the Parent Company's capital stock as of December 31 are as follows:

	2013		2012	
	Number of Shares	Amount	Number of Shares	Amount
Common shares - ₱1 par value				
Authorized - 1,000,000,000 shares				
Issued and outstanding (held by 980 and 724 equity holders in 2013 and 2012, respectively)	**862,487,439**	**₱862,487,439**	862,487,439	₱862,487,439
Stock dividend issued during the year	**86,247,459**	**86,247,459**	–	–
	948,734,898	**₱948,734,898**	862,487,439	₱862,487,439

Stock Rights Offer

During the annual stockholders' meeting of the Parent Company held last June 18, 2010, the stockholders approved and ratified the stock rights offer as approved by the BOD during its meeting held on October 28, 2009. The stock rights will be offered to existing stockholders at a ratio of one share for every two shares held at par value. The proceeds from the stock rights offer will be used for capital expenditures, retirement of loans and full payment of the subscription payable to MIC.

On April 13, 2011, the PSE approved the Parent Company's application for the additional listing of up to 287,492,659 common shares with par value of ₱1.00 per share to cover the 1:2 stock rights offering. On May 3, 2011, the SEC approved the record date to be May 6, 2011. The shares were subscribed and issued to all stockholders of record as of May 30, 2011 and were listed in the PSE on the same date.

Treasury Shares
On January 13, 2011, the Parent Company purchased the delinquent shares from its 2004 stock rights offering totaling 9,462 shares. The amount paid for the acquisition of the treasury shares amounted to ₱7,096.

Appropriation of Retained Earnings
The Parent Company's appropriated retained earnings for building improvements amounted to ₱17.2 million as of December 31, 2013 and 2012.

Declaration of Dividends
The following are the details of the dividends declared in 2013 and 2012

Type of dividend	Date of Declaration	Date of Record	Date of Payment	Dividends per share
Cash				
	May 30, 2013	June 18, 2013	June 28,2013	₱0.05
	October 24, 2012	November 12, 2012	November 26, 2012	0.08
	March 7, 2012	March 28, 2012	April 18, 2012	0.08
	May 25, 2011	June 15, 2011	June 30, 2011	0.05
Stock				
	May 30, 2013	July 18, 2013	August 13, 2013	10%
	January 14, 2011	January 19, 2011	February 14, 2011	20%

As of December 31, 2013 and 2012, outstanding dividends payable amounted to ₱1.2 million and ₱137.4 million, respectively.

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

Deemed Cost Adjustment
The unappropriated retained earnings include the remaining balance of the deemed cost adjustment which arose when the Group transitioned to PFRS in 2005.

The components of the deemed cost adjustment as of December 31 are as follows:

	2013	2012
Real estate inventories	**₱80,453,494**	₱125,987,142
Property and equipment	–	112,273,948
Investment properties	**597,459,817**	597,459,829
Revaluation increment	**677,913,311**	835,720,919
Deferred income tax liability (see Note 27)	**(193,958,252)**	(207,618,342)
Deemed cost adjustment	**₱483,955,059**	₱628,102,577

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

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

30. Basic/Diluted Earnings per Share

Basic/diluted earnings per share were computed as follows:

	2013	2012	2011
Net income attributable to equity holders of the Parent Company	**₱2,109,187,001**	₱17,289,659	₱23,705,583
Divided by weighted average number of outstanding common shares	**948,734,898**	862,477,977	766,647,091
Basic/diluted earnings per share	**₱2.223**	₱0.020	₱0.031

The Parent Company does not have potential dilutive common shares as of December 31, 2013, 2012 and 2011. Therefore, the basic and diluted earnings per share are the same as of those dates.

31. Operating Segment Information

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided. The Group's three reportable operating segments are the operation and maintenance of race tracks and holding of horse races, the development and sale of real estate properties and rental of stables, building and other facilities. No operating segments were aggregated to form these reportable operating segments.

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

As of December 31, 2013, 2012 and 2011, the Group has no transactions between reportable segments. The Group measures the segment net income or loss, segment assets and segment liabilities for each reportable segment in a manner similar to the measurement of the Group's total comprehensive income.

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

Segment Revenue and Expenses

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

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

	2012					
	Club Races	Real Estate	Rent	Food and Beverage	Unallocated	Total
Segment revenue	₱280,868,413	₱211,715,787	₱125,818,791	₱–	₱60,617,511	₱679,020,502
Cost and expenses	(203,903,874)	(118,949,777)	(75,692,631)	–	(249,623,673)	(648,169,955)
Income (loss) before income tax	76,964,539	92,766,010	50,126,160	–	(189,006,162)	30,850,547
Provision for income tax	–	–	–	–	(20,044,571)	(20,044,571)
Net income (loss)	₱76,964,539	₱92,766,010	₱50,126,160	₱–	(₱209,050,733)	₱10,805,976

	2011					
	Club Races	Real Estate	Rent	Food and Beverage	Unallocated	Total
Segment revenue	₱297,871,180	₱224,608,049	₱155,181,732	₱–	₱7,174,051	₱684,835,012
Cost and expenses	(197,790,978)	(113,493,122)	(63,543,804)	–	(296,900,811)	(671,728,715)
Income (loss) before income tax	100,080,202	111,114,927	91,637,928	–	(289,726,760)	13,106,297
Benefit from income tax	–	–	–	–	10,633,229	10,633,229
Net income (loss)	₱100,080,202	₱111,114,927	₱91,637,928	₱–	(₱279,093,531)	₱23,739,526

Finance costs, unrealized gains on fair value changes of held for trading investments, other income (charges) and income taxes are not allocated to individual segments as the underlying instruments are managed on a group basis and are not provided to the chief operating decision maker at the operating segment level in 2013, 2012 and 2011. Equity in net earnings of an interest in a jointly controlled entity amounting to nil and ₱17.9 million in 2013 and 2012, respectively, are included in the segment revenue of operating segment "Rent".

Segment Assets and Liabilities and Other Information

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

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

32. Commitments and Contingencies

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

a. Operating Lease Commitment - the Parent Company as Lessee

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

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

	2013	2012
Within one year	**₱5,387,127**	₱5,130,598
After one year but not more than five years	**24,380,152**	23,219,193
	₱29,767,279	₱28,349,791

On January 1, 2011, the Parent Company entered into a new lease agreement with AMDC for the lease of office space at 12th floor of Strata 100 Building. The lease is for a period of five years starting 2011 with a yearly escalation of 5%.

Total rent expense from this operating lease amounted to ₱6.0 million, ₱8.0 million and ₱4.6 million in 2013, 2012 and 2011, respectively (see Note 20).

b. Operating Lease Commitment - the Parent Company as Lessor

On July 12, 2008, the Parent Company renewed its contract of lease with PAGCOR for the lease of an area of 929.5 square meters within the Turf Club at Carmona for its casino operations and related activities (see Note 14). The lease is for a period of five years beginning from the date when PAGCOR commences its casino operations. The monthly rental shall be ₱400 per square meter subject to a five percent (5%) escalation rate computed on an annual basis.

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

	2013	2012
Within one year	**₱1,159,252**	₱676,230
After one year but not more than five years	**–**	–
	₱1,159,252	₱676,230

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

c. Claims and Legal Actions

As of December 31, 2013 and 2012, there are pending claims and legal actions against or in favor of the Parent Company arising from the normal course of business, in addition to the matters already mentioned elsewhere in these financial statements. In the opinion of the Parent Company's management and its legal counsel, liabilities arising from these claims, if any, would not have any material effect on the Parent Company and any liability or loss arising there from would be taken up when the final resolution of the claims and actions are determined.

d. Unclaimed Dividends on Winnings

The Rules and Regulations promulgated by Philippine Racing Commission (Philracom) states that unclaimed dividends shall be considered forfeited in favor of a charitable institution or for such purposes related to the development of horse racing and other related matters to be determined by the Philracom board.

In accordance with a letter dated June 14, 2012 duly received by Philracom, in response to the disposition of unclaimed dividends, the Parent Company has taken a position that the Parent Company cannot be legally mandated to remit unclaimed dividends to Philracom. As such, the Parent Company will consider unclaimed dividends as part of its corporate revenues and accordingly, utilize the same for its core business of conducting horse races in fealty to its legislative mandate under R.A. 8407.

For 2013, the Commision on Audit (COA) conducted their regular audit for the Company which resulted in the remittance of unclaimed dividends to the National Treasury. The Company filed a petition for declaratory relief with the Regional Trial Court (RTC) of Cavite. As of December 31, 2013, the case is still pending resolution with the RTC. Hence, the Company recognized a provision for probable losses amounting to ₱8.3 million (see Note 18).

33. Financial Assets and Financial Liabilities

Fair Value Hierarchy

The Group measures the fair value of financial instruments carried at fair value using the following hierarchy:

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; and

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The following tables present the fair value of the Company's AFS, investment properties and loans and borrowings as of December 31:

	2013			
	Amounts	**Level 1**	**Level 2**	**Level 3**
AFS financial assets	**₱21,242,951**	**₱21,242,951**	**₱–**	**₱–**
Investment properties	**3,254,880,768**	**–**	**–**	**3,254,880,768**
Loans and borrowing	**115,122,769**	**–**	**–**	**115,122,769**

	2012			
	Amounts	Level 1	Level 2	Level 3
AFS financial assets	₱30,937,269	₱30,937,269	₱–	₱–
Investment properties	3,254,880,768	–	–	3,254,880,768
Loans and borrowing	111,691,892	–	–	111,691,892

As of December 31, 2013 and 2012, the Group's quoted held for trading investments and AFS financial assets measured at fair value under the Level 1 hierarchy totaled ₱21.2 million and ₱30.4 million, respectively. There were no financial instruments measured at fair value under the Level 2 and Level 3 hierarchies. The fair value of investment properties amounting to ₱3.3 billion were determined using Level 3 inputs. There were no transfers between the hierarchy in 2013 and 2012.

In 2013 and 2012, the carrying value of cash and cash equivalents, receivables, deposits and accounts payable and other liabilities and due to related parties approximates its fair value due to the short-term nature of the transaction.

34. Financial Risk Management Objectives and Policies

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

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

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rate relates primarily to the Group's interest-bearing loans and borrowings which carry floating interest rates (see Note 17).

The Group's interest rate risk management policy focuses on reducing the overall interest expense and exposure to changes in interest rates. Risk of changes in market interest rates is related primarily to the Group's interest on financial instruments classified as floating rate as it can cause a change in the amount of interest payments. Interest on financial instruments classified as floating rate is repriced at intervals of less than a year. The financial instruments of the Group that bear fixed interest rates or are noninterest-bearing are not included in the succeeding analyses. The Group invests excess funds in short-term investments in order to mitigate any increase in interest rate on borrowings.

The following table demonstrates the sensitivity of the Group's income before income tax to a reasonably possible change in interest rates, with all other variables held constant, for the years ended December 31, 2013 and 2012. There is no impact on the Group's equity other than those affecting profit or loss.

	Increase (decrease) in basis points	Effect on income before income tax
2013	**+1%**	**(₱992,946)**
	-1%	**992,946**
2012	+1%	(1,132,946)
	-1%	1,132,946

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

The following table demonstrates the sensitivity of the Group's equity to a reasonably possible change in the PSE index (PSEi), with all other variables held constant, for the years ended December 31, 2013 and 2012.

	Increase (decrease) in PSEi	Effect on equity
2013	**+14%**	**₱1,831,117**
	-14%	**(1,831,117)**
2012	+14%	3,018,337
	-14%	(3,018,337)

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

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

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

	United States (US) Dollar	Philippine Peso
2013	**US$93,731**	**₱4,161,188**
2012	12,629	518,420

As of December 31, 2013, the applicable closing exchange rate was ₱44.4 to US$1 and ₱41.1 to US$1, respectively.

The sensitivity of the Group's income before income tax to a reasonably possible change in the US Dollar exchange rate against the Peso, with all other variables held constant, has no significant effect in the financial statements for the years ended December 31, 2013 and 2012.

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

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

The table below shows the maximum gross exposure to credit risk of the Group as of December 31, 2013 and 2012.

	2013	2012
Loans and receivables:		
Cash and cash equivalents		
Cash in banks	**₱151,188,886**	₱137,875,667
Cash equivalents	**101,184,014**	127,513,423
	252,372,900	265,389,090
Receivables:		
Real estate receivables	**288,434,328**	261,932,698
Rent receivables	**26,628,846**	20,808,568
Receivable from sale of investment property	**20,000,000**	–
Dividends receivable	**17,088,300**	4,810,221
Receivables from OTB operators	**1,193,961**	964,937
Due from related parties	–	113,484,393
Others	**39,967,743**	27,394,746
	393,313,178	429,395,563
Deposits*	**3,375,580**	3,375,580
	₱649,061,658	₱698,160,233

** Included in "Other noncurrent assets" account in the consolidated balance sheets.*

Where financial instruments are recorded at fair value, the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future.

The credit quality of financial assets is managed by the Group using internal credit ratings. The tables below show the credit quality of financial assets based on the Group's credit rating system as of December 31.

	2013			
	Standard Grade	Past Due but not Individually Impaired	Individually Impaired	Total
Loans and receivables:				
Cash and cash equivalents				
Cash in banks	₱151,188,886	₱–	₱–	₱151,188,886
Cash equivalents	101,184,014	–	–	101,184,014
Receivables				
Real estate receivable	288,434,328	–	–	288,434,328
Receivables from OTB operators	1,193,961	–	–	1,193,961
Rent receivables	25,120,475	–	1,508,371	26,628,846
Dividends receivable	17,088,300	–	–	17,088,300
Receivable from sale of investment property	20,000,000	–	–	20,000,000
Others	32,779,338	–	7,188,405	39,967,743
Deposits*	3,375,580	–	–	3,375,580
	₱640,364,882	₱–	₱8,696,776	₱649,061,658

** Included in "Other noncurrent assets" account in the consolidated balance sheets.*

	2012			
	Standard Grade	Past Due but not Individually Impaired	Individually Impaired	Total
Loans and receivables:				
Cash and cash equivalents				
Cash in banks	₱137,875,667	₱–	₱–	₱137,875,667
Cash equivalents	127,513,423	–	–	127,513,423
Receivables				
Real estate receivable	261,932,698	–	–	261,932,698
Receivables from OTB operators	964,937	–	–	964,937
Rent receivables	14,808,568	–	6,000,000	20,808,568
Due from related parties	113,484,393	–	–	113,484,393
Dividends receivable	4,810,221	–	–	4,810,221
Others	27,394,746	–	–	27,394,746
Deposits*	3,375,580	–	–	3,375,580
	₱692,160,233	₱–	₱6,000,000	₱698,160,233

** Included in "Other noncurrent assets" account in the consolidated balance sheets*

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

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

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

Past due but not impaired loans and receivables amounting to nil as of December 31, 2013 and 2012, respectively, are aged more than one year but less than three years.

Liquidity risk
Liquidity risk is defined as the risk that the Group would not be able to settle or meet its obligations on time or at a reasonable price. The Group's objective is to maintain a balance between continuity of funding and flexibility by regularly evaluating its projected and actual cash

flows and through the use of bank loans and extension of suppliers' credit terms. The Group maximizes the net cash inflows from operations to finance its working capital requirements.

The tables below summarize the maturity profile of the Group's financial liabilities as of December 31, 2013 and 2012 based on contractual undiscounted payments (principal and interest) and the profile of the financial assets used to manage the Group's liquidity risk.

December 31, 2013

	Within 1 year	**>1 year to <3 years**	**3 years to <5 years**	**5 years and more**	**Total**
Loans and borrowings:					
Bank loans*	**₱73,786,094**	**₱14,950,000**	**₱–**	**₱–**	**₱88,736,094**
Accounts payable and other liabilities**	**229,851,478**	–	–	–	**229,851,478**
Due to related parties	**38,640,000**	–	–	–	**38,640,000**
	₱342,277,572	**₱14,950,000**	**₱–**	**₱–**	**₱357,227,572**

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

	Within 1 year	**>1 year to <3 years**	**3 years to <5 years**	**Total**
Cash on hand	**₱11,382,802**	**₱–**	**₱–**	**₱11,382,802**
Loans and receivables:				
Cash in banks	**151,188,886**	–	–	**151,188,886**
Cash equivalents	**101,184,014**	–	–	**101,184,014**
Receivables	**384,616,403**	–	–	**384,592,140**
Deposits*	–	–	**3,375,580**	**3,375,580**
	636,989,303	–	**3,375,580**	**640,340,620**
AFS financial assets	–	–	**21,242,951**	**21,242,951**
	₱648,372,105	**₱–**	**₱24,618,531**	**₱672,966,373**

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

December 31, 2012

	Within 1 year	>1 year to <3 years	3 years to <5 years	5 years and more	Total
Loans and borrowings:					
Bank loans*	₱89,045,380	₱31,228,572	₱–	₱–	₱120,273,952
Accounts payable and other liabilities**	240,736,324	–	–	–	240,736,324
Due to related parties	38,657,310	–	–	–	38,657,310
	₱368,439,014	₱31,228,572	₱–	₱–	₱399,667,586

** Amounts are inclusive of interest amounting to ₱5.0 million.*
*** Amounts are exclusive of nonfinancial liabilities amounting to ₱106.0 million.*

	Within 1 year	>1 year to <3 years	3 years to <5 years	Total
Cash on hand	₱9,214,107	₱–	₱–	₱9,214,107
Loans and receivables:				
Cash in banks	137,875,667	–	–	137,875,667
Cash equivalents	127,513,423	–	–	127,513,423
Receivables	423,395,563	–	–	423,395,563
Deposits*	–	–	3,375,580	3,375,580
	688,784,653	–	3,375,580	692,160,233
AFS financial assets	–	–	30,937,269	30,937,269
	₱697,998,760	₱–	₱34,312,849	₱732,311,609

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

35. Capital Management

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

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

	2013	2012
Capital stock	**₱948,734,898**	₱862,487,439
Additional paid in capital	**27,594,539**	27,594,539
Net cumulative changes in fair values of AFS financial assets	**9,013,593**	18,707,911
Remeasurement on retirement benefits	**24,875,348**	28,429,500
Retained earnings:		
Appropriated	**17,180,917**	17,180,917
Unappropriated	**3,321,616,115**	1,341,799,972
Treasury shares	**(7,096)**	(7,096)
	₱4,349,008,314	₱2,296,193,182

As of December 31, 2010, the Parent Company is no longer required to maintain debt-to-equity ratio. The Group still monitors its use of capital and capital adequacy by using debt-to-equity ratio. The debt-to-equity ratios as of December 31, 2013 and 2012 are as follows:

	2013	2012
Total debt	**₱814,561,007**	₱874,487,964
Total equity	**4,346,726,348**	2,435,535,857
Debt-to-equity ratio	**0.19:1**	0.36:1

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

36. Other Matters

On March 6, 2014, a Memorandum of Agreement (MOA) was executed between Manila Jockey Club, Inc. ("MJC") and Philippine Football Federation, Inc. ("PFF") to jointly develop a football complex on a portion of MJC's San Lazaro Leisure and Business Park ("SLLBP") in Carmona, Cavite. This is in consonance with MJC's over-all plan to develop SLLBP into a leisure, gaming and entertainment hub.

The football complex shall consist of a pitch of FIFA 2 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 Federacion Internationale de Football Association ("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 ("POC").

SGV
Building a better working world

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1226 Makati City
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ey.com/ph

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

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Manila Jockey Club, Inc. and its subsidiaries as at December 31, 2013 and 2012 and for each of the three years in the period ended December 31, 2013 included in this Form 17-A and have issued our report thereon dated April 8, 2014. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Consolidated Financial Statements and Supplementary Schedules are the responsibility of Manila Jockey Club, Inc. and subsidiaries' management. These schedules are presented for purposes of complying with Securities Regulation Code Rule No.68, As Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Arnel F. De Jesus
Partner
CPA Certificate No. 43285
SEC Accreditation No. 0075-AR-3 (Group A),
February 14, 2013, valid until February 13, 2016
Tax Identification No. 152-884-385
BIR Accreditation No. 08-001998-15-2012,
June 19, 2012, valid until June 18, 2015
PTR No. 4225163, January 2, 2014, Makati City

April 8, 2014

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION I
Date APR 23 2014 SDS
RECEIVED
PRECIOSA C. JAVIER

MANILA JOCEKY CLUB, INC.
Schedule A. Financial Assets
As of December 31, 2013

Financial Assets	Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Balance Sheet	Valued Based on Market Quotation at End of Reporting Period	Income Received and Accrued
AFS investments					
Quoted Equity Shares					
	Petron Corporation	187,500	2,617,500	2,617,500	-
	San Miguel Corporation	29,282	1,830,125	1,830,125	-
	Dizon Copper Silver Mines, Inc.	898,437	4,582,029	4,582,029	-
	PLDT (10% Cumulative Convertible Preferred Stocks	6,975	69,750	69,750	-
	Manila Southwoods	1	380,000	380,000	-
	Sta. Elena Golf	1	3,000,000	3,000,000	-
	Tagaytay Highlands	1	500,000	500,000	-
	Club Filipino	1	100,000	100,000	-
	Tower Club, Inc.	-	600,000	600,000	-
Unquoted Equity Shares					
	PLDT (Subscriber's Plan – at cost)	-	370,047	-	-
	Banahaw Cable Car	-	5,000	-	-
	Metropolitan Theatre – Membership	-	20,000	-	-
	PLDT (Subs. Investment Plan)	-	165,500	-	-
	Executive Suites Stocks – Membership	-	3,000	-	-
Treasury Bonds					
	Bureau of Treasury, Republic of the Philippines	7,000,000	7,000,000	7,000,000	454,951
			21,242,951	**20,679,404**	**454,951**

MANILA JOCKEY CLUB, INC.

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
As of December 31, 2013

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

Not Applicable

MANILA JOCKEY CLUB, INC.

Schedule C. Amounts Receivable from Related Parties which are eliminated during the Consolidation of Financial Statements
As of December 31, 2013

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions			Current	Not current	Balance at End of Period
			Amounts Collected	Amounts Written Off	Others			
New Victor Technology Ltd. – Special Purpose Entity	833,516	27,119,136	27,952,652	-	-	-	-	-
Biohitech Philippines, Inc. – Subsidiary	-	1,000	-	-	-	1,000	-	1,000
SLLP Holdings, Inc. – Subsidiary	2,049	1,000	-	2,049	-	1,000	-	1,000
MJC Forex Corporation – Subsidiary	-	792	792	-	-	-	-	-
Manilacockers Club, Inc. – Subsidiary	-	92,076	92,720	-	-	(644)	-	(644)
Gametime Sports and Technologies, Inc. – Subsidiary	-	1,428,393	52,570	-	-	1,375,823	-	1,375,823
MJC Investments Corporation – Associate	283,274	659,807	-	-	-	943,081	-	943,081
Techsystems, Inc. – Associate	1,245	1,000	-	1,245	-	1,000	-	1,000
	1,120,084	**29,304,273**	**28,098,734**	**4,363**	**-**	**2,321,260**	**-**	**2,321,260**

MANILA JOCKEY CLUB, INC.
Schedule D. Intangible Assets – Other Assets
As of December 31, 2013

Description	Beginning Balance	Additions at Cost	Charged to Cost and Expenses	Charged to Other Accounts	Other Changes Additions (Deductions)	Ending Balance
Not Applicable						

MANILA JOCKEY CLUB, INC.
Schedule E. Long-term Debt
As of December 31, 2013

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount Shown Under Caption "Current Portion of Long-term Debt" in Related Balance Sheet	Amount Shown Under Caption "Long-term Debt" in Related Balance Sheet						
			Amount - Long-Term	Interest Rate			No. of Periodic Instalments	Amount of Periodic Instalments	Maturity Date
				Low	High	Average			
BANK LOANS									
PN 824151211576	25,000,000.00	3,571,428	3,571,430	4.25%	4.75%	4.50%	4	892,857	11/05/15
PN 824151212122	40,000,000.00	5,714,286	5,714,285	4.25%	4.75%	4.50%	4	1,428,572	11/05/15
PN 824151212502	20,000,000.00	2,857,143	2,857,143	4.25%	4.75%	4.50%	4	714,286	11/05/15
PN 824151217719	15,000,000.00	2,142,857	2,142,857	4.25%	4.75%	4.50%	4	535,714	11/05/15
TOTAL	**100,000,000.00**	**14,285,714**	**14,285,715**					**3,571,429**	

MANILA JOCKEY CLUB, INC.
Schedule F. Indebtedness to Related Parties (Long-term Loans from Related Companies)
As of December 31, 2013

Name of Related Party	Balance at Beginning of Period	Balance at End of Period
SLLP Holdings, Inc.	4,240,000	3,667,136
New Victor Technologies, Limited	-	1,420,209
	4,240,000	**5,087,345**

MANILA JOCKEY CLUB, INC.
Schedule G. Guarantees of Securities of Other Issuers
As of December 31, 2013

Name of Issuing Entity of Securities Guaranteed by the Company for which this Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by Person for which this Statement is Filed	Nature of Guarantee

Not Applicable

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

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

MANILA JOCKEY CLUB, INC.

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

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

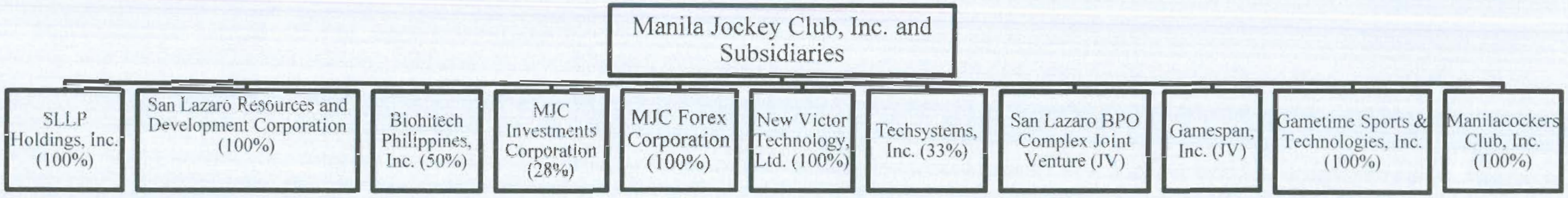
MANILA JOCKEY CLUB, INC.

Schedule J. Parent Company Retained Earnings Available for Dividend Declaration

As at and for the year ended December 31, 2013

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

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



MANILA JOCKEY CLUB, INC. AND SUBSIDIARIES
SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS AS OF DECEMBER 31, 2013

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS **Effective as of December 31, 2013**		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Borrowing Costs			✓
	Amendments to PFRS 1: Meaning of Effective PFRS	Not early adopted		
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Definition of Vesting Conditions	Not early adopted		
PFRS 3 (Revised)	Business Combinations			✓
	Amendments to PFRS 3: Accounting for Contingent Consideration in a Business Combination	Not early adopted		
	Amendments to PFRS 3: Scope Exceptions for Joint Arrangements	Not early adopted		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities			✓
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and			✓

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

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

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

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

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

[(a)] Current assets over current liabilities
[(b)] EBITDA over interest expense and financing charges on borrowings
[(c)] Interest-bearing debts over total equity
[(d)] Total assets over total equity
[(e)] EBITDA over gross revenues from operations

Manila Jockey Club
INCORPORATED
THOROUGHBRED RACING SINCE 1867

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

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

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

Nestor N. Ubalde
Chief Finance Officer

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 23 2014
RECEIVED
PRECIOSA G. JAVIER SDS

25 APR 2014

Signed this ____ day of ________, 2014.

SUBSCRIBED AND SWORN TO 25 APR 2014
BEFORE ME ON THIS ___ DAY OF ___
20__ AT MANILA CITY EXHIBITING
HIS / HER RES. CERT. NO. ______
ISSUED ON ________ AT ______

DOC. NO. 289
PAGE NO. 59
BOOK NO. 482
SERIES OF 20 14

ATTY. DELFIN R. AGCAOILI JR.
NOTARY PUBLIC
UNTIL DECEMBER 31, 2014
PTR NO. 2413105 / 2014 MLA.
IBP NO. 943939 / 2014 MLA.
ROLL NO. 24655 / TIN NO. 144-519-068
MCLE III - 0013521
COMMISSION NO. 2013-023

Manila Jockey Club
INCORPORATED
THOROUGHBRED RACING SINCE 1867

STATEMENT OF MANAGEMENT'S RESPONSIBIILITY FOR ANNUAL INCOME TAX RETURN

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

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

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

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

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

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

Nestor N. Ubalde
Chief Finance Officer

LARGE TAXPAYERS
Date APR 23 2014
RECEIVED
PRECIOSA C. JAVIER

Signed this _____ day of _________, 2014.

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Building a better working world

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

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

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

INDEPENDENT AUDITORS' REPORT
TO ACCOMPANY INCOME TAX RETURN

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

We have audited the accompanying financial statements of Manila Jockey Club, Inc. as at and for the year ended December 31, 2013, on which we have rendered the attached report dated April 8, 2014.

In compliance with Revenue Regulations V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager or principal stockholders of the Company.

SYCIP GORRES VELAYO & CO.

Arnel F. De Jesus
Partner
CPA Certificate No. 43285
SEC Accreditation No. 0075-AR-3 (Group A),
February 14, 2013, valid until February 13, 2016
Tax Identification No. 152-884-385
BIR Accreditation No. 08-001998-15-2012,
June 19, 2012, valid until June 18, 2015
PTR No. 4225163, January 2, 2014, Makati City

April 8, 2014

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working world

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1226 Makati City
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November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

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

Report on the Parent Company Financial Statements

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

Management's Responsibility for the Parent Company Financial Statements

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

Auditors' Responsibility

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

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

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

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Opinion

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

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

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

SYCIP GORRES VELAYO & CO.

Arnel F. De Jesus
Partner
CPA Certificate No. 43285
SEC Accreditation No. 0075-AR-3 (Group A),
February 14, 2013, valid until February 13, 2016
Tax Identification No. 152-884-385
BIR Accreditation No. 08-001998-15-2012,
June 19, 2012, valid until June 18, 2015
PTR No. 4225163, January 2, 2014, Makati City

April 8, 2014

Date APR 2 3 2014
PRECIOSA C. JAVIER

MANILA JOCKEY CLUB, INC.
PARENT COMPANY BALANCE SHEETS

	December 31, 2013	December 31, 2012 (As restated - see Note 3)	January 1, 2012 (As restated - see Note 3)
ASSETS			
Current Assets			
Cash and cash equivalents (Note 6)	**₱257,111,458**	₱263,191,589	₱293,560,199
Receivables (Note 7)	**223,735,658**	254,828,274	260,209,743
Inventories (Note 8)	**99,364,673**	145,569,216	240,637,469
Other current assets (Note 9)	**4,706,185**	100,424	3,581,863
Total Current Assets	**584,917,974**	663,689,503	797,989,274
Noncurrent Assets			
Real estate receivables - net of current portion (Note 7)	**150,661,281**	54,213,526	25,255,572
Investments in subsidiaries, associates and joint ventures (Note 10)	**731,316,637**	727,066,637	116,516,637
Available-for-sale (AFS) financial assets (Note 11)	**21,242,951**	30,937,269	23,431,259
Property and equipment (Notes 12 and 29)	**947,292,419**	984,640,987	1,043,333,177
Investment properties (Notes 10, 13 and 15)	**1,023,209,265**	1,049,070,541	1,173,837,239
Other noncurrent assets (Note 14)	**34,403,556**	32,739,835	33,696,791
Total Noncurrent Assets	**2,908,126,109**	2,878,668,795	2,416,070,675
TOTAL ASSETS	**₱3,493,044,083**	₱3,542,358,298	₱3,214,059,949
LIABILITIES AND EQUITY			
Current Liabilities			
Short-term loans and borrowings (Notes 13 and 15)	**₱86,437,500**	₱70,437,500	₱104,437,500
Accounts payable and other liabilities (Note 16)	**311,591,150**	324,081,906	319,846,724
Income tax payable	**2,821,738**	5,005,163	–
Current portion of long-term loans and borrowings (Note 13 and 15)	**14,285,714**	14,285,714	14,285,714
Due to related parties (Note 26)	**5,087,345**	4,240,000	4,240,000
Subscription payable (Note 10)	**42,808,835**	53,544,849	80,520,103
Total Current Liabilities	**463,032,282**	471,595,132	523,330,041
Noncurrent Liabilities			
Long-term loans and borrowings - net of current portion (Notes 13 and 15)	**14,285,715**	28,571,429	42,857,143
Accrued retirement benefits (Note 21)	**35,061,172**	25,354,867	38,250,656
Deferred tax liabilities - net (Note 25)	**264,791,748**	270,294,653	308,601,812
Total Noncurrent Liabilities	**314,138,635**	324,220,949	389,709,611
Total Liabilities	**777,170,917**	795,816,081	913,039,652
Equity			
Capital stock (Note 27)	**948,734,898**	862,487,439	862,487,439
Net cumulative changes in fair values of AFS financial assets (Note 11)	**9,013,593**	18,707,911	16,783,741
Actuarial gains on accrued retirement benefits	**24,875,348**	28,429,500	19,417,528
Retained earnings (Note 27):			
Appropriated	**17,180,917**	17,180,917	17,180,917
Unappropriated	**1,716,075,506**	1,819,743,546	1,385,157,768
Treasury shares (Note 27)	**(7,096)**	(7,096)	(7,096)
Total Equity	**2,715,873,166**	2,746,542,217	2,301,020,297
TOTAL LIABILITIES AND EQUITY	**₱3,493,044,083**	₱3,542,358,298	₱3,214,059,949

See accompanying Notes to Parent Company Financial Statements.

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

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

See accompanying Notes to Parent Company Financial Statements.

MANILA JOCKEY CLUB, INC.

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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

See accompanying Notes to Parent Company Financial Statements

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

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

(Forward)

	Year Ended December 31	
	2013	2012 (As restated - see Note 3)
Payments of:		
Long-term loans and borrowings (Note 15)	**(₱14,285,714)**	(₱14,285,714)
Short-term loans and borrowings (Note 15)	**(14,000,000)**	(34,000,000)
Subscription payable	**(10,736,014)**	(26,975,254)
Interest paid	**(4,668,456)**	(6,093,666)
Net cash used in financing activities	**(55,966,738)**	(218,771,583)
NET INCREASE (DECREASE) IN CASH	**(6,080,131)**	(30,368,610)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**263,191,589**	293,560,199
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱257,111,458**	₱263,191,589

See accompanying Notes to Parent Company Financial statements.

1. Corporate Information

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

In 1987, the SEC approved the extension of the Company's corporate life for another fifty years starting March 22, 1987.

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

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

Subsidiaries, Joint Venture and Associates

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

[a] *Not yet started commercial operation as of December 31, 2013*
[b] *Incorporated on July 23, 2013*
[c] *Incorporated on September 23, 2013*
[d] *Started commercial operation on May 29, 2012*
[e] *Became an associate effective January 1, 2013*

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

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

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

2. Basis of Preparation and Statement of Compliance

Basis of Preparation

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

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

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

Statement of Compliance

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

3. Summary of Significant Changes in Accounting Policies and Disclosures

Changes in Accounting Policies and Disclosures

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

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

New and Amended Accounting Standards

- PFRS 7, *Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments)*
  These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32, *Financial Statement Presentation.* These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format, unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:
  a) The gross amounts of those recognized financial assets and recognized financial liabilities;
  b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
  c) The net amounts presented in the statement of financial position;
  d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
     i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
     ii. Amounts related to financial collateral (including cash collateral); and
  e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

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

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

- PFRS 11, *Joint Arrangements*
  PFRS 11 replaced PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removed the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The adoption of this standard will not have a material impact on its financial position or performance since the Company is accounting for its joint venture using equity method in its financial statements.

- PFRS 12, *Disclosure of Interests in Other Entities*
  PFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in PFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries (for example, where a subsidiary is controlled with less than a majority of voting rights). The Company has no unconsolidated structured entities. Management also assessed that there are no subsidiaries with noncontrolling interest that are individually material to the Company. Disclosures on judgments on determination of control over subsidiaries and joint control over joint venture are provided in Note 5 to the parent company financial statements.

- PFRS 13, *Fair Value Measurement*
  PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS. PFRS 13 defines fair value as an exit price. PFRS 13 also requires additional disclosures.

  As a result of the guidance in PFRS 13, the Company re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. The Company has assessed that the application of PFRS 13 has not materially impacted the fair value measurements of the Company. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 30.

- PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income (OCI) (Amendments)*
  The amendments to PAS 1 introduced a grouping of items presented in OCI. Items that will be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments affect presentation only and have no impact on the Company's financial position or performance.

- PAS 19, *Employee Benefits (Amendments)*
  Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk. Once effective, the Company has to apply the amendments retroactively to the earliest period presented.

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

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

	December 31, 2013	December 31, 2012	January 1, 2012
Increase (decrease) in:			
Statements of financial position			
Accrued retirement benefit	**(₱34,176,360)**	(₱40,497,679)	(₱27,507,540)
Deferred tax liabilities - net	**10,252,908**	12,149,304	8,252,262
Actuarial gains on retirement benefits	**24,875,348**	28,429,500	19,417,528
Retained earnings	**(951,896)**	(81,125)	(162,250)
	2013	2012	2011
Statements of comprehensive income			
Net retirement cost	**₱1,243,959**	₱361,684	₱34,728
Income tax expense	**373,188**	108,505	(10,419)
Net income	**(870,771)**	(253,179)	24,309
Other comprehensive income, net of tax	**(3,554,152)**	9,011,972	(19,417,528)

Impact of past service cost increased retained earnings by ₱0.3 million in 2012. The revised PAS 19 did not have a significant impact on the statements of cash flows.

- PAS 27, *Separate Financial Statements (as revised in 2011)*
  As a consequence of the issuance of the new PFRS 10, *Consolidated Financial Statements*, and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The adoption of the amended PAS 27 did not have a significant impact on the separate financial statements of the Company.

- PAS 28, *Investments in Associates and Joint Ventures (as revised in 2011)*
  As a consequence of the issuance of the new PFRS 11, *Joint Arrangements*, and PFRS 12, *Disclosure of Interests in Other Entities*, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates.

- IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*
  This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. This new interpretation is not relevant to the Company.

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

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

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

Effective Calendar Year January 1, 2014
- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments)*
  The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Company's financial position or performance.

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendments)*
  These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. The amendments affect disclosures only and have no impact on the Company's financial position or performance.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments)*
  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria.

- PFRS 10, PFRS 12 and PAS 27, *Investment Entities (Amendments)*
  These amendments are effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss.

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

Effective Calendar Year January 1, 2015

- PFRS 9, *Financial Instruments*
  PFRS 9, as issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, Financial Instruments: Recognition and Measurement. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. The standard has no impact on the Company's financial position and performance.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Derecognition of Financial Assets and Financial Liabilities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Fair Value Measurement
The Company measures financial instruments and non-financial assets such as investment properties, at fair value at each balance sheet date.

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

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

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

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

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

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

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

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

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

Property and Equipment

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

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

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

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

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

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

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation and amortization is charged to current operations.

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

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

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

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

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

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

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

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

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

Franchise Fee

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

Impairment of Nonfinancial Assets

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

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

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

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

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

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

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

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

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

The Company currently does not have potential dilutive common shares.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Leases

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

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

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

The Company as a lessee

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

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

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

Taxes

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5. Significant Accounting Judgments, Estimates and Assumptions

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

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

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

Determination if control exists in an investee company
Control is presumed to exist when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. On the other hand, joint control is presumed to exist when the investors contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Management has determined that by having 50% ownership in Biohitech, it has control by virtue of its power to cast the majority votes at meetings of the BOD and control of the entity is by that BOD.

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

Determination if joint control exists in a jointly controlled entity
Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The strategic financial and operating decisions of the San Lazaro BPO Complex Joint Venture (San Lazaro JV) are being managed by a Tenant Review Committee, which is composed of representatives from the venturers. Management has determined that it has joint control since the strategic financial and operating decisions of the San Lazaro JV are made jointly by the venturers through the said committee.

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

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

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

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

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

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

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

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

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

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

Estimates and Assumptions

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

Determination of fair value of financial instruments

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

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

Estimation of allowance for doubtful accounts

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

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

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

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

Determination of net realizable value of inventories

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

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

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

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

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

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

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

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

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

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

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

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

6. Cash and Cash Equivalents

This account consists of:

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

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

7. Receivables

This account consists of:

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

Real Estate Receivables

The real estate receivables of the Company are as follows:

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

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

Claims for TCC

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

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

Allowance for Doubtful Accounts

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

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

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

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

8. Inventories

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

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

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

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

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

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

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

9. Other Current Assets

This account consists of:

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

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

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

(Forward)

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

Investment in an Associate

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In 2012, the Company provided an allowance for impairment amounting to ₱1.0 million since management believes that there are no future benefits that will be derived from the investment.

Investment in joint ventures

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

Under the JVA, the Company and ALI contributed and pooled together under one operation and management their respective allocated developed office units and an initial operating cash requirement in accordance with their respective interest in the JV of 70% for ALI and 30% for the Company. Rent income derived from the lease of the developed office units shall first be applied to the payment of the expenses incurred by the JV in the operation, management and maintenance of the leasable areas. Thereafter, the net rental income of the JV shall be divided between ALI and the Company as cash dividends on a quarterly basis in proportion with their respective interests in the JV. Dividend income from the JV amounted to ₱17.1 million and ₱15.7 million in 2013 and 2012, respectively, and dividend receivable from the JV amounted to ₱17.1 million and ₱4.8 million, respectively (see Notes 7 and 24).

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

	2013	2012
Current assets	**₱154,617,532**	₱13,455,951
Noncurrent assets	**1,433,440**	93,728,262
Current liabilities	**109,448,602**	14,217,157
Noncurrent liabilities	**29,929,094**	67,108,317
Equity	**16,673,276**	25,858,739
Income	**86,379,273**	79,409,332
Expenses	**54,662,669**	19,862,346
Net income	**31,716,604**	59,546,986

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

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

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

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

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

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

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

11. AFS Financial Assets

This account consists of:

	2013	2012
Quoted equity securities	**₱9,029,654**	₱18,613,972
Treasury bond	**7,000,000**	7,000,000
Club membership shares:		
Quoted	**4,580,000**	4,690,000
Unquoted	**193,500**	193,500
Preferred shares:		
Quoted	**69,750**	69,750
Unquoted	**370,047**	370,047
	₱21,242,951	₱30,937,269

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

	2013	2012
Balance at beginning of year	**₱30,937,269**	₱23,431,259
Mark-to-market gains during the year	**(9,694,318)**	3,324,724
Amounts written off	–	(2,818,714)
Additions during the year	–	7,000,000
Balance at end of year	**₱21,242,951**	₱30,937,269

The Company's AFS financial assets are carried at fair value with net cumulative gains amounting to ₱9.0 million and ₱18.7 million as of December 31, 2013 and 2012, respectively, that is reflected in "Net cumulative changes in fair values of AFS financial assets" in the equity section of the parent company balance sheet and in the parent company statements of changes in equity.

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

	2013	2012
Balance at beginning of year	**₱18,707,911**	₱16,783,741
Mark-to-market gains during the year	**(9,694,318)**	3,324,724
Write off	–	(1,400,554)
Balance at end of year	**₱9,013,593**	₱18,707,911

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

Dividend income from these investments amounted nil in 2013 and 2012 (see Note 24).

Interest income on treasury bond amounted to ₱0.5 million and ₱0.1 million in 2013 and 2012, respectively (see Note 22).

12. Property and Equipment

The rollforward analysis of this account consists of:

	2013				
	January 1	**Additions**	**Disposals**	**Reclassifications and adjustments**	**December 31**
Cost					
Land	**₱304,869,383**	**₱–**	**₱–**	**₱–**	**₱304,869,383**
Land improvements	**337,046,417**	**446,340**	–	–	**337,492,757**
Building and improvements	**644,519,341**	**2,762,467**	–	–	**647,281,808**
Machinery and equipment	**255,576,090**	**8,931,818**	–	–	**264,507,908**
Transportation equipment	**28,014,665**	**2,575,893**	**(1,616,071)**	–	**28,974,487**
Furniture and fixtures	**11,513,771**	**600,950**	–	–	**12,114,721**
	1,581,539,667	**15,317,468**	**(1,616,071)**	–	**1,595,241,064**
Accumulated depreciation					
Land improvements	**125,991,451**	**13,310,817**	–	–	**139,302,268**
Building and improvements	**228,531,407**	**27,800,775**	–	–	**256,332,182**
Machinery and equipment	**224,867,525**	**11,112,269**	–	–	**235,979,794**
Transportation equipment	**20,388,398**	**2,577,396**	**(121,205)**	–	**22,844,589**
Furniture and fixtures	**10,363,147**	**562,148**	–	–	**10,925,295**
Total	**610,141,928**	**55,363,405**	**(121,205)**	–	**665,384,128**
Net book value	**971,397,739**	**(40,045,937)**	**(1,494,866)**	–	**929,856,936**
Construction in progress	**13,243,248**	**4,192,235**	–	–	**17,435,483**
Total	**₱984,640,987**	**(₱35,853,702)**	**(₱1,494,866)**	**₱–**	**₱947,292,419**

	2012				
	January 1	Additions	Disposals	Reclassifications and adjustments	December 31
Cost					
Land	₱304,869,383	₱–	₱–	₱–	₱304,869,383
Land improvements	337,046,417	–	–	–	337,046,417
Building and improvements	644,502,338	17,003	–	–	644,519,341
Machinery and equipment	251,032,873	4,672,549	(25,000)	(104,332)	255,576,090
Transportation equipment	26,230,673	4,020,537	(2,236,545)	–	28,014,665
Furniture and fixtures	11,402,377	111,394	–	–	11,513,771
	1,575,084,061	8,821,483	(2,261,545)	(104,332)	1,581,539,667
Accumulated depreciation					
Land improvements	112,380,822	13,610,629	–	–	125,991,451
Building and improvements	200,544,020	27,987,387	–	–	228,531,407
Machinery and equipment	200,511,947	24,357,659	(2,081)	–	224,867,525
Transportation equipment	20,003,592	2,621,351	(2,236,545)	–	20,388,398
Furniture and fixtures	8,956,049	1,407,098	–	–	10,363,147
Total	542,396,430	69,984,124	(2,238,626)	–	610,141,928
Net book value	1,032,687,631	(61,162,641)	(22,919)	(104,332)	971,397,739
Construction in progress	10,645,546	2,597,702	–	–	13,243,248
Total	₱1,043,333,177	(₱58,564,939)	(₱22,919)	(₱104,332)	₱984,640,987

Depreciation Charges

The amount of depreciation is allocated as follows:

	2013	2012
Cost of service:		
Club races (see Note 17)	**₱39,170,853**	₱49,377,877
General and administrative expenses (see Note 18)	**15,699,268**	8,111,802
Food and beverages (see Note 17)	**478,101**	–
Rental services (see Note 17)	**15,183**	12,494,445
	₱55,363,405	₱69,984,124

Construction in Progress
"Construction in progress" pertains to accumulated costs incurred in the development of the Carmona property as part of the Company's expansion program.

Capitalized Borrowing Costs
Land improvements, building and improvements and machinery and equipment include capitalized borrowing costs incurred in connection with the construction and development of the said properties amounting to ₱68.6 million in 2005. No interest on loans was capitalized in 2013 and 2012. Undepreciated capitalized interest relating to property and equipment as of December 31, 2013 and 2012 amounted to ₱43.9 million and ₱46.8 million, respectively.

Carmona Property
In 2001, the Company acquired a parcel of land located in Carmona, Cavite, from KPPI Land Corporation (KPPI) valued at ₱523.6 million payable in 12 equal quarterly installments from 2001 to 2004. The remaining installment payments due in 2004 were rescheduled as part of the requirements of the term loan obtained from a local bank. In 2007, total payments made by the Company amounted to ₱433.7 million. No payments were made in 2013 and 2012. The outstanding payable amounting to ₱89.9 million as of December 31, 2013 and 2012 is included under "Accounts payable and other liabilities" in the parent company balance sheets (see Note 16)

In 2002, the Company entered into several contracts with different private entities related to the Company's expansion program in Carmona. Contracts include the construction of the Turf Club, construction and development of the racetrack, site grading, and development of access roads, water distribution and fire protection works necessary to bring the site in operation. Under the terms of the contracts, the Company is required to make a deposit of 15% and retain an amount equivalent to 10% on each of the progress billings made by the contractors. As of December 31, 2013 and 2012, the unapplied portion of the deposits to contractors amounting to ₱1.8 and the amount retained by the Company out of the progress billings made by the contractors amounting to ₱10.0 million are shown as "Deposits and advances to contractors" under "Receivables" (see Note 7) and "Retention payable" under "Accounts payable and other liabilities" (see Note 16), respectively, in the parent company balance sheets. The outstanding obligations of the Company to the contractors amounted to ₱48.6 million as of December 31, 2013 and 2012, and are shown under "Due to contractors" under "Accounts payable and other liabilities" in the parent company balance sheets (see Note 16).

Assets Under Operating Lease
The Company has various operating lease agreements for its 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 ₱6.0 million and ₱11.4 million as of December 31, 2013 and 2012, respectively. Rent income from stable rentals in 2013 and 2012 amounted to ₱46.9 million and ₱55.7 million, respectively.

The Company has various operating lease agreements with concessionaires to lease certain areas within the Turf Club. Rent income from concessionaires amounted to ₱1.6 million and ₱4.0 million in 2013 and 2012, respectively.

The Company has also executed a MOA with the Philippine Amusement and Gaming Corporation (PAGCOR) whereby the latter agrees to lease a certain area within the Turf Club at Carmona for its casino operations and related activities. The lease shall be for a period of five years beginning from the date when PAGCOR commences its casino operations. Rent income from PAGCOR amounted to ₱1.2 million in 2013 and 2012, respectively (see Note 29).

13. **Investment Properties**

This account consists of:

	2013	2012
Land:		
Sta. Cruz property (unused portion) (see Notes 10 and 15)	**₱359,631,580**	₱359,631,580
Sta. Cruz property (held for lease)	**238,168,692**	238,168,692
Carmona property	**109,750,785**	109,750,785
Undivided interest in a parcel of land	**56,723,976**	56,723,976
Rizal property	**–**	13,434,651
	764,275,033	777,709,684
Building:		
Developed office units (see Note 10)	**218,926,759**	229,351,843
Retail development area	**40,007,473**	42,009,014
	258,934,232	271,360,857
	₱1,023,209,265	₱1,049,070,541

The movements in the carrying amount of investment properties in 2013 and 2012 are shown below:

		2013	
	Land	**Building**	**Total**
Cost			
Balance at beginning of year	**₱777,709,684**	**₱310,665,629**	**₱1,088,375,313**
Disposals (see Note 10)	**(13,434,651)**	**–**	**(13,434,651)**
Balance at the end of year	**764,275,033**	**310,665,629**	**1,074,940,662**
Accumulated Depreciation			
Balance at beginning of year	**–**	**(39,304,772)**	**(39,304,772)**
Depreciation (see Note 17)	**–**	**(12,426,625)**	**(12,426,625)**
Balance at end of year	**–**	**(51,731,397)**	**(51,731,397)**
Net Book Value	**₱764,275,033**	**₱258,934,232**	**₱1,023,209,265**

		2012	
	Land	Building	Total
Cost			
Balance at beginning of year	₱890,049,757	₱310,665,629	₱1,200,715,386
Disposals (see Note 10)	(112,340,073)	–	(112,340,073)
Balance at the end of year	777,709,684	310,665,629	1,088,375,313
Accumulated Depreciation			
Balance at beginning of year	–	26,878,147	26,878,147
Depreciation (see Note 17)	–	12,426,625	12,426,625
Balance at end of year	–	39,304,772	39,304,772
Net Book Value	₱777,709,684	₱271,360,857	₱1,049,070,541

The Carmona property with carrying value of ₱109.8 million and the 5.1 hectare property in Sta. Cruz with carrying value of ₱472.0 million as of December 31, 2013 and 2012, respectively, are used by the Parent Company as collateral for its long-term loans obtained from a local bank. In 2012, restriction on the Sta. Cruz property was released by the bank (see Note 15).

Philippine Economic Zone Authority (PEZA) zones

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

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

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

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

Sta. Cruz Property - Held for Lease

On March 26, 2007, the 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 to 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, 2013 and 2012, the Company's contribution to the JDA amounting to ₱310.7 million is presented as the cost of "Building" under "Investment properties" account in the parent company balance sheets.

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 units, 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 2013 and 2012, rental income amounted to ₱10.7 million and ₱9.4 million, respectively.

Capitalized borrowing costs incurred in connection with the construction and development of the Building Complex amounted to ₱8.0 million in 2008. The capitalization rate used to determine the amount of borrowing costs eligible for capitalization was 7.37% in 2008. No interest on loans was capitalized in 2013 and 2012. Undepreciated capitalized interest relating to the Building Complex as of December 31, 2013 and 2012 amounted to ₱6.7 million and ₱7.8 million, respectively.

Rizal Property
In 2013, the Company sold the property for ₱26.8 million, net of VAT, resulting to a gain on sale of property amounting to ₱13.4 million (see Note 24).

Assets Under Operating Lease
In 2009, the Company entered into lease agreements with various tenants for the retail development area of the aforementioned Building Complex. Portions of the area are rented out at different rates per square meter with lease terms ranging from three to five years. Rent income from the retail development area amounted to ₱10.7 million and ₱9.4 million in 2013 and 2012, respectively.

The Company and ALI, through the San Lazaro JV, entered into lease agreements with various tenants for the developed office units in the Building Complex.

Fair Market Values
As of December 31, 2013, the aggregate fair value of the Group's investment properties amounted to ₱3.3 billion. Fair values of the Carmona property and Sta. Cruz property have been determined based on valuation performed by independent professional appraisers using the sales comparison approach and income approach by land residual technique with reports dated January 18, 2012 and May 5, 2010, respectively. Management believes that there are no material changes in fair value on these investment properties as of December 31, 2013 from the most recent revaluations performed by independent appraisers.

14. Other Noncurrent Assets

This account consists of:

	2013	2012
Franchise fee (see Note 1)	**₱16,178,839**	₱17,972,839
Deferred input VAT	**9,267,193**	6,046,998
Deposits	**5,351,653**	5,114,127
Meralco cash bond deposits	**3,299,680**	3,299,680
Philippine Long Distance Telephone Company deposits	**75,900**	75,900
Others	**230,291**	230,291
	₱34,403,556	₱32,739,835

Franchise Fee
Movements in the carrying amounts of franchise fee in 2013 and 2012 is shown below:

	2013	2012
Acquisition cost	**₱44,850,000**	₱44,850,000
Accumulated amortization:		
Balance at beginning of year	**26,877,161**	25,083,161
Amortization for the year (see Note 17)	**1,794,000**	1,794,000
Balance at end of year	**28,671,161**	26,877,161
	₱16,178,839	₱17,972,839

Others
Others include development cost amounting to ₱0.2 million as of December 31, 2013 and 2012, respectively, used as down payment for master development plan to SLLBP.

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

Short-term Loans

As of December 31, 2013 and 2012, outstanding balance of short-term loans and borrowings amounted to ₱86.4 million and ₱70.4 million, respectively. These loans were obtained for working capital requirements and bear average interest of 4.65% and 4.25% in 2013 and 2012, respectively. The promissory notes covering these loans have terms of one year or less and are renewed upon maturity.

Interest expense on short-term loans amounted to ₱2.9 million and ₱3.7 million in 2013 and 2012, respectively (see Note 23). Short-term loans amounting to ₱14.0 million and ₱34.0 million were paid in 2013 and 2012, respectively.

Long-term Loans

	2013	2012
Bank loans	**₱28,571,429**	₱42,857,143
Less current portion	**14,285,714**	14,285,714
Noncurrent portion	**₱14,285,715**	₱28,571,429

The Company obtained loans from a local bank amounting to ₱45.0 million in 2006, ₱71.0 million in 2007 and ₱100.0 million in 2008 for working capital requirements. These loans bear interest of 7.10% to 10.75% per annum with maturity date of November 2011 and 2015.

These loans are payable in equal quarterly installments and interest rates are subject to quarterly repricing. Loans amounting to ₱14.3 million were paid in 2013 and 2012. The loans are secured by real estate mortgages on Carmona property and Sta. Cruz property with carrying values of ₱109.8 million as of December 31, 2013 and 2012 and ₱359.6 million as of December 31, 2013 and 2012, respectively.

Interest expense on bank loans amounted to ₱1.6 million, ₱2.3 million and ₱4.0 million in 2013, 2012 and 2011, respectively (see Note 23). Interest expense recognized on obligations under finance lease amounted to nil in 2013 and 2012 and ₱0.4 million in 2011, respectively (see Note 23).

16. Accounts Payable and Other Liabilities

This account consists of:

	2013	2012
Due to KPPI (see Note 12)	**₱89,900,000**	₱89,900,000
Due to contractors (see Note 12)	**48,563,671**	48,563,671
Accounts payable	**37,117,047**	47,038,906
Cash bond on OTB operators	**32,547,769**	32,435,183
Documentary stamps payable	**30,297,828**	33,828,590
Accrued expenses	**14,017,108**	11,876,331
Probable losses (see Note 29)	**8,343,827**	–
Taxes on winnings	**7,387,574**	6,015,638
Due to concessionaires	**6,707,770**	6,519,788
Trade payable and buyers' deposits	**6,203,814**	6,351,082
Due to horse owners	**4,886,178**	7,175,874
VAT payable	**3,671,282**	2,012,513
Due to OTB operators	**2,968,499**	2,921,180
Dividends payable	**2,878,325**	6,654,211
Due to Philracom	**2,614,296**	4,658,922
Retention payable (see Note 12)	**1,824,907**	10,015,559
Others	**11,661,255**	8,114,458
	₱311,591,150	₱324,081,906

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. Others include horse prizes payable and other statutory liabilities

17. Cost of Sales and Services

Cost of club races consist of:

	2013	2012
Personnel costs (see Note 20)	**₱52,238,163**	₱60,781,921
Depreciation (see Note 12)	**39,170,853**	49,377,877
Commission	**23,349,788**	31,324,062
Utilities	**16,532,357**	18,822,803
Transportation and travel	**7,125,528**	8,461,482
Contracted services	**6,424,604**	7,032,126
Supplies	**3,921,892**	5,187,378
Rent (see Note 29)	**3,259,102**	3,235,454
Repairs and maintenance	**2,941,770**	3,234,987
Meetings and conferences	**2,434,029**	3,026,662
Security services	**1,871,265**	2,210,486
Amortization of franchise fee (see Note 14)	**1,794,000**	1,794,000
Gas, fuel and oil	**1,527,660**	1,536,807
Taxes and licenses	**1,658,288**	501,035
Software license	–	3,892,467
Others	**5,965,228**	3,484,327
	₱170,214,527	₱203,903,874

Cost of real estate sales consists of cost of real estate properties sold amounting ₱46.5 million and ₱95.1 million in 2013 and 2012, respectively.

Cost of rental services consists of:

	2013	2012
Depreciation (see Notes 12 and 13)	**₱12,441,808**	₱24,921,070
Utilities	**6,976,219**	11,378,254
Personnel costs (see Note 20)	**2,612,784**	3,158,501
Contracted services	**2,925,905**	2,924,824
Repairs and maintenance	**1,174,902**	2,312,343
Meetings and conferences	**194,704**	498,704
Others	**2,065,715**	2,416,436
	₱28,392,037	₱47,610,132

Cost of food and beverage in 2013 consists of:

Purchased stock	₱4,026,785
Contracted services	3,058,534
Utilities	2,537,702
Personnel cost (see Note 20)	1,533,536
Depreciation (see Note 12)	478,101
Meetings and conferences	276,402
Supplies	167,395
Security	135,941
Communication	120,665
Repairs	96,026
Rent (see Note 29)	52,429
Gas, fuel and oil	37,610
Advertisement	31,518
Transportation and travel	8,315
Miscellaneous	344,004
	₱12,904,963

18. General and Administrative Expenses

This account consists of:

	2013	2012
Personnel costs (see Note 20)	**₱70,922,974**	₱68,360,452
Depreciation (see Note 12)	**15,699,268**	8,111,802
Contracted services	**14,400,299**	13,666,887
Utilities	**10,721,203**	11,526,968
Meetings and conferences	**9,013,140**	9,866,218
Gas, fuel and oil	**8,290,789**	9,188,434
Professional fees	**8,174,932**	8,058,536
Provision for doubtful accounts (see Note 7)	**7,410,934**	–
Rent (see Note 29)	**5,903,446**	7,854,396

(Forward)

	2013	2012
Repairs and maintenance	**₱5,698,162**	₱6,458,389
Security services	**5,010,780**	5,411,530
Taxes and licenses	**4,659,220**	4,193,568
Transportation and travel	**3,700,013**	4,768,280
Insurance	**1,184,532**	464,987
Commission expense	**980,864**	5,805,451
Supplies	**896,783**	1,062,758
Others	**6,363,735**	7,440,549
	₱179,031,074	₱172,239,205

19. Depreciation

This account consists of:

	2013	2012
Cost of club races (see Note 17)	**₱39,170,853**	₱49,377,877
General and administrative expense (see Note 18)	**15,699,268**	8,111,802
Cost of rental services (see Note 17)	**12,441,808**	24,921,070
Cost of food and beverage (see Note 17)	**478,101**	–
	₱67,790,030	₱82,410,749

20. Personnel Costs

	2013	2012
Salaries and wages	**₱104,201,968**	₱111,122,827
Retirement benefits costs (see Note 21)	**12,966,686**	8,834,022
Other employee benefits	**10,138,803**	12,344,025
	₱127,307,457	₱132,300,874

21. Retirement Benefits Costs

The Company has two tax-qualified, funded, noncontributory retirement plans covering both regular permanent and race day operation employees. The retirement plans provide for benefits on retirement, death and disability equivalent to a certain percentage of salary for every year of service based on the final monthly salary of the employee at the time of retirement, death or disability. An independent actuary, using the projected unit credit method, conducted the actuarial valuation of the fund. The latest actuarial valuation reports are as of December 31, 2013.

The details of the retirement benefits costs are as follows:

	2013	2012 (As restated - see Note 3)	2011 (As restated - see Note 3)
Current service costs	**₱6,090,929**	₱6,376,034	₱5,683,488
Interest costs	**2,060,608**	2,457,988	2,690,435
Past service costs	**4,815,149**	–	–
	₱12,966,686	₱8,834,022	₱8,373,923

The details of accrued retirement benefits as of December 31 are as follows:

	2013	2012 (As restated - see Note 3)
Defined benefit obligation	**₱65,147,410**	₱70,777,341
Fair value of plan assets	**(30,086,238)**	(45,422,474)
	₱35,061,172	₱25,354,867

Movements in the accrued retirement benefits follow:

	2013	2012 (As restated - see Note 3)
Balance at beginning of year	**₱25,354,867**	₱38,250,656
Net retirement benefits costs for the year	**12,966,686**	8,834,022
Contributions for the year	**(7,275,719)**	(7,700,000)
Defined benefit cost recognized in OCI	**5,554,938**	(13,351,823)
Direct payments from book reserve	**(1,539,600)**	(677,988)
Balance at end of year	**₱35,061,172**	₱25,354,867

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

	2013	2012 (As restated - see Note 3)
Defined benefit obligation at beginning of year	**₱70,777,341**	₱78,847,540
Current service costs	**6,090,929**	6,376,034
Interest costs	**4,310,340**	5,140,860
Past service cost - plan amendments	**4,815,149**	–
Actuarial loss/(gain) due to:		
Experience adjustments	**5,204,526**	(11,515,212)
Change in demographic assumptions	**(2,478,848)**	(1,741,836)
Change in financial assumptions	**2,205,411**	945,034
Benefits paid	**(24,237,838)**	(6,597,091)
Direct payments from book reserve	**(1,539,600)**	(677,988)
Defined benefit obligation at end of year	**₱65,147,410**	₱70,777,341

In 2013, the Parent Company recognized a plan amendment which changed the benefits payable under the plan, resulting in recognition of past service cost. There was no plan amendment, curtailment, or settlement recognized in 2012.

Changes in fair value of plan assets are as follows:

	2013	2012 (As restated - see Note 3)
Fair value of plan assets at beginning of year	**₱45,422,474**	₱40,596,884
Interest income	**2,249,732**	2,682,872
Contributions	**7,275,719**	7,700,000
Benefits paid	**(24,237,838)**	(6,597,091)
Actuarial gains	**(623,849)**	1,039,809
Fair value of plan assets at end of year	**₱30,086,238**	₱45,422,474
Actual return on plan assets	**₱1,625,883**	₱3,722,681

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 plans less liabilities:

	2013	2012 (As restated - see Note 3)
Cash and cash equivalents	**₱2,091,939**	₱3,663,154
Investment in unit investment trust fund	**12,109,124**	16,187,208
Investment in government securities	**16,050,647**	25,185,065
Others	**292,806**	470,125
	30,544,516	45,505,552
Liabilities	**(458,278)**	(83,078)
	₱30,086,238	₱45,422,474

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

The plan's assets consist of the following:
- Cash and cash equivalents, which includes regular savings and time deposits;
- Investments in corporate debt instruments, consisting of both short-term and long-term corporate loans, notes and bonds, which bears interest ranging from 3.5% to 8.5% and have maturities from 2013 to 2031; and
- Investments in government securities consist of AFS financial assets.

The carrying amounts of investments in government securities also approximate their fair values since they are marked-to-market.

- Other financial assets held by the plan are primarily accrued interest income on cash deposits and debt securities held by the plan.
- Liabilities of the plan pertain to trust fee payable and retirement benefits payable.

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

	2013	2012	2011
Discount rates	**5.10%**	6.09%	7.70%
Expected rate of salary increase	**4.00%**	4.00%	4.00%

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

	Increase (decrease)	2013
Discount rate	+0.5 %	(₱2,226,471)
	-0.5 %	2,490,675
Salary increase rate	+0.5 %	2,190,984
	-0.5 %	(2,006,769)

The average duration of the defined benefit obligation as of December 31, 2013 is 4.9 years.

Shown below are the expected future benefit payments as at December 31, 2013:

Less than 1 year	₱4,744,479
More than 1 year to 5 years	17,925,416
More than 5 years to 10 years	27,800,765

22. **Interest Income**

Interest income related to:

	2013	2012
Real estate receivables (see Note 7)	**₱9,687,098**	₱17,522,284
Cash and cash equivalent (see Note 6)	**2,724,622**	8,410,482
Due from related parties (see Note 26)	**139,883**	417,205
Treasury bond (see Note 11)	**454,952**	80,986
	₱13,006,555	₱26,430,957

23. **Finance Costs**

Interest expense related to:

	2013	2012
Short-term loans (see Note 15)	**₱2,857,247**	₱3,657,362
Long-term loans (see Note 15)	**1,560,671**	2,259,732
Bank charges and others	**250,538**	176,572
	₱4,668,456	₱6,093,666

24. **Other Income (Charges)**

	2013	2012
Dividend income (see Notes 10 and 11)	**₱17,088,300**	₱15,734,180
Gain on sale of investment property (see Note13)	**13,351,064**	–
Gain on unclaimed dividends on club races	–	22,299,094
Gain on reversal of liability	–	11,641,529
Service income	**7,677,461**	–
Gain on advertisement campaign	**1,955,514**	2,682,642
Foreign exchange loss - net	**(95,690)**	1,308
Write-off of receivables and AFS financial assets (see Note 11)	–	(10,325,487)
Forfeited collections on real estate	–	3,778,910
Provision for impairment of investment in associate (see Note 10)	–	(1,000,000)
Others	**2,634,944**	2,209,926
	₱42,611,593	₱47,022,102

Gain on unclaimed dividend on club races pertains to unclaimed prizes from racing operations.

25. **Income Taxes**

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

	2013	2012 (As restated - see Note 3)
RCIT	**₱11,487,155**	₱17,449,806
Final tax on interest income	**627,781**	1,682,021
	₱12,114,936	₱19,131,827

b. The components of the Company's net deferred tax liabilities as of December 31 are as follows:

	2013	2012 (As restated - see Note 3)
Deferred income tax assets on (recognized directly in the parent company statements of comprehensive income):		
Accrued retirement benefits	**₱10,518,352**	₱7,606,460
Allowance for doubtful accounts	**2,609,033**	1,800,000
Unamortized past service cost	**1,233,799**	1,089,649
Provision for inventory write-down	**619,218**	755,959
Allowance for impairment on investment in associate	**300,000**	300,000
Unearned income	**171,500**	146,675
Rent receivable	**200,454**	3,639
	15,652,356	11,702,382

(Forward)

	2013	2012 (As restated - see Note 3)
Deferred income tax liabilities on (recognized in the parent company statements of comprehensive income):		
Unrealized gain from real estate transactions	**(₱70,196,531)**	(₱58,104,348)
Undepreciated capitalized borrowing costs	**(15,184,252)**	(16,135,917)
Rent receivable	**(1,104,677)**	–
Accrued rent expense	**–**	(138,036)
Unrealized foreign exchange losses - net	**(392)**	(392)
Deferred income tax liabilities on (recognized directly in other comprehensive income):		
Unrealized deemed cost adjustment on real estate properties* (Note 27)	**(193,958,252)**	(207,618,342)
	(280,444,104)	(281,997,035)
Net deferred income tax liabilities	**(₱264,791,748)**	(₱270,294,653)

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

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

	2013	2012 (As restated - see Note 3)
Income tax at statutory rate	**₱10,194,550**	₱167,544,844
Additions to (reductions in) income tax resulting from tax effects of:		
Nontaxable income (see Note 10)	**(5,126,490)**	(151,258,231)
Interest income subjected to final tax	**(189,498)**	(840,943)
Nondeductible interest expense	**272,426**	840,988
Nondeductible expenses and others	**3,127,525**	3,630,390
Provision for income tax	**₱8,278,513**	₱19,917,048

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 2013	Amount 2012	Outstanding Balance 2013	Outstanding Balance 2012	Terms	Conditions
Subsidiaries:							
NVTL	Advances	**₱3,338,871**	₱31,572,471	**(₱1,420,208)**	(₱833,516)	Interest bearing	Unsecured, no impairment
	Interest on advances	**139,884**	417,205	–	–		
SLLPHI[1]	Cash Advances	**1,049**	2,049	**1,000**	2,049	Non-interest bearing	Unsecured, no impairment
	Advances	**572,864**	–	**(3,667,137)**	(4,240,000)	Interest bearing	Unsecured, no impairment
MFC[1]	Advances	**50,000**	209,358	–	–	Non-interest bearing	Unsecured, no impairment
Biohitech[1]	Advances	**1,000**	1,069	**1,000**	–	Non-interest bearing	Unsecured, impaired
ManilaCockers		**92,076**	–	**(644)**	–	Non-interest bearing	Unsecured, impaired
Gametime[1]	Advances	**1,407,873**	–	**1,375,823**	–	Non-interest bearing	Unsecured, impaired
Associates:							
Techsystems, Inc.[1]	Advances	**245**	1,245	**1,000**	1,245	Non-interest bearing	Unsecured, no impairment
MIC[1]	Advances	**661,939**	283,274	**943,081**	283,274	Non-interest bearing	Unsecured, no impairment
	Additional investments	–	600,800,000	–	–	Non-interest bearing	Unsecured, no impairment
Affiliate:							
Arco Management and Development Corporation (AMDC)	Lease of office space	**8,111,241**	7,889,899	**(1,431,711)**	916,670	Non-interest bearing	Unsecured impairment

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

b. In accordance with the Memorandum of Agreement (MOA) dated July 24, 2008, the Company subscribed to additional 600.8 million shares of MIC in exchange for a piece of land with a fair value of ₱600.8 million in 2012 (see Note 10).

c. In 2012, the Company wrote off the remaining receivables from Biohitech amounting to ₱8.9 million (see Note 24).

d. Advances to NVTL were extended by the Company to finance the purchase of slot machines for use in the casino operations and for NVTL's operational requirements. The Company received the proceeds from casino operations from PAGCOR and remits the same to NVTL subsequently.

e. The Company has a lease agreement with AMDC, an affiliate under common control, in the lease of office space and four parking lots (see Note 29).

f. The Company grants salary loans and advances to its officers payable through salary deductions. The loans bear an average interest rate of 10.5% in 2013 and 2012 (see Note 7).

g. Compensation of key management personnel of the Company amounted to ₱41.9 million and ₱40.9 million in 2013 and 2012, respectively. The Company has no standard arrangement with regards to the remuneration of its directors. In 2013 and 2012, the BOD received a total of ₱8.1 million and ₱8.0 million, respectively.

27. Equity

Capital Stock

The details of the Company's capital stock as of December 31, 2013 and 2012 are as follows:

	2013		2012	
	Number of Shares	**Amount**	Number of Shares	Amount
Common shares - ₱1 par value				
Authorized - 1,000,000,000 shares				
Issued and outstanding (held by 980 and 724 equity holders in 2013 and 2012, respectively)	**862,487,439**	**₱862,487,439**	862,487,439	₱862,487,439
Issuance during the year	**86,247,459**	**86,247,459**	–	–
	948,734,898	**₱948,734,898**	862,487,439	₱862,487,439

Stock Rights Offer

In the annual stockholders' meeting of the Company held last June 18, 2010, the stockholders approved and ratified the stock rights offer as approved by the BOD during its meeting held on October 28, 2009. The stock rights will be offered to existing stockholders at a ratio of one share for every two shares held at par value. The proceeds from the stock rights offer will be used for capital expenditures, retirement of loans and full payment of the subscription payable to MIC.

On April 13, 2011, the PSE approved the Company's application for the additional listing of up to 287,492,659 common shares with par value of ₱1.00 per share to cover the 1:2 stock rights offering. On May 3, 2011, the SEC approved the record date to be May 6, 2011. The shares were subscribed and issued to all stockholders of record as of May 30, 2011 and were listed in the PSE on the same date.

Treasury Shares

On January 13, 2011, the Company purchased the delinquent shares from its 2004 stock rights offering totaling 9,462 shares. The amount paid for the acquisition of the treasury shares amounted to ₱7,096.

Appropriation of Retained Earnings

The Company's appropriated retained earnings for building improvements in the ensuing years amounted to ₱17.2 million as of December 31, 2013 and 2012.

Declaration of Dividends

The following are the details of cash dividends declared in 2013 and 2012:

Type of dividend	Date of Declaration	Date of Record	Date of Payment	Dividends per share
Cash				
	May 30, 2013	June 18, 2013	June 28,2013	₱0.05
	October 24, 2012	November 12, 2012	November 26, 2012	0.08
	March 7, 2012	March 28, 2012	April 18, 2012	0.08
	May 25, 2011	June 15, 2011	June 30, 2011	0.05
Stock				
	May 30, 2013	July 18, 2013	August 13, 2013	10%
	January 14, 2011	January 19, 2011	February 14, 2011	20%

As of December 31, 2013 and 2012, outstanding dividends payable amounted to ₱1.2 million and ₱137.4 million, respectively.

Deemed Cost Adjustment
As of December 31, 2013 and 2012, the unappropriated retained earnings include the remaining balance of the deemed cost adjustment which arose when the Company transitioned to PFRS.

The components of the deemed cost adjustment as of December 31 are as follows:

	2013	2012
Real estate inventories	**₱80,453,494**	₱125,987,135
Investment properties	**597,459,817**	597,459,823
Revaluation increment	**677,913,311**	723,446,958
Deferred income tax liability	**(203,373,999)**	(207,618,342)
Deemed cost adjustment	**₱474,539,312**	₱515,828,616

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 included in the balance of unappropriated retained earnings is restricted and not available for dividend declaration.

28. Operating Segment Information

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

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

As of December 31, 2013 and 2012, 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 follow:

	2013					
	Club Races	Real Estate	Rent	Food and Beverage	Unallocated	Total
Segment revenue	₱216,425,501	₱175,309,084	₱61,092,572	₱7,100,295	₱28,842,751	₱488,770,203
Costs and expenses	170,214,528	46,508,923	28,392,037	12,904,963	196,767,921	454,788,372
Income before income tax	46,210,973	128,800,161	32,700,535	(5,804,668)	(167,925,170)	33,981,831
Provision for income tax	–	–	–	–	8,278,513	8,278,513
Net income (loss)	₱46,210,973	₱128,800,161	₱32,700,535	(₱5,804,668)	(₱176,203,683)	₱25,703,318

	2012					
	Club Races	Real Estate	Rent	Food and Beverage	Unallocated	Total
Segment revenue	₱280,868,413	₱211,715,787	₱70,304,566	₱–	₱544,390,702	₱1,107,279,468
Costs and expenses	203,903,874	95,068,253	47,610,132	–	202,214,395	548,796,654
Income before income tax	76,964,539	116,647,534	22,694,434	–	342,176,307	558,482,814
Provision for income tax	–	–	–	–	19,917,048	19,917,048
Net income (loss)	₱76,964,539	₱116,647,534	₱22,694,434	₱–	₱322,259,259	₱538,565,766

Finance costs, other income (charges) and income taxes are not allocated to individual segments as the underlying instruments are managed on a group basis, and are not provided to the chief operating decision maker at the operating segment level in 2013 and 2012.

Segment Assets and Liabilities and Other Information
The segment assets and liabilities as of December 31, 2013 and 2012 and capital expenditures for the years then ended are as follows:

	2013					
	Club Races	Real Estate	Rent	Food and Beverage	Unallocated	Total
Assets	₱1,004,493,200	₱936,486,717	₱564,763,429	₱1,437,873	₱985,862,864	₱3,493,044,083
Liabilities	103,206,674	316,991,240	57,925,588	–	299,047,415	777,170,917
Capital expenditures	9,639,000	–	–	1,294,895	3,176,842	14,110,737
Interest income	–	10,281,932	–	–	2,724,623	13,006,555
Finance cost	–	–	–	–	4,668,456	4,668,456
Depreciation	39,170,853	–	12,444,808	478,101	15,699,268	67,793,030

	2012					
	Club Races	Real Estate	Rent	Food and Beverage	Unallocated	Total
Assets	₱1,061,997,743	₱979,436,860	₱535,382,479	₱–	₱965,541,216	₱3,542,358,298
Liabilities	112,789,366	317,138,508	65,845,508	–	328,391,074	824,164,456
Capital expenditures	7,287,254	–	–	–	4,131,931	11,419,185
Interest income	–	17,522,284	–	–	8,908,673	26,430,957
Finance cost	–	–	–	–	6,093,666	6,093,666
Depreciation	49,377,877	–	24,921,070	–	8,111,802	82,410,749

29. Commitments and Contingencies

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

a. Operating Lease Commitment - the Company as Lessee

   On January 1, 2008, the Company renewed its lease agreement with AMDC 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%. 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 for the year 2013.

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

	2013	2012
Within one year	**₱5,387,127**	₱5,130,598
After one year but not more than five years	**24,380,152**	23,219,193
	₱29,767,279	₱28,349,791

On January 1, 2011, the Company entered into a lease agreement with AMDC for the lease of office space at 12th floor of Strata 100 Building. The lease is for a period of five years starting 2011 with a yearly escalation of 5%. Total rent expense from this operating lease amounted to ₱5.9 million in 2013 and ₱7.9 million in 2012 (see Note 18).

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

On July 12, 2008, the Company renewed its contract of lease with PAGCOR for the lease of an area of 929.5 square meters within the Turf Club at Carmona for its casino operations and related activities (see Note 12). The lease is for a period of five years beginning from the date when PAGCOR commences its casino operations. The monthly rental shall be ₱400 per square meter subject to a five percent (5%) escalation rate computed on an annual basis.

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

	2013	2012
Within one year	**₱1,159,252**	₱676,230
After one year but not more than five years	**–**	–
	₱1,159,252	₱676,230

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

c. Claims and Legal Actions

As of December 31, 2013 and 2012, there are pending claims and legal actions against or in favor of the Company arising from the normal course of business, in addition to the matters already mentioned elsewhere in these financial statements. In the opinion of the Company's management and its legal counsel, liabilities arising from these claims, if any, would not have any material effect on the Company and any liability or loss arising there from would be taken up when the final resolution of the claims and actions are determined.

d. Unclaimed Dividends on Winnings

The Rules and Regulations promulgated by Philracom states that unclaimed dividends on club races shall be considered forfeited in favor of a charitable institution or for such purposes related to the development of horse racing and other related matters to be determined by the Philracom board.

As per letter dated June 14, 2012, in response to the disposition of Philracom on unclaimed dividends, the Company cannot be legally mandated to remit unclaimed dividends to Philracom. Henceforth, the Company will consider unclaimed dividends as part of its corporate revenues and accordingly utilize the same for its core business of conducting horse races in fealty to its legislative mandate under R.A. 8407.

For 2013, the Commission on Audit (COA) conducted their regular audit for the Company which resulted in the remittance of unclaimed dividends to the National Treasury. The Company filed a petition for declaratory relief with the Regional Trial Court (RTC) of Cavite. As of December 31, 2013, the case is still pending resolution with the RTC. Hence, the Company recognized a provision for probable losses amounting to ₱8.3 million (see Note 16).

30. Financial Instruments

Fair Value Hierarchy

The Company measures the fair value of financial instruments carried at fair value using the following hierarchy:

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; and

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The following tables present the fair value of the Company's AFS, investment properties and loans and borrowings as of December 31:

		2013		
	Amounts	**Level 1**	**Level 2**	**Level 3**
AFS financial assets	**₱21,242,951**	**₱21,242,951**	**₱–**	**₱–**
Investment properties	**3,254,880,768**	**–**	**–**	**3,254,880,768**
Loans and borrowing	**115,122,796**	**–**	**–**	**115,122,796**

		2012		
	Amounts	Level 1	Level 2	Level 3
AFS financial assets	₱30,937,269	₱30,937,269	₱–	₱–
Investment properties	3,254,880,768	–	–	3,254,880,768
Loans and borrowing	111,691,892	–	–	111,691,892

As of December 31, 2013 and 2012, the Company's quoted held for trading investments and AFS financial assets measured at fair value under the Level 1 hierarchy totaled ₱21.2 million and ₱30.9 million, respectively. There were no financial instruments measured at fair value under the Level 2 and Level 3 hierarchies. The fair value of investment properties amounting to ₱3.3 billion were determined using Level 3 inputs. There were no transfers between the hierarchy in 2013 and 2012.

In 2013 and 2012, the carrying value of cash and cash equivalents, receivables, deposits, accounts payable and other liabilities and due to related parties approximates its fair value due to the short-term nature of the transaction.

31. Financial Risk Management Objectives and Policies

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

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

Cash flow interest rate risk
Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's interest-bearing loans and borrowings, which carry floating interest rates (see Note 15).

The Company's interest rate risk management policy focuses on reducing the overall interest expense and exposure to changes in interest rates. Risk of changes in market interest rates is related primarily to the Company's interest on financial instruments classified as floating rate as it can cause a change in the amount of interest payments. Interest on financial instruments classified as floating rate is repriced at intervals of less than a year. The financial instruments of the Company that bear fixed interest rates or are noninterest-bearing are not included in the succeeding analyses. The Company invests excess funds in short-term investments in order to mitigate any increase in interest rate on borrowings.

The following table demonstrates the sensitivity of the Company's income before income tax to a reasonably possible change in interest rates, with all other variables held constant, for the years ended December 31, 2013 and 2012. There is no impact on the Company's equity other than those affecting the parent company statements of comprehensive income.

	Increase (decrease) in basis points	Effect on income before income tax
2013	**+1%**	**(₱992,946)**
	-1%	**992,946**
2012	+1%	(1,132,946)
	-1%	1,132,946

Equity price risk
Equity price risk is the risk that the fair values of quoted equity securities will fluctuate because of changes in the level of indices and the value of individual stocks. The Company is exposed to equity price risk because of quoted equity investments held by the Company, which are classified in the parent company balance sheets 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, 2013 and 2012:

	Increase (decrease) in PSEi	Effect on equity
2013	**+14%**	**₱1,831,117**
	-14%	**(1,831,117)**
2012	+14%	3,018,337
	-14%	(3,018,337)

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
2013	**US$1,793**	**₱79,585**
2012	US$1,893	77,718

As of December 31, 2013 and 2012, the applicable closing exchange rates were ₱44.4 to US$1 and ₱41.1 to US$1, respectively. Net foreign exchange loss amounted to nil in 2013 and 2012.

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, 2013 and 2012.

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, 2013 and 2012. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

	2013	2012
Loans and receivables:		
Cash and cash equivalents:		
Cash in banks	**₱145,429,774**	₱127,303,010
Cash equivalents	**101,184,014**	127,513,424
	246,613,788	254,816,434
Receivables:		
Real estate receivables	**288,434,328**	261,932,698
Rent receivables	**20,653,265**	20,808,568
Receivable from sale of investment property	**20,000,000**	–
Dividends receivable	**17,088,300**	4,810,220
Advances and loans to officers and employees	**9,424,048**	8,171,399
Due from related parties	**2,321,260**	1,120,084
Receivables from OTB operators	**1,193,961**	964,937
Others	**19,943,390**	13,203,427
	379,058,552	311,011,333
Deposits*	**3,375,580**	3,375,580
	₱629,047,920	₱569,203,347

** Included in "Other noncurrent assets" in the parent company balance sheets*

Where financial instruments are recorded at fair value, the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future.

The credit quality of financial assets is managed by the Company using internal credit ratings. The tables below show the credit quality of financial assets based on the Company's credit rating system as of December 31, 2013 and 2012.

	2013			
	Standard Grade	**Past Due but Not Individually Impaired**	**Individually Impaired**	**Total**
Loans and receivables:				
Cash and cash equivalents				
Cash in banks	**₱145,429,774**	**₱–**	**₱–**	**₱145,429,774**
Cash equivalents	**101,184,014**	–	–	**101,184,014**
	246,613,788	–	–	**246,613,788**
Receivables				
Real estate receivables	**288,434,328**	–	–	**288,434,328**
Receivables from OTB operators	**1,193,961**	–	–	**1,193,961**
Due from related parties	**2,321,260**	–	–	**2,321,260**
Receivable from sale of investment property	**20,000,000**	–	–	**20,000,000**
Rent receivables	**19,144,894**	–	**1,508,371**	**20,653,265**
Advances and loans to officers and employees	**9,424,048**	–	–	**9,424,048**
Dividends receivable	**17,088,300**	–	–	**17,088,300**
Others	**12,754,984**	–	**7,188,406**	**19,943,390**
	370,361,775	–	**8,696,777**	**379,058,552**
Deposits*	**3,375,580**	–	–	**3,375,580**
	₱620,351,143	**₱–**	**₱8,696,777**	**₱629,047,920**

	2012			
	Standard Grade	Past Due but not Individually Impaired	Individually Impaired	Total
Loans and receivables:				
Cash and cash equivalents				
Cash in banks	₱127,303,010	₱–	₱–	₱127,303,010
Cash equivalents	127,513,424	–	–	127,513,424
	254,816,434	–	–	254,816,434
Receivables				
Real estate receivables	261,932,698	–	–	261,932,698
Receivables from OTB operators	964,937	–	–	964,937
Due from related parties	1,120,084	–	–	1,120,084
Rent receivables	14,808,568	–	6,000,000	20,808,568
Advances and loans to officers and employees	8,171,399	–	–	8,171,399
Dividends receivable	4,810,220	–	–	4,810,220
Others	13,203,427	–	–	13,203,427
	305,011,333	–	6,000,000	311,011,333
Deposits*	3,375,580	–	–	3,375,580
	₱563,203,347	₱–	₱6,000,000	₱569,203,347

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

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

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

Past due but not impaired loans and receivables amounting to nil and ₱4.0 million as of December 31, 2013 and 2012, respectively, are aged more than one year but less than three years.

Liquidity risk
Liquidity risk is defined as the risk that the Company would not be able to settle or meet its obligations on time or at a reasonable price. The Company's objective is to maintain a balance between continuity of funding and flexibility by regularly evaluating its projected and actual cash flows and 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, 2013 and 2012 based on contractual undiscounted payments (principal and interest) and the profile of financial assets used by the Company to manage its liquidity risk:

December 31, 2013

	Within 1 year	>1 year to <3 years	3 years to <5 years	5 years and more	Total
Bank loans*	**₱73,786,094**	**₱14,950,000**	**₱–**	**₱–**	**₱88,736,094**
Accounts payable and other liabilities**	**252,690,568**	–	–	–	**252,690,568**
Due to related parties	**5,087,345**	–	–	–	**5,087,345**
Subscription payable	**42,808,835**	–	–	–	**42,808,835**
	₱374,372,842	**₱14,950,000**	**₱–**	**₱–**	**₱389,322,842**

* *Amounts are inclusive of interest amounting to ₱3.7 million.*
** *Amounts are exclusive of nonfinancial liabilities amounting to ₱64.6 million*

	Within 1 year	>1 year to <3 years	3 years to <5 years	Total
Loans and receivables:				
Cash and cash equivalents	**₱246,613,788**	**₱–**	**₱–**	**₱246,613,788**
Receivables*	**219,705,192**	**150,661,281**	–	**370,366,473**
Deposits**	–	–	**3,375,580**	**3,375,580**
	466,318,980	**150,661,281**	**3,375,580**	**620,355,841**
AFS financial assets	–	–	**21,242,951**	**21,242,951**
	₱466,318,980	**₱150,661,281**	**₱24,618,531**	**₱641,598,792**

* *Amounts are exclusive of nonfinancial assets amounting to₱36.4 and ₱4.0 million both for December 31, 2013 and 2012, respectively.*
** *Included in "Other noncurrent assets" in the parent company balance sheets.*

December 31, 2012

	Within 1 year	>1 year to <3 years	3 years to <5 years	5 years and more	Total
Bank loans*	₱88,381,094	₱29,900,000	₱–	₱–	₱118,281,094
Accounts payable and other liabilities**	252,690,568	–	–	–	252,690,568
Due to related parties	4,240,000	–	–	–	4,240,000
Subscription payable	53,544,849	–	–	–	53,544,849
	₱398,856,511	₱29,900,000	₱–	₱–	₱428,756,511

* *Amounts are inclusive of interest amounting to ₱5.0 million.*
** *Amounts are exclusive of nonfinancial liabilities amounting to ₱153.2 million*

	Within 1 year	>1 year to <3 years	3 years to <5 years	Total
Loans and receivables:				
Cash and cash equivalents	₱254,816,434	₱–	₱–	₱254,816,434
Receivables*	250,797,807	54,213,526	–	305,011,333
Deposits**	–	–	3,375,580	3,375,580
	505,614,241	54,213,526	3,375,580	563,203,347
AFS financial assets	–	–	30,937,269	30,937,269
	₱505,614,241	₱54,213,526	₱34,312,849	₱594,140,616

* *Amounts are exclusive of nonfinancial assets amounting to ₱4.0 million as of December 31, 2012.*
** *Included in "Other noncurrent assets" in the parent company balance sheets.*

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:

	2013	2012 (As restated)
Capital stock	**₱948,734,898**	₱862,487,439
Net cumulative changes in fair values of AFS financial assets	**9,013,593**	18,707,911
Remeasurement on retirement benefits	**24,875,348**	28,429,500
Retained earnings		
Appropriated	**17,180,917**	17,180,917
Unappropriated	**1,716,075,506**	1,819,743,546
Treasury shares	**(7,096)**	(7,096)
	₱2,715,873,166	₱2,746,542,217

The Company still monitors its capital and capital adequacy by using debt-to-equity ratio. The debt-to-equity ratios as of December 31 are as follows:

	2013	2012 (As restated)
Total debt	**₱777,170,917**	₱795,816,081
Total equity	**2,715,873,166**	2,746,542,217
Debt-to-equity ratio	**0.29:1**	0.29:1

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:

	2013	2012
Net income	**₱25,703,318**	₱538,565,766
Divided by weighted average number of outstanding common shares	**948,734,898**	862,477,977
Basic/diluted earnings per share	**₱0.0271**	₱0.6244

The Company does not have potential dilutive common shares as of December 31, 2013 and 2012.

34. Other Matters

On March 6, 2014, a Memorandum of Agreement (MOA) was executed between the Company and Philippine Football Federation, Inc. ("PFF") to jointly develop a football complex on a portion of Company's San Lazaro Leisure and Business Park ("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 FIFA 2 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 Federacion Internationale de Football Association ("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 ("POC").

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 2013.

a. The Company is a VAT-registered company with VAT output tax declaration of ₱51,491,463 for the year based on the totals of the amounts reflected in revenue from club races, real estate and rent and other income of ₱429,095,528.

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

Balance at the beginning of the year	₱462,401
Current year's purchases:	
Capital goods not subject to amortization	3,748,212
Services lodged under cost of goods sold	9,477,516
Services lodged under other accounts	2,369,379
Claims for tax credit/refund and other adjustments	(15,187,488)
Balance at the end of the year	₱870,020

c. As of December 31, 2013, the VAT payable amounted to ₱2,012,513.

d. The documentary stamp tax (DST) paid/accrued on loan instruments amounted to ₱455,857.

e. Other taxes and licenses:

National:	
BIR annual registration	₱500
Local:	
Business permit	1,103,401
Racing permit	385,000
Mayor's permit	116,638
Barangay clearance	23,966

Others:	
Deficiency tax for 2008	₱1,543,743
Real estate tax	374,720
Miscellaneous	255,167
Annual PSE listing fee	250,000
Registration of vehicles	99,731
License of racing officials	85,880
Taxes and Licenses	**₱4,238,746**

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

Tax on compensation and benefits	₱11,015,210
Creditable withholding taxes	5,330,837
Withholding taxes paid/accrued	**₱16,346,047**

MANILA JOCKEY CLUB, INC.

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2013

The SEC issued Memorandum Circular No. 11 series of 2008 on December 5, 2008, which provides guidance on the determination of retained earnings available for dividend declaration.

The table below presents the reconciliation of retained earnings available for dividend declaration as at December 31, 2013:

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

MANILA JOCKEY CLUB, INC.
SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS AS OF DECEMBER 31, 2013

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

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

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
	Restatement of Accumulated Depreciation			
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	Not early adopted		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	Not early adopted		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PAS 27: Investment Entities	Not early adopted		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendment to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
	Amendment to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	Not early adopted		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization	Not early adopted		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
	Financial Assets and Financial Liabilities			
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	Not early adopted		
PAS 40	Investment Property	✓		
	Amendment to PAS 40: Investment Property	Not early adopted		
PAS 41	Agriculture			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			✓
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			✓
IFRIC 8	*Scope of PFRS 2*			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	*Interim Financial Reporting and Impairment*			✓
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	Not early adopted		
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓